Algemene Rekenkamer

Focus on the Netherlands' net payment position

The Netherlands' contributions to and receipts from the EU

2020

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Summary

The European Commission published its initial proposals for the new Multiannual Financial Framework (MFF) for 2021-2027 in May 2018. This marked the start of negotiations for the new MFF. The seven-year MFF sets the conditions for the EU's annual budgets. Brexit and recently proposed measures to combat the corona crisis have made negotiation of the MFF different than usual. The European Council reached agreement on the new MFF on 21 July 2020. The European Parliament has to approve the proposals.

The member states' net payment positions have traditionally been a sticking point in the negotiations. A net payment position is the balance between a member state's contribution to the EU and the funding it receives from the EU. It is calculated from the direct financial flows to and from the EU only; other costs and benefits are not taken into account. The Netherlands has contributed more to the EU than it has received from it since the 1990s.

The European Commission and the Netherlands have different opinions on what should be considered a contribution. Therefore they use different definitions to calculate the net payment position and the amount differs accordingly. The main difference is that the Netherlands counts the customs duties it remits to the EU as a contribution whereas the Commission does not under the definition used since 1999.

This report presents the net payment position based on both definitions in order to clarify the situation for parliament and the public debate.

Under the European Commission's definition, the figures for 2014-2019 show that the Netherlands was the biggest net contributor in 2014 and second after Germany in 2019. In the years in between Sweden and Germany were both bigger net contributors. Under its own definition, the Netherlands was the biggest net contributor throughout the entire period. If the rebates the Netherlands and certain other countries receive are left out of the calculations, the Netherlands and the UK were the biggest contributors throughout the 2014-2019 period under the Commission's definition. The exception for the Netherlands was 2017. Under its own definition and without the rebates the Netherlands was also the biggest net contributor throughout 2014-2019.

The figures, however, do not paint the full net payment picture. Some EU funds are allocated to the member state that coordinates a project implemented in several member states, as in the Interreg programmes. Other funds, such as the Juncker fund, are barely taken into

account in the calculation of the net payment position. The Juncker fund provides a guarantee under the EU budget that enables the European Investment Bank to grant loans to private investors.

From the very foundation of the European Economic Communities (the predecessor to the EU), all financial contributions were intended to be ‘own resources’. The rebate given to the UK in 1985 and later to other member states, including the Netherlands, has in effect compromised the principle underlying the EU’s own resources: differences in payment positions have become a factor in the contributions to the EU.

The calculation of the UK rebate did not take customs duties into account. That calculation, which is also laid down in the Own Resources Decision on the EU’s financing, is the mainstay of the Commission’s definition of the net payment position. Before 1999, the year in which the Commission first began to use its current definition, the Commission’s policy documents had used several other definitions. Apart from the Own Resources Decision and its calculation of the UK rebate, no other formal documents or regulations include a definition of net payment position.

There are significant differences between the Commission’s figures and those disclosed in the Minister of Foreign Affairs’ annual accounts of the contributions. They are not a result of the differences in definitions but are due mainly to the different ways in which the Netherlands’ rebate was accounted for in 2014-2019.

1 Introduction

1.1 Background

The EU and the member states have been negotiating the European Union's Multiannual Financial Framework (MFF) for 2021-2027 since 2018. The MFF sets the conditions for the EU's annual budgets. They include not only expenditure ceilings (how much money can be spent) but also the EU's objectives and programmes (what the money can be spent on).

Negotiation of a new MFF is never easy but Brexit and the corona pandemic have added new elements. The United Kingdom's departure from the EU without a concomitant reduction in the budget means the remaining 27 members must increase their contributions to the EU. The corona pandemic that broke out in 2020 has further complicated the negotiations. The recovery measures announced in response to the crisis have led to calls to increase the EU budget.

Net payment positions have been a recurrent theme in the negotiation of a new MFF. The net payment position is the balance between a member state's contributions to the EU and the funds it receives from it. The net payment position can be positive (a member state receives more than it contributes) or negative (a member state receives less than it contributes).

The Netherlands has been a net contributor since the 1990s: it has contributed more to the EU than it has received from it in the form of grants and other financial instruments.

Different definitions are used to calculate the net payment position. The Netherlands uses the accounting definition to calculate its net payment position.[1] This definition includes all contributions to and all receipts from the EU. The European Commission's definition does not include some revenue and expenditure categories (see chapter 2). The Netherlands is a net contributor under both definitions, but a bigger contributor under the accounting definition than under the Commission's definition.

The Netherlands' aim in the current MFF negotiations is to avoid any increase in its contribution and to have a similar net payment position to that of countries with a comparable level of prosperity.[2]

The Netherlands and the Commission still disagree on what should be included in a member state's contribution. This results in different opinions on the net payment position.

The various definitions of contributions, net payment positions and numerical differences create uncertainty and muddy the waters. This report is intended to clarify and explain the differences.

1.2 About this study

This study presents the Netherlands' net payment position in the period 2014-2019, as calculated under both the accounting definition used by the Netherlands and the operating budgetary balance definition used by the Commission. We also show how the Netherlands' net payment position compares with that of the other EU member states. We do not express a preference for one definition or the other. We look at their histories and the formal positions taken by the Netherlands and the Commission over the years.

The net payment position relates solely to a member state's *direct financial payments* to the EU and its *direct financial receipts* from the EU. It does not reflect the EU's total added value (the net social costs and benefits) enjoyed by the member states. Far more factors than direct funds flows are at play in such a valuation.

Benefit of the single market to the Netherlands

The net payment position represents the relationship between a country's financial contributions to the EU and the funds it receives directly from the EU via the European Commission. It does not reflect the other financial, economic and social costs and benefits of EU membership, such as access to the single market. The single market guarantees the free movement of persons, goods, services and capital among the member states.

Several academic studies have concluded that the Netherlands benefits from the single market. They place the country as the fifth or sixth largest beneficiary. One study calculated that the single market increased national prosperity by more than €1,500 per person per annum and by nearly €26 billion for the Netherlands as a whole.[3] Another concluded that the Netherlands' GDP would decline by 15.7% if trade barriers were reintroduced in the EU.[4]

In addition to the financial benefits of the single market, the EU has other – non-monetary – costs and benefits. There are benefits, for example, in the common resolution of cross-border problems, such as energy security and greenhouse gas emissions, more opportunities to study abroad and data roaming, and costs such as restrictions on national policy freedom.

We conducted this audit in the form of a focus study, in which we present the facts without making any judgements or recommendations. See the appendix for further information on the methods used in this study.

1.3 Contents of this report

Chapter 2 looks at the two definitions of the net payment position, the reasons for them and the financial flows they take into account. Chapter 3 presents the Netherlands' contributions to and receipts from the EU based on the Commission's figures. It presents the Netherlands' net payment position according to the two definitions and compares the Commission's figures with those kept by the Netherlands. Chapter 4 compares the Netherlands' net payment position with that of the other member states.

2 Net payment position definitions and background

2.1 Two definitions

A member state's net payment position is the balance between its financial contributions to the EU and the funds it receives from the EU.

The member states contribute three types of funds to the EU:

1. *Traditional own resources* (*TOR*), consisting of customs duties and agricultural levies, since the first Own Resources Decision of 1970. Member states contribute the levies and duties they charge on products imported from outside the EU. To compensate them for the costs they incur, they may retain a collection fee equal to 20% of the total (see textbox).
2. The *VAT-based own resource*, introduced in 1975 based on the first Own Resources Decision of 1970 and effectively collected for the first time in 1980. A member state's contribution is equal to 0.3% of its VAT base.[5]
3. The *GNI-based own resource*, introduced under the third Own Resources Decision of 1988. These contributions are based on the member states' relative proportion of the EU's gross national income (GNI). The GNI-based contribution covers the shortfall if the traditional own resources and the VAT-based own resource are inadequate to fund all the EU's expenditure. Today, the GNI-based own resource constitutes most of the EU's revenue, about 70%.

The EU's revenue is laid down in the Own Resources Decision. Since its first adoption in 1970, the Decision has been revised 6 times.[6]

Collection fee

To compensate the member states for collecting traditional own resources on behalf of the EU, they may retain 20% of the agricultural levies and customs duties they collect. The Netherlands' Customs authority does not keep separate accounts of the collection costs, in part because it treats its various import-related activities (including the enforcement of safety, health, economic and environmental regulations and levies and duties) as a single task. In a previous audit we found that the current management system cannot determine whether the collection fee covers the actual collection costs.[7]

Between 1970 and 2002, the collection fee was 10%. It was raised to 25% in 2002, when contribution rebates were introduced. This considerably cut the amounts contributed by the Netherlands (and Belgium). The fee was reduced to 20% in 2014.

The member states receive three types of funds from the EU:

1. *Funds under shared management*. The European Commission and the member states are jointly responsible for the regularity, efficiency and effectiveness of the use of these funds. Another characteristic of these funds is national co-financing: the member state's government makes a financial contribution to the projects concerned. The funds of relevance to the Netherlands are the agricultural funds, the structural and investment funds and the migration and security funds.
2. *Funds under direct management*. The European Commission awards these funds to beneficiaries in a member state without the member state's involvement. They include grants for specific projects to implement EU policy, such as Horizon 2020 grants for scientific research by consortia of academic teaching hospitals, or procurement contracts to deliver public services, goods or works.
3. *Administration funds* to cover the cost of EU institutions located in the member states.

Besides EU-institutions also national institutions such as national parliaments and supreme audit institutions have a role to play regarding the funds under shared management.
For the other two funds, only EU institutions such as the European Parliament and the European Court of Auditors are involved.

Calculation based on the accounting definition

The Netherlands has used the accounting definition to calculate its net contributions and receipts ever since discussion of the net payment position began in the 1990s. Under this definition, the net payment position is the balance of all the funds a member state receives from the EU less all its contributions to the EU. Traditional own resources (less collection costs) are attributed to the member state that contributes them. All funds received from the EU are also included in the calculation, including administration funds awarded for EU institutions located in a member state, such as the European Parliament, the European Commission and their representations.

Calculation based on the operating budgetary balance

For its annual financial report on the implementation of the budget, the European Commission calculates each member state's operating budgetary balance (OBB).
The main difference from the accounting definition is that the Commission does not count traditional own resources (e.g., customs duties) as a contribution from a member state. We explain the reasons for this in section 2.2. Neither does the EU include administration funds in a member state's receipts.[8] According to the Commission the TOR is not a contribution to the EU by the member state and administration funds are not considered a revenue by the member state. This is shown in figure 1.

The difference between the two definitions of net payment position is due to the inclusion or exclusion of traditional own resources and administration funds

Contributions to the EU	OBB definition	Accounting definition
Traditional own resources	○	●
VAT-based own resource	●	●
GNI-based own resource	●	●
Receipts from the EU		
Funds under shared management	●	●
Funds under direct management	●	●
Administration funds	○	●

Figure 1 *Difference between the two definitions of net payment position*

The Commission recalculates each member state's contribution in the OBB definition.[9] In this report, we have worked with the actual contributions of member states and have not applied this recalculation. References in this report to the operating budgetary balance (OBB) refer to the definition without recalculation. We refer to this as the OBB* definition.

2.2 Background to the EU's own resources

2.2.1 The EU's own resources and the net payment position

The different definitions of net payment position and the role played by traditional own resources are inextricably linked to the history and development of the financing system in place for the EU and its predecessors.

The EEC was created in 1958 when the Treaty of Rome came into force. From 1967 to 1993, it, the European Coal and Steel Community (ECSC) and the European Atomic Energy Community (Euratom) were together known as the European Communities. The EU was created in 1993 when the Maastricht Treaty came into force. Until the 2009 Treaty of Lisbon, the EU had three pillars: the European Communities (economic, environmental and social policies), a second pillar concerning common foreign and security policy and a third pillar on cooperation in the fields of justice and home affairs. The pillars were abolished in 2009 and replaced with a single legal personality: the EU.

The EU has evolved gradually since the creation of the EEC and its tasks and powers have steadily changed over the past decades. The European Parliament's powers, for instance, have been widened and the Economic and Monetary Union was introduced. New European institutions have also been set up, including the European Court of Auditors in 1997 and the European Central Bank in 1998, and the number of member states has increased sharply from 6 to 28, and back to 27 again in 2020. In addition to its tasks and powers in economic areas, the EU has strengthened cooperation in other fields, such as justice, the police, innovation and the environment. Opinions on the desired role and powers of the EU differ across the political groups represented in the European Parliament and among the EU member states themselves.

The financing system in place for the EEC and later the EU has also gradually developed in step with the EU's evolving tasks and powers. Own resources, for instance were introduced in 1970 when the Treaty of Luxembourg granted the European Parliament power to take decisions on budget policy.[10]

EU financing and own resources

Below, we present the main changes in the EU's financing since 1957:

- On its creation, the EEC was financed by means of contributions from its 6 member states (Treaty of Rome, article 200, 1957). The founding members nevertheless wanted the EEC to finance itself by means of its 'own resources'. Article 201 of the Treaty of Rome states: 'The Commission shall examine the conditions under which the financial contributions of member states provided for in article 200 could be replaced by the Community's own resources, in particular by revenue accruing from the common customs tariff when it has finally been introduced.'

- In 1962, the Common Agricultural Policy (CAP) was introduced and import levies were agreed for farm products from non-EEC countries. It was decided that the levies would accrue to the EEC in the single market stage to cover the Community's expenditure.[11] This, however, did not remove the need for member state contributions to finance the EEC.

- The creation of the customs union in 1968 removed the 6 member states' internal customs borders for goods trade and introduced agreed import duties for goods from non-EEC countries, and later from non-EU countries.

- The first Own Resources Decision, of 21 April 1970, stated that the agricultural levies and, in stages, the customs duties would accrue to the budget of the European Communities (ECSC, EEC and Euratom) as from 1 January 1975. It was also decided that a VAT-based resource would be introduced as from the same date.[12] This new resource was necessary to cover the shortfall in revenue from agricultural levies and customs duties. The VAT-based own resource was first collected in 1980.

In keeping with article 201 of the Treaty of Rome, the first Own Resources Decision had the intention of replacing 'contributions' with 'own resources'. The title reads as follows: 'decision (..) on the replacement of financial contributions from member states by the communities' own resources'.
The term 'traditional' was a later addition to the own resources of agricultural levies and customs duties. The Commission first began to refer to 'traditional own resources' in the early 1990s. These resources, like the coal and steel levies raised to finance the ECSC, are an inevitable outcome of the principle lying at the heart of the Treaty of Rome: the free movement of goods.

- The 1970 Own Resources Decision has since been amended on 6 occasions (1985, 1988, 1992, 2000, 2007, 2014). Each new Decision amended how the European Communities, and later the European Union, were financed.

- The Own Resources Decision of 24 June 1988 provided for 'the application of a uniform rate – to be determined pursuant to the budgetary procedure – to the sum of all the member states' GDP'.[13] This new own resource met the EEC's financing needs. Its aim was to 'match the resources paid by each member state more closely with its ability to contribute'.[14]

- The 1985 Own Resources Decision provided for the first reduction in a member state's contribution to the EEC. It was agreed for the United Kingdom at the 1984 Fontainebleau Council meeting. The 1985 Own Resources Decision states, 'any member state sustaining a budgetary burden which is excessive in relation to its relative prosperity may benefit from a correction at the appropriate time'.[15]

- In accordance with the same principle, other EU member states subsequently benefited from corrections to their EU contributions. The 2000 Own Resources Decision provided rebates for the Netherlands, Germany, Sweden and Austria.[16] The Netherlands (and the other member states) retained their rebates in the most recent Own Resources Decisions, in 2007 and 2014.

- The Commission has presented proposals in various decisions to simplify the own resources system by means of new own resources and the simplification or abolition in whole or in part of the rebates.[17] Discussion of the Multiannual Financial Framework (MFF) for 2021-2107 has also considered the introduction of an EU-wide own tax resource.

The Netherlands Court of Audit does not have an opinion on whether the EU should have its own tax resources.

The 1984 Fontainebleau Council's decision is relevant to the net payment position: it determined how the UK rebate would be calculated.[18] The calculation did not take agricultural levies and customs duties into account. The method applied to calculate the rebate and its consequences for the United Kingdom are laid down in the Own Resources Decision and are therefore embedded in a formal document. Since the mid-1980s, no other formal EU document has considered the calculation of the net payment position.[19] Despite the Fontainebleau Council's formal decision on the UK rebate, the European Commission has used several definitions to calculate the net payment position since 1984.[20] In 1999 it adopted the principle of the operating budgetary balance. The EU heads of state and government agreed rebates for other member states (including the Netherlands) at the Berlin Council meeting.[21] By excluding the TOR, the operating budgetary balance principle is consistent with the Fontainebleau calculation.

The Berlin Council's decision did not completely ignore the TOR in the rebates granted to the net contributors: the amount the member states could retain to offset their collection costs was increased from 10% to 25%. In effect, this reduced their contributions. There is no clear relationship between the percentage retained and actual collection costs.[22] The rate was lowered to 20% in 2014.

The European Commission has attempted in various decisions to simplify the own resources system, partly because the rebates have become increasingly complex. Its proposals include the introduction of other own resources and a simplification or abolition of the rebates. So far, without result.

Decisions on the EU's financing have been made by various actors and in various steps.

Instruments to finance EU policy

- Multiannual financial framework (since 1988, every 5-7 years)
  Legal basis: Article 312 of the Treaty on the Functioning of the European Union (TFEU).
  The Council of the European Union must reach a unanimous decision on the Commission's proposal for the MFF. The decision will be finalised when the European Parliament approves the MFF. In practice, the European Parliament can approve or reject the Council's decision. It cannot amend the proposal.

- Own Resources Decision (since 1970, as from 1988 simultaneously with the MFF)
  Legal basis: Article 311 TFEU.
  After hearing the European Parliament, the Council of the European Union must reach a unanimous decision on the Commission's proposal for the Own Resources Decision. The European Parliament advises on the Own Resources Decision. Before coming into force, the Decision must be ratified by each EU member state.

- EU budget (annual)
  Legal basis: Article 314 TFEU.
  The Commission submits a proposal for a draft budget to the Council and the European Parliament. The Council of the EU (Economic and Financial Affairs) and the European Parliament must reach agreement on the EU budget (article 314 TFEU). The Commission is responsible for implementing the budget in cooperation with the member states (article 317 TFEU).

Under article 319 TFEU, the European Parliament, acting on a recommendation from the Council, must give or deny discharge to the Commission for its implementation of the EU budget. To do so, it examines the implementation relying, in part, on the annual report of the European Court of Auditors.

2.2.2 Background to the Netherlands' stance on own resources and the net payment position

Own resources

The Netherlands did not include customs duties and agricultural levies in its budget until 2002. The 1971 Budget Memorandum states, 'In so far as these receipts [customs duties and agricultural levies] are community resources as from 1 January 1971, they no longer need to be entered in the national budget. Their inclusion in the central government budget could give the impression that the receipts concerned were still national resources.' In consequence, the treaty obligations were recognised in the Netherlands' annual budgets and accounts. Until 2002, these resources were recognised in the Budget Memorandum as a supplementary item (tax remittances to the EU). As from the 2002 budget all contributions, including customs duties, have been included in the Ministry of Foreign Affairs' budget.[23] The changes brought about by the From Policy Budgets to Policy Accountability programme[24] was the reason for this.[25]
A 2014 study by the European Parliament found that only one country in the EU [the Netherlands] recognised customs duties as income and expenditure in the national budget rather than as a receipt on behalf of the EU budget.[26]

Definition net payment position

The Netherlands has been debating its net payment position since the 1990s. It has evolved over the years owing to the revision of agricultural policy and agreements on the cohesion funds to support new member states. The Netherlands has changed from being a net recipient to being a net contributor. It has consistently included customs duties in its net payment position. In the early 1990s, moreover, it noted that there was a 'Rotterdam effect'; the Netherlands levies customs duties on imports that are destined for other EU member states.[27]

The precise definition was not of primary importance in the 1990s. In 2002, the Netherlands, like Austria, Germany and Sweden, received the rebate it had requested by way of compensation for its perceived excessive net payment position.

In the subsequent run-up to the Multiannual Financial Framework (MFF) for 2007-2013, the Dutch government regularly considered the different definitions. The Netherlands applies the accounting definition. The Netherlands is a net contributor under both definitions and received a rebate under the 2007-2013 MFF.

In its explanatory memorandum to the 2007 Own Resources Decision, the government considers the definitions at length:

> 'It is relevant which definition is used in the debate of net positions. It is particularly important how customs duties are dealt with when collected. The Dutch government thinks traditional own resources, like the other own resources (VAT-based and GNI-based resources) should be regarded as contributions from the member state that remits them to Brussels. The Commission, however, argues that customs duties are the Union's own resources, arising from the Community's customs policy, and are thus not relevant to the individual member states' contributions. Furthermore, they could not be meaningfully attributed to the member state that remits them owing to the 'Rotterdam effect': Rotterdam's mainport function means the Netherlands collects customs duties on goods that lead to consumption in other EU member states. These duties should therefore no longer be counted as the Netherlands' 'national' contribution because their economic burden is borne by other member states. The Dutch government has always argued that these resources do not automatically 'arise' from the common customs policy. They are directly related to the economic activity of individual member states; they are a burden on economic operators. Most of the goods (more than 70%) are released into free circulation, with economic operators in the member state concerned bearing the risks. The risks and the burden to the economic operators determine whether customs duties must be paid. The duties are paid by the citizens and businesses in the member state by means of a mark-up on the price of imported goods. In the government's opinion, traditional own resources should therefore be counted as contributions from individual member states and included in a definition of the net position that includes all contributions and receipts (the 'accounting definition'). This is the purest indicator of the net burden on a member state's economy.' [28]

At the end of 2012, in the run-up to the 2014-2020 MFF and with a view to retaining the rebate, the Minister of Foreign Affairs again drew attention to the Netherlands' position under both definitions.[29] The net payment position slipped from view again when the new rebate was awarded: a halving of the VAT-based contribution and a lump sum reduction in the GNI-based contribution. Contributions to the EU returned to centre stage at the end of 2014 when the Netherlands had to pay an additional contribution of more than €600 million following an update of the member states' GNI figures.

For comparative purposes with the other member states, the Ministry of Foreign Affairs has included the net payment position under the Commission's definition in its budget since the 2016 financial year. Since the 2017 financial year, the Minister of Finance has also considered the system and amounts of EU contributions and receipts in the Central Government Annual Financial Report.

With the presentation of the Commission's proposals for the next MFF in May 2018, consideration of the contributions to the EU has returned.[30]

2.3 Concerns regarding the calculation of the net payment position

The calculation of the net payment position raises some concerns under both definitions. Although they are of a technical nature, we consider them below because of their relevance for a better understanding of the discussions. We look successively at member state receipts that are difficult to allocate to a member state and the GNI corrections that have been applied over the years.

2.3.1 Difficult allocation of receipts

The figures underlying the calculation of the net payment position do not include some receipts in whole or in part. It is thus not known precisely how much the member states receive and their net payment positions contain a degree of uncertainty. The main examples in the Netherlands are the funds allocated to Interreg and the Horizon 2020 programme and investments financed from the European Fund for Strategic Investments (EFSI).

Interreg

The European Territorial Cooperation programme, also known as Interreg, is financed from the European Regional Development Fund (ERDF). Through Interreg, the EU provides financial support for cross-border cooperation between regional and local authorities. Between 2014 and 2020, the EU released €9.3 billion for Interreg. There are 79 Interreg programmes; the Netherlands participates in 10.

The Dutch province of Limburg coordinates Euregio Maas-Rhine, a programme involving 13 Belgian, German and Dutch border regions. In 2014-2019 the programme received a total of €96 million[31] from the ERDF. By 11 February 2020, more than €70 million of this funding had been allocated to projects.[32]

The European Commission finances the programmes by releasing funds to the managing authorities (who have primary responsibility for coordination and control). The managing authorities publish information on the allocation of funds to projects and organisations. On the basis of that information, table 1 below shows the allocation of Interreg funds to Dutch organisations.

Table 1 *Allocation of Interreg funds to programmes in which the Netherlands participates, 2014-2020*

Interreg-programme	Programme name	Total allocation (in millions of €)	Allocation to Dutch organisations (in millions of €)
Interreg A	Maas-Rhine	69.6	17.7
Interreg A	Flanders-Nederland	153.5	72.2
Interreg A	Germany-Nederland	227.3	118.6
Interreg A	Interreg 2 Seas	255.8	63.8
Interreg B	Interreg North-West Europe	352.5	73.2
Interreg B	Interreg North Sea Region	160.2	39.0
Interreg C[33]	Interreg Europe	272.7	15.2
Interreg C	URBACT	10.6	0.3
Total Interreg		1,502.3	401.9

Source: Websites of the funds' managing authorities[34]

The table shows that the Interreg programmes have provided more than €400 million to Dutch organisations to date. The European Commission counts Interreg funds as a member state's receipts only if it is responsible for the managing authority.[35] The Netherlands is responsible for the managing authority of the Interreg Maas-Rhine programme only. Only payments to the Maas-Rhine programme are therefore included in the Netherlands' net payment position, up to a maximum of €69.6 million. As Dutch organisations have received more than €400 million, the net payment position apparently underestimates the Netherlands' receipts from the EU. According to the Ministry of Finance, a statement of actual receipts will not be drawn up until the end of the programming period (2014-2020). Only then can it be determined whether the Netherlands' receipts are underestimated or overestimated.

Horizon 2020

The Horizon 2020 programme is the biggest programme under the direct management of the European Commission, with €79.4 billion available for the 2014-2020 period. The Commission's Horizon 2020 dashboard[36] indicates that the programme provided €3.95 billion to Dutch organisations between 2014 and 2019.

Approximately 75% of the Horizon 2020 funds are allocated to joint cross-border projects.[37] As in the case of Interreg, the Commission releases the funds to a research project's coordinator, who then divides it among the project participants (some of whom may be in a different member state).[38] Until the end of 2015, the Commission included the funding in the receipts of the coordinator's member state. It has since recognised them in the receipts of the member states in which the participants are located, based on their share in the project.

The Commission's financial reports reveal that the Netherlands received €4.74 billion from the Horizon 2020 programme in 2014-2019. The figures in the Horizon 2020 dashboard on the allocation of Horizon 2020 funds to the Netherlands are inconsistent with those in the financial reports the Commission uses to calculate the net payment position. The Commission introduced a new allocation key for payments to member states in 2016. There is therefore some uncertainty about how the Horizon 2020 figures are accounted for in the Netherlands' net payment position in 2014 and 2015.

EFSI

The European Fund for Strategic Investments (EFSI), also known as the Juncker Fund after the former President of the European Commission, is a relatively new instrument (2015) of the European Investment Bank (EIB). With guarantees provided from the EU budget, the EIB attracts private investments for high risk projects that would otherwise not be financed. Financing takes the form of loans with favourable interest rates. At the end of May 2020, the EIB had mobilised €3.7 billion in EFSI funding for projects in the Netherlands. The fund serves as a catalyst to trigger investments worth nearly €15 billion. The ratio between the EFSI funding and the triggered investments is lower in the Netherlands than in most other member states. Relative to national GDP, the Netherlands ranks 19th in the list of countries with the most EFSI-triggered investments.[39] In first place comes Greece, where nearly €2.8 billion in EFSI funding has generated €12.8 billion in private investments.

Virtually none of the EFSI funds are included in the net payment position,[40] as they do not qualify as direct expenditure from the EU budget. The EIB is responsible for them. However, they are guaranteed by the EU budget.

2.3.2 Corrections to the GNI-based contribution

Corrections to the GNI-based contribution are another source of confusion.[41] Eurostat, the European statistical office, checks each member state's GNI position every year against figures provided by the national statistical office. If it differs from the projected position, a member state's contribution is adjusted. The EU can review the figures retroactively for up to 5 years.[42] The member state then pays an additional contribution or receives a refund. The table below shows the refunds the Netherlands has received (+) and additional contributions it has paid (-) since 2014.

Table 2 *Additional and refunded EU contributions, 2014-2019 (in millions of euros)*

Year	Amount
2014	-643
2015	-446
2016	+124
2017	+64
2018	-318
2019	+17

Source: letter of 18 February 2020 from the Minister of Finance to the House of Representatives on the calculation of additional EU contributions for 2019

Contributions are also corrected because the Own Resources Decision is not officially adopted until several years after it comes into force. The 2104 Own Resources Decision, for instance, was not formally adopted until 2016.[43] This delay led to corrections to the Netherlands' contributions for 2014 and 2015.

3 Netherlands’ net payment position, 2014-2019

This chapter looks at the Netherlands’ net payment position in 2014-2019. We have calculated the position under both the Netherlands’ accounting definition and the Commission’s operating budgetary balance* definition using the Commission’s data on contributions and receipts.[44]

Section 3.1 considers the Netherlands’ net payment position in 2014-2019. Section 3.2 looks at the agreement between the figures in the Commission’s financial reports and the figures in the Netherlands’ budget and accounting records.

3.1 Netherlands’ net payment position, 2014-2019

3.1.1 Netherlands’ contributions in 2014-2019

Figure 2 shows the various components of the Netherlands’ contributions to the EU as a percentage of its gross national income (GNI).

The Netherlands’ contribution to the EU differs each year

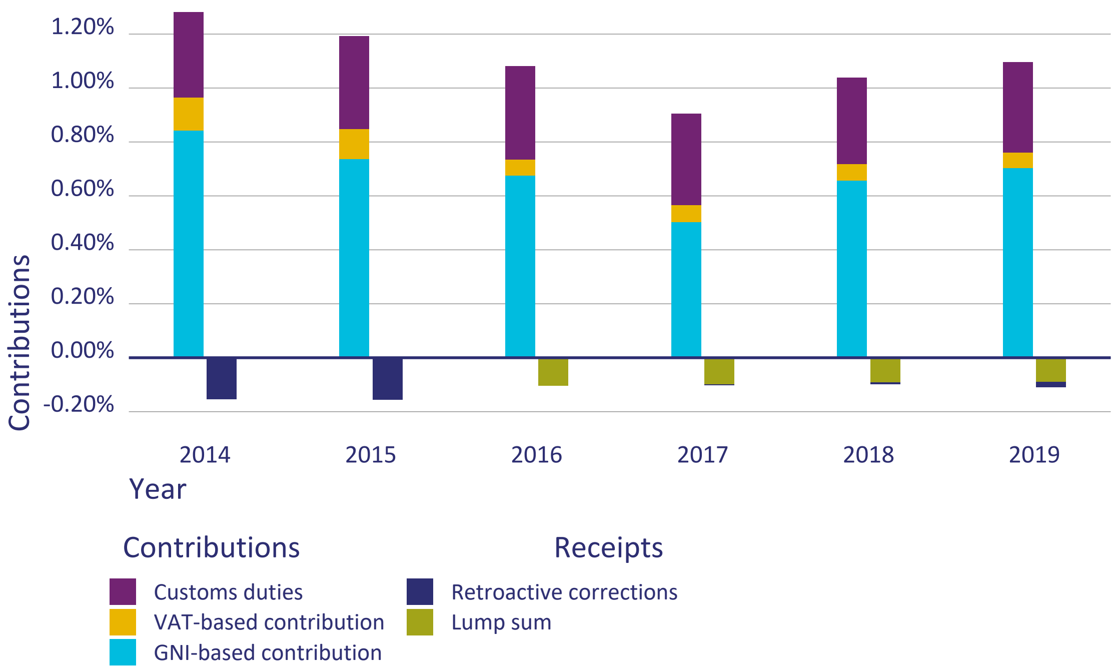

Figure 2 *Netherlands’ contributions to the EU as a percentage of GNI (2014-2019)*

Under the 2014 Own Resources Decision, the Netherlands received a rebate on its VAT-based contribution[45] and a reduction in its GNI-based contribution. [46] They can be seen in the figures as from 2016. For 2014 and 2015, they were recognised as retroactive corrections. The Netherlands also contributes to the cost of rebates granted to other member states (the general rebate for the UK and rebates for Denmark, Ireland and the UK, which have opt-outs in the area of freedom, security and justice (FSJ)).

Table 3 *Netherlands' contribution to the EU in millions of euros and as a percentage of GNI*

Contributions	2014	2015	2016	2017	2018	2019
Total contributions of the Netherlands to the EU in millions €	7,475.3	7,045.7	6,717.2	5,848.7	7,347.7	8,055.1
Total contributions of the Netherlands to the EU in % GNI	1.13	1.04	0.98	0.80	0.94	0.99

Source: annual financial reports (2014-2018) and the European Commission's expenditure and revenue chart, available from https://ec.europa.eu/budget/graphs/revenue_expediture.html, retrieved at 31-08-2020, consulted on 31-08-2020.

Figure 2 and table 3 (for a breakdown of the amounts see table 7 in appendix 1) show that the Netherlands' contribution to the EU declined in the period 2014-2017 and increased again in 2018 and 2019. Over the period as a whole, the Netherlands' contribution was equal to approximately 1% of its GNI (including the rebate).

The Netherlands' contribution was lower in 2017 than in other years for several reasons. One is that EU expenditure as a whole was lower in 2017. In addition, a relatively large surplus on the 2016 budget was carried over to 2017 and the EU's miscellaneous income (e.g., interest and fines) was higher.

3.1.2 Netherlands' receipts in 2014-2019

Figure 3 shows the funds the Netherlands received from the EU in 2014-2019.

The Netherlands' receipts from the EU budget have increased since 2016

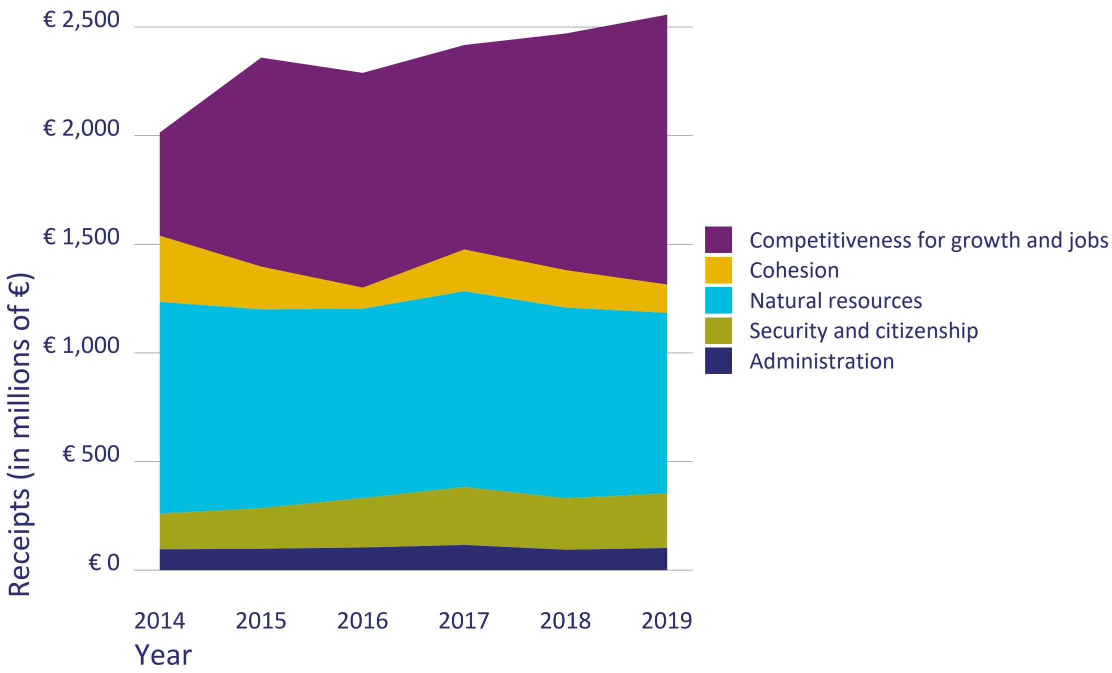

Figure 3 *Netherlands' receipts from the EU (2014-2019)*

Table 4 *Netherlands' receipts from the EU in millions of euros and as a percentage of GNI*

Receipts	2014	2015	2016	2017	2018	2019
Total receipts of the Netherlands from the EU in millions of €	2.014,4	2.359,2	2.289,0	2.417,2	2.470,4	2.557,1
Total receipts of the Netherlands from the EU in % of GNI	0,30	0,35	0,33	0,33	0,32	0,31

Source: annual financial reports (2014-2018) and the European Commission's expenditure and revenue chart, available from https://ec.europa.eu/budget/graphs/revenue_expediture.html retrieved at 31-08-2020, consulted on 31-08-2020.

Figure 3 and table 4 show the familiar picture of receipts increasing in the second half of the MFF period. Table 8 in appendix 1 shows the amounts per category.

3.1.3 Netherlands' net payment position in 2014-2019

The net payment position is the balance of EU expenditure and receipts. Figure 4 shows the Netherlands' negative net payment position in the years 2014 to 2019 as a percentage of GNI under the 2 definitions.

The Netherlands' net payment position is more negative under the accounting definition than under the *operating budgetary balance definition**

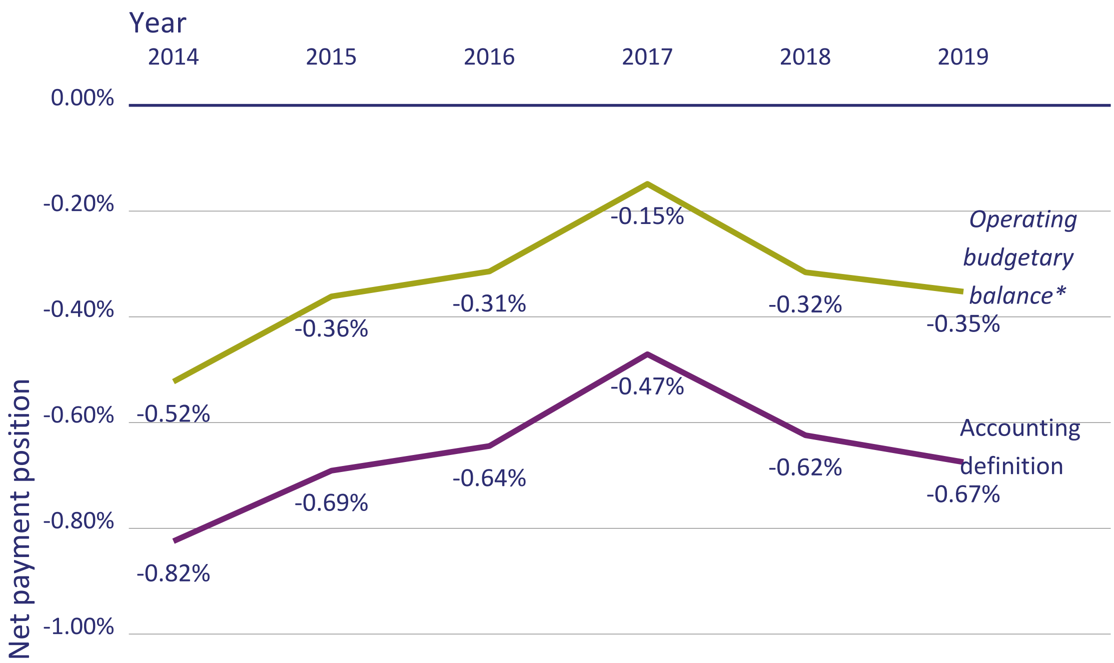

Figure 4 *Netherlands' net payment position under the two definitions as a percentage of GNI (2014-2018)*

Table 5 *Netherlands' net payment position under the two definitions (in millions of euros)*

Definition	2014	2015	2016	2017	2018	2019
Net payment position, operating budgetary balance*	-3,461.6	-2,451.2	-2,158.5	-1,082.9	-2,468.3	-2,870.9
Net payment position, accounting definition	-5,460.9	-4,686.5	-4,428.1	-3,431.4	-4,877.3	-5,498.0

Source: annual financial reports (2014-2018) and the European Commission's expenditure and revenue chart, available from https://ec.europa.eu/budget/graphs/revenue_expediture.html, retrieved at 31-08-2020.

Figure 4 and table 5 show that the accounting definition produces a higher negative net position for the Netherlands than the operating budgetary balance* definition. This is the logical outcome of the exclusion of the TOR in the latter definition. Both curves follow almost exactly the same pattern, with an outlier in 2017.

3.2 Numerical differences between the Commission and the Netherlands

The European Commission publishes an annual financial report on the implementation the EU budget. It includes an overview of the member states' contributions and receipts. The Commission uses these figures to present its figures on the OBB, which are also disclosed in the financial report. The Ministry of Foreign Affairs has included these OBB figures (as a percentage of GNI) in its budget since the 2016 financial year. It compares the Netherlands' net payment position with that of other member states.

The figures in the Ministry of Foreign Affairs' accounts and those in the Commission's financial reports do not agree with each other. The table below shows that the Commission's and the Netherlands' figures on the Netherlands' contributions differ each year.

Table 6 *Netherlands' contribution (including TOR) in millions of €, according to the Ministry of Foreign Affairs' annual reports and the European Commission's financial reports*

Contributions	2014	2015	2016	2017	2018	2019
Financial reports (EC)[47]	7,475.3	7,045.7	6,717.2	5,848.7	7,347.7	8,055.1
Foreign Affairs' annual reports (NL)	8,553.3	8,178.6	7,514.3	3,219.0	6,672.7	8,388.7

Source: annual financial reports (2014-2018), the European Commission's expenditure and revenue chart, available from https://ec.europa.eu/budget/graphs/revenue_expediture.html, retrieved at 31-08-2020, consulted on 31-08-2020, and the Central Government Annual Financial Report 2018 and 2019 of the Ministry of Foreign Affairs

According to the Ministry of Finance, the differences are due mainly to the way in which income and expenditure are recognised. The Netherlands accounts for them on a cash basis and thus recognises them in the year in which payments are actually made or received (cash accounting). The Commission recognises income and expenditure in the year to which they relate (accrual accounting). Also in this field definitions and approach differ. The Commission and the Netherlands therefore recognise subsequent adjustments and supplementary budgets (due to retroactive implementation of the Own Resources Decision) in different years. The greatest difference is due to the rebate the Netherlands received under the 2014 Own Resources Decision. The Netherlands recognised the rebate for 2014 to 2016 as a single amount in the item 'miscellaneous income' in 2017. This considerably reduced the amount the Netherlands' payment to the EU in 2017. The Commission recognised the rebate in the respective years. Other differences are due to, for instance, prior year accruals and prepayments and corrections for differences between estimated and actual costs.

It is even more difficult to reconcile differences reported in the funds the Netherlands receives from the EU. The government accounts for the funds it receives under shared management in its annual national declaration. The Commission's financial report, however, makes no distinction between funds under direct management and funds under shared management.

4 Net payment position of the Netherlands versus that of other EU member states

In this chapter we compare the Netherlands' net payment position against that of the other EU member states using both the Netherlands' and the Commission's definitions. In section 4.1 we consider the position according to the Commission's *operating budgetary balance** definition (section 4.1.1) and the Netherlands' accounting definition (section 4.1.2). In section 4.2 we look at the effect of the rebate on the net payment position. In section 4.3 we explain the differences between the two definitions, for both the net payment position with rebate and the net payment position without rebate. All net payment positions in this chapter are expressed as a percentage of GNI.

4.1 Net payment position of EU member states

4.1.1 The European Commission's operating budgetary balance* definition

Overall picture

We analysed the net payment position of all EU member states in the period 2014-2019 according to the Commission's operating budgetary balance* definition (OBB*).[48] The analysis shows that the differences in the net recipients' positions are greater than the differences in the net contributors' positions. Furthermore the net recipients' positions fluctuate more widely over the years than the net contributors' positions.[49]

Net contributors

If we look at the net contributors, several observations can be made, as shown in figure 5.

Under the *operating budgetary balance definition, the Netherlands, UK, Germany and Denmark have been the biggest net contributors in recent years**

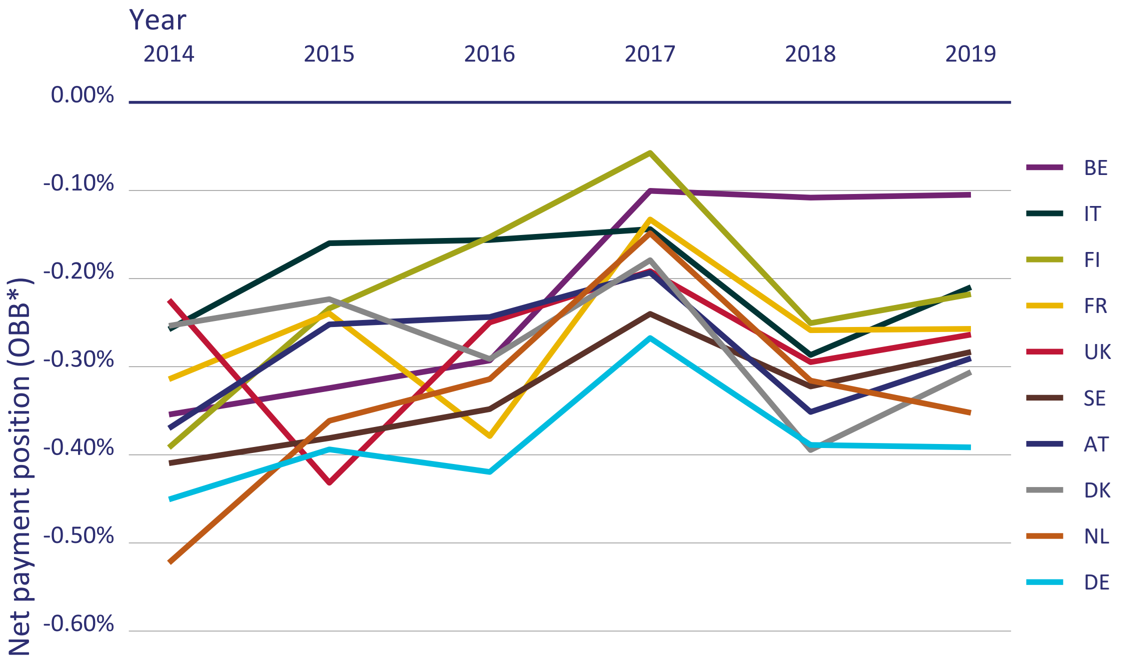

Figure 5 *The net payment position of the 10 net payers, as a percentage of GNI under the OBB* definition (2014-2019)*

It can be seen from figure 5 that, with the exception of Belgium, the differences between the net contributors were bigger in 2014 than in 2019. Under this definition, the Netherlands was the highest net contributor in 2014 and the second highest net contributor after Germany in 2019. In the other years its net payment position was lower, and Sweden and Germany were bigger net payers. Under the OBB* definition, Germany has been the biggest net contributor for many years.

Net recipients

The biggest net recipients as a percentage of GNI have been Hungary (2014 and 2018), Bulgaria (2015 and 2016), Lithuania (2017) and Latvia (2019). The net recipients' positions are shown in figure 10 in appendix 1. It can be seen that the positive net payment positions of the biggest net recipients have fluctuated widely (Bulgaria, Romania, Slovakia). Some countries remained relatively stable at close to zero during this period (Luxembourg, Ireland, Spain and Cyprus).

4.1.2 Accounting definition

Overall picture

The accounting definition presents broadly the same picture as the Commission's definition. Under the accounting definition, too, differences in the net payment position are particularly marked among the net recipients, and the net recipients have also seen the greatest fluctuations over the years. There were fewer differences among the net contributors and smaller fluctuations over the years. The net contributors' position, however, is slightly more negative (closer to -1%) than under the OBB* definition.

Net contributors

If we zoom in on the net contributors under the accounting definition in figure 6, we can see two things.

Under the accounting definition, the Netherlands was the biggest net contributor. Under the same definition, Belgium becomes a net recipient

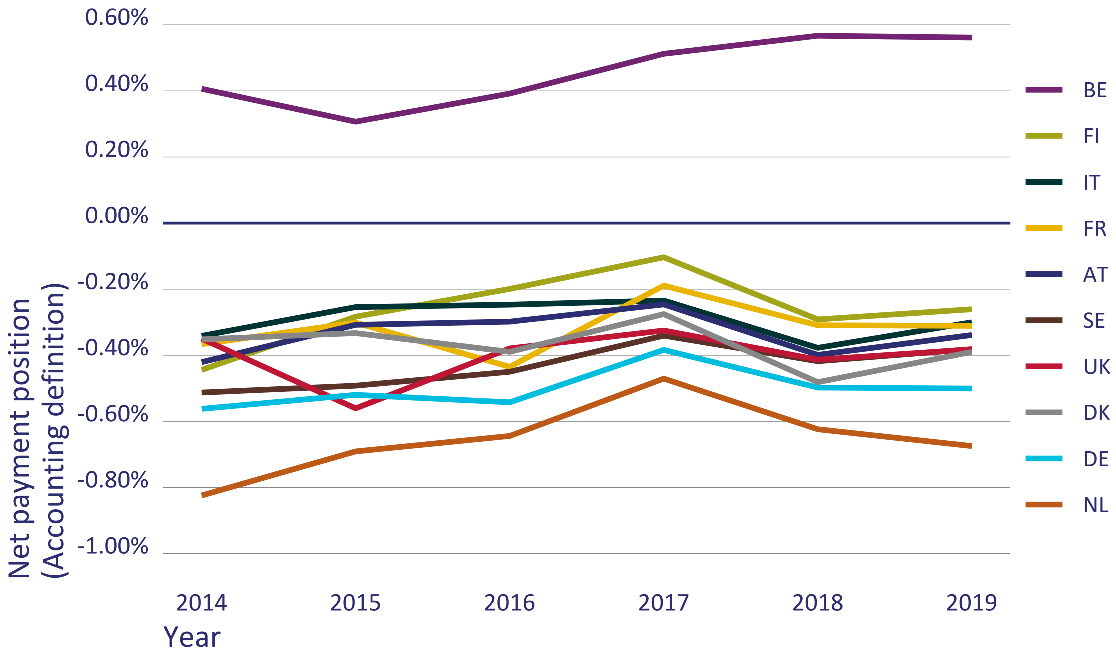

Figure 6 *The net payment position of the 10 net contributors, as a percentage of GNI under the accounting definition (2014-2019)*

The accounting definition has a significant impact on Belgium's net payment position. It becomes a net recipient because the accounting definition allocates funds to Belgium (and to Luxembourg and France) for hosting EU institutions. Under the accounting definition, the Netherlands was the biggest net contributor throughout the entire 2014-2019 period.

Net recipients

Under the accounting definition, Hungary (2014 and 2018) and Bulgaria (2015) are again the biggest net recipients, see figure 11 in appendix 1. Interestingly, Luxembourg was the biggest net recipient under the accounting definition in 2016, 2017 and 2019. This is because the country is a relatively large recipient of the EU's administration expenditure (Luxembourg hosts two major EU institutions, the European Court of Auditors and the European Court of Justice). The OBB* definition does not take these receipts into account.

4.2 Effect of the rebates

Since 1985, a member state sustaining a 'budgetary burden which is excessive' in relation to its relative prosperity can receive a correction. Such corrections are contentious issues in the MFF negotiations. The UK has benefited from a rebate since 1985[50] and other countries, including the Netherlands, since 2002. As explained in section 3.1, the 2014 Own Resources Decision gave Germany, the Netherlands and Sweden a rebate on their VAT-based contributions, and Denmark, Sweden, Austria and the Netherlands a lump sum reduction in their GNI-based contributions.

The rebates are part of the negotiation for the 2021-2027 MFF.[51] As rebates are financed by the other member states, leaving them out of the calculation affects all member states: those that no longer receive a rebate will see an increase in their contributions, the others will see a reduction. The following sections show this relationship for the ten net contributors.

4.2.1 Net contributors without rebates: operating budgetary balance*

Figure 7 shows the net payment position of the ten net contributors based on the OBB* definition. The rebates granted in 2014-2019 are not included in the calculation of their net payment positions.

Under the *operating budgetary balance definition, the Netherlands and the UK would have been the biggest net contributors without their rebates**

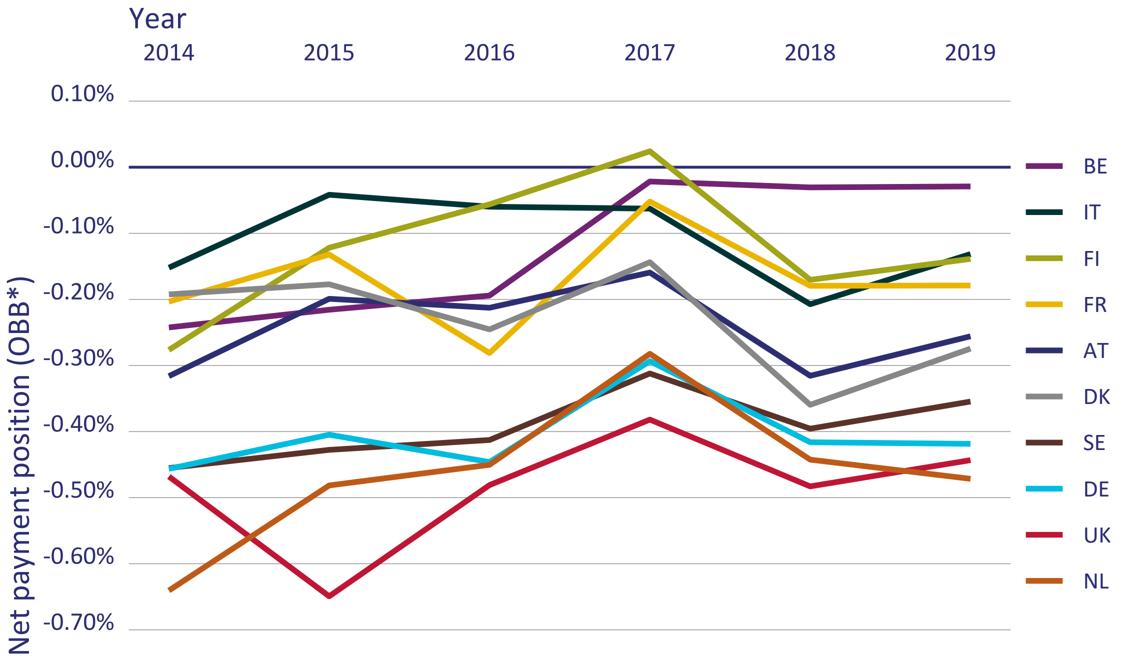

Figure 7 *The net payment position of the 10 net payers, excluding rebates, as a percentage of GNI under the OBB* definition (2014-2019)*

this definition – without rebates – the Netherlands would have been the biggest net contributor in 2014 and 2019 and the UK would have been the biggest net contributor in the other years. Without rebates, Sweden and Germany would also rank among the biggest net contributors.

4.2.2 Net contributors without rebates: accounting definition

If we look at the situation without rebates based on the accounting definition (figure 8), there are several interesting changes. Firstly, without rebates, Belgium is a net recipient again under the accounting definition.

Under the accounting definition, the Netherlands would have been the biggest net contributor without rebates

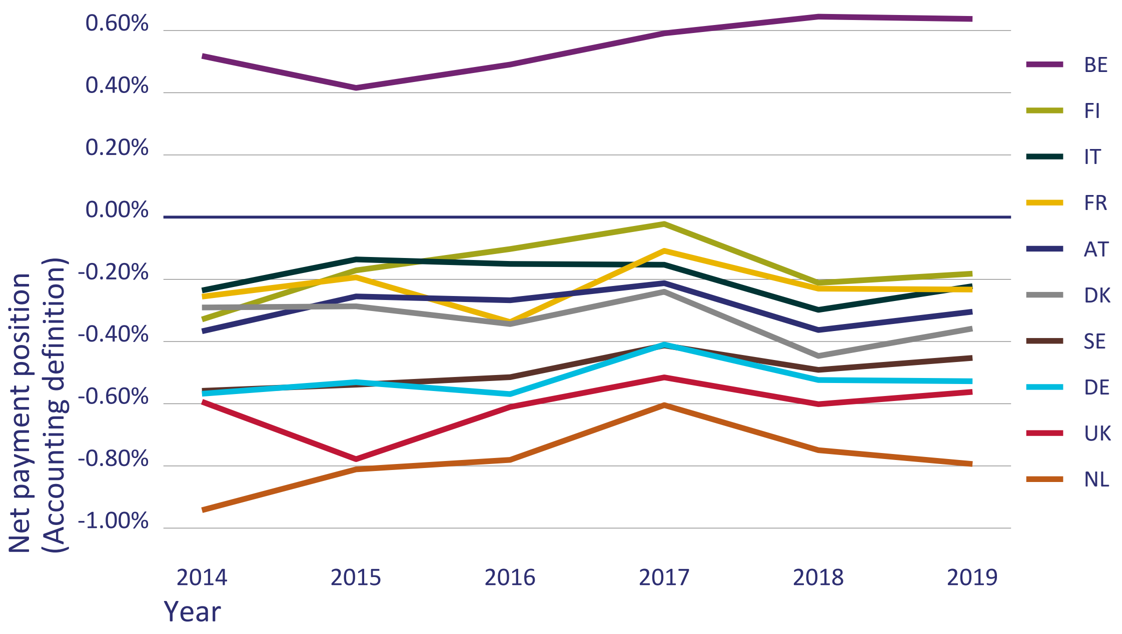

Figure 8 *The net payment position of the 10 net payers, excluding rebates, as a percentage of GNI under the accounting definition (2014-2019)*

Secondly, under this definition the Netherlands would have been the biggest net contributor, ahead of the UK. Germany and Sweden would then follow.

4.3 Effects of the differences

The figures show that the differences in the definitions have significant consequences for some countries but only minor differences for a large group of member states.

Difference between the definitions with rebates

On the expenditure side of the EU budget, the difference between the two definitions is due to the inclusion or exclusion of administration funds. It is included in the accounting definition but not in the OBB* definition. This obviously produces significant differences in the positions of the member states that host the main EU institutions: Belgium, Luxembourg and France. Belgium turns from a net contributor under the OBB* definition into a net recipient under the accounting definition. On the revenue side of the EU budget, the difference is due to the inclusion or exclusion of the TOR. The accounting definition includes them, the OBB* definition does not. For member states like the Netherlands, which are major importers and responsible for the transit of goods into the EU, which definition is used makes a significant difference. Belgium is also a major importer but the inclusion of administration funds in the accounting definition more than makes up for this, see figure 9.

The differences between the two definitions are particularly marked for Luxembourg, Belgium and the Netherlands

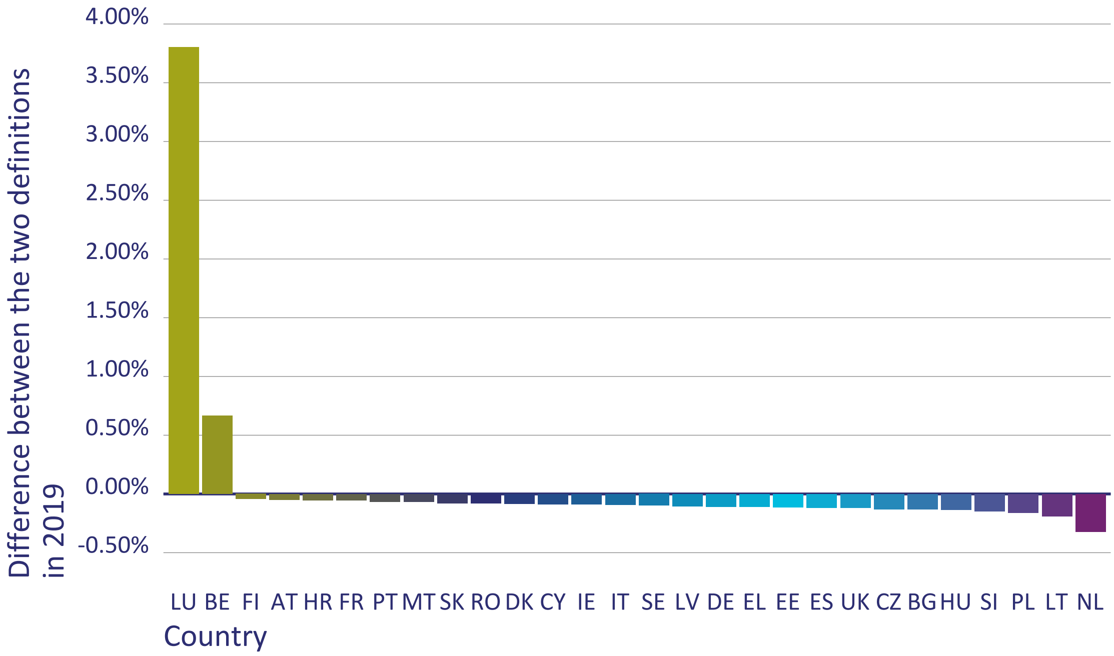

Figure 9 *The difference between net payment positions under the OBB* definition and the accounting definition by member states in 2019*

Difference between the definitions without rebates

The inclusion or exclusion of rebates has particular consequences for the Netherlands under the OBB* definition. Without its rebate, the Netherlands would have been (with exception of 2017) the biggest net contributor together with the UK. With the rebate, the Netherlands is the biggest (2014) or second biggest (2019) in only two years. Under the accounting definition the Netherlands would have been the biggest net contributor throughout the period with or without the rebate.

Appendix 1 Tables and figures

This appendix presents various tables and figures referred to in the body of the report.

The Netherlands' receipts from and contributions to the EU

Table 7 below shows the Netherlands' contribution to the EU in 2014-2019.

Table 7 *Netherlands' contribution to the EU in millions of € and as a percentage of GNI*

Contributions	2014	2015	2016	2017	2018	2019
VAT-based contribution	818.6	770.7	418.1	460.0	485.1	487.6
GNI-based contribution	5,490.0	4,899.6	4,535.0	3,585.9	5,045.2	5,640.1
UK rebate	79.1	86.4	94.3	69.6	70.8	71.9
Corrections (retroactive effect)	-1,010.8	-1,047.3	0.0	-34.6	-60.4	-168.0
Lumpsum	0.0	0.0	-709.3	-705.6	-703.8	-714.0
FSJ adjustment DK, IE and UK	3.3	2.5	5.5	8.9	7.7	8.4
Customs duties (100%)	2,653.9	2,910.0	2,959.5	3,071.0	3,136.8	3,411.4
Sugar levies (100%)	-6.3	9.6	9.7	9.7	-6.5	0.0
Collection costs	-665.9	-731.7	-595.4	-616.1	-627.4	-682.3
Corrections (retroactive effect)	113.3	145.9	0.0	0.0	0.0	0.0
TOTAL NL contributions in millions of euros	7,475.3	7,045.7	6,717.2	5,848.7	7,347.7	8,055.1
Total contributions as a percentage of GNI	1.13	1.04	0.98	0.80	0.94	0.99

Source: annual financial reports (2014-2019) and the European Commission's expenditure and revenue chart available from https://ec.europa.eu/budget/graphs/revenue_expediture.html, retrieved at 31-08-2020.

Table 8 below shows the Netherlands' receipts in 2014-2019 by expenditure category of the EU budget.

Table 8 *Netherlands' receipts from the EU in millions of € and as a percentage of GNI*

Receipts	2014	2015	2016	2017	2018	2019
1a. Competitveness for growth and jobs	475.2	962.5	988.9	941.5	1.089.9	1.242.8
1b. Cohesion	304.8	196.4	97.1	191.9	172.3	130.1
2. Natural resources	974.6	915.3	871.8	901.6	877.9	831.2
3. Security and citizenship	164.0	186.6	227.0	266.3	236.4	250.9
4. Global Europe	0.0	0.0	0.0	0.0	0.0	0.0
5. Administration	95.8	98.4	104.1	115.9	94.0	102.0

Receipts	2014	2015	2016	2017	2018	2019
6. Compensations	0.0	0.0	0.0	0.0	0.0	0.0
8. Negative reserve	0.0	0.0	0.0	0.0	0.0	0.0
9. Special instruments	0.0	0.0	0.0	0.0	0.0	0.0
Total receipts of the Netherlands from the EU in million €	**2,014.4**	**2,359.2**	**2,289.0**	**2,417.2**	**2,470.4**	**2,557.1**
Total receipts of the Netherlands from the EU as a percentage of GNI	**0.30**	**0.35**	**0.33**	**0.33**	**0.32**	**0.31**

Source: annual financial reports (2014-2019) and the European Commission's expenditure and revenue chart available from https://ec.europa.eu/budget/graphs/revenue_expediture.html, retrieved at 31-08-2020.

Figures on member states' net payment positions

Figure 10 shows which countries received more from the EU than they contributed to it based on the European Commission's definition.

Under the *operating budgetary balance definition, Hungary, Bulgaria, Lithuania and Latvia were the biggest net recipients in the period 2014-2019**

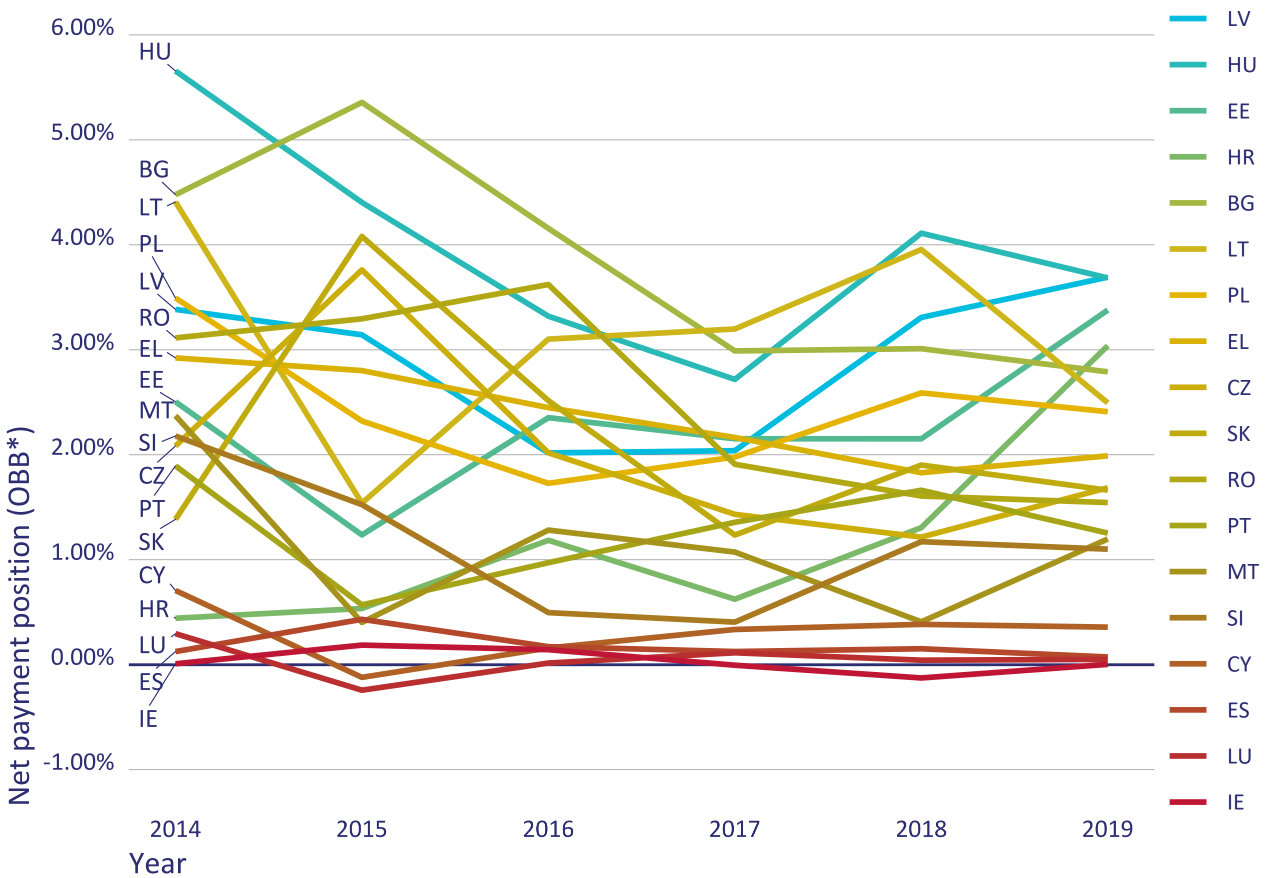

Figure 10 *The net payment position of the 18 net recipients, as a percentage of GNI under the OBB* definition (2014-2019)*

Figure 11 takes a closer look at the position of net recipients based on the accounting definition.

Under the accounting definition, Hungary, Bulgaria and Luxembourg were the biggest net recipients in 2014-2019

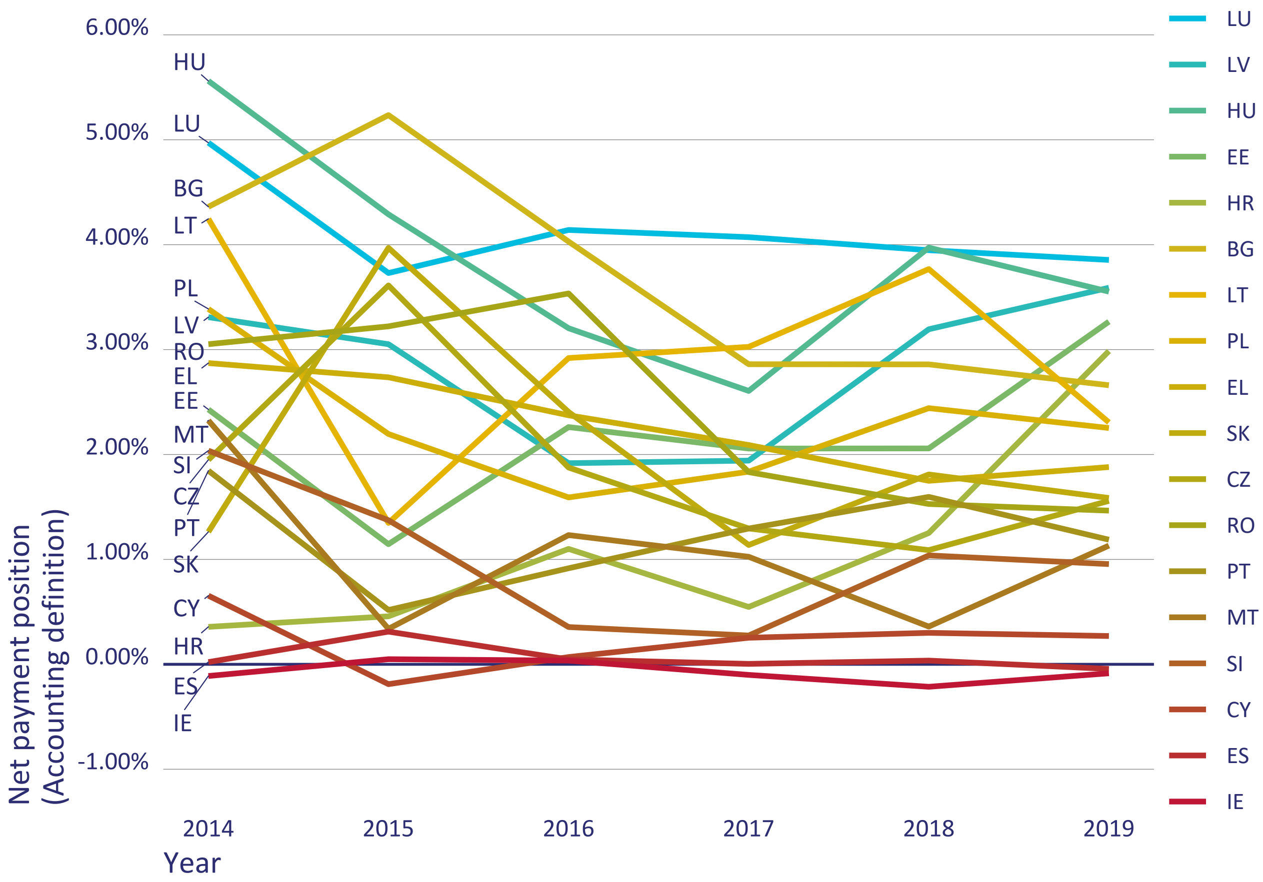

Figure 11 *The net payment position of the 18 net recipients, as a percentage of GNI under the accounting definition (2014-2019)*

Appendix 2 Methodology

This appendix looks at the study's methodology and definitions.

What is a focus audit?

A focus audit is a new type of audit performed by the Netherlands Court of Audit which differs from standard audits in that it has a much shorter lead time, focuses on a topical issue, and starts out from a precise and clearly defined question. A focus audit must lead to a clear, concise publication that does not contain any recommendations.

Data used

The European Commission issues an annual financial report on the European Union's expenditures and revenues.[52] It also issues an annual summary presenting the same information in charts with more details on each budget chapter (available from: https://ec.europa.eu/budget/graphs/revenue_expediture.html, retrieved at 31-08-2020). As the data in this report are broken down into expenditure and revenue per member state, we used these two source documents to calculate net payment positions.

We have two observations regarding the sources.

- Further to the entry into force of the 2014 Own Resources Decision in 2016, several retroactive corrections were made that had particular consequences for the funds received from the EU in 2014 and 2015. These corrections are not included in the financial reports for those years. We therefore calculated net payment positions for those years using the information in the Commission's reports that included the corrections.
- The appendices to the financial reports include tables on the member states' net payment positions based on the European Commission's definition, the operating budgetary balance (OBB). The European Commission does not base the member states' EU budgetary balance on their actual contributions but on recalculated or adjusted contributions so that the overall EU budgetary balance is in equilibrium (i.e., it aggregates to zero). As our calculations are based on the actual contributions made by the Netherlands and the other member states, we took no account of these recalculations. The percentages given in this report based on the OBB definition therefore differ from the percentages stated in the financial reports (and in the Ministry of Foreign Affairs' annual reports since 2016). References in this report to the operating budgetary balance (OBB) accordingly refer to the definition without recalculation, which we refer to as the OBB* definition.

To express the net payment position as a percentage of the member states' GNI and thus to be able to compare net payment positions across the member states, we used the member states' annual GNI data presented in the financial reports.

Calculation

We based the net payment position according to the Netherlands' accounting definition on all the European Union's expenditure and revenue in so far as the Commission allocated them to the member states. The data were retrieved from the data file the European Commission publishes every year.[53] As noted in section 2.1, the accounting definition takes account of all expenditures and revenues.

We used the same figures to calculate the net payment position based on the Commission's OBB definition but without administration expenditure (expenditure item 5 in the budget) and customs duties (the amount from which collection costs are deducted). In consequence, both the member states' expenditure and income are lower than in the calculation based on the accounting definition.

In section 4.2 we explain the effect of the rebates agreed in the 2014 Own Resources Decision and recalculate the net payment position using both definitions but without rebates. As the rebates provided to the UK, Sweden, Germany, Denmark, the Netherlands and (in 2014, 2015 and 2016) Austria are financed by all member states, leaving the rebates out of the calculations has consequences for all member states. Our calculations therefore leave out the rebates and the member states' financing of them.
The following rebates were left out of the calculations:

- VAT rebate: since 2014, Germany, Sweden and the Netherlands have remitted 0.15% of a statistically harmonised VAT base instead of 0.3%. The rebate on these three countries' contributions is therefore 0.15%. As the rebate for 2014 and 2015 was recognised as a correction, it applies only to 2016, 2017, 2018 and 2019.
- GNI rebate (lump sum): the Commission recognised the reduction in the GNI-based contributions of Denmark, Sweden, the Netherlands and (in 2014, 2015 and 2016) Austria as a lump sum. It is not included in the calculations. The contributions made by the other member states to finance the lump sum reduction has been deducted. The reduction is recognised in the Commission's accounts as a single item. As the rebate for 2014 and 2015 was recognised as a correction, it is applies only to 2016, 2017, 2018 and 2019.
- UK rebate: the UK rebate has been financed by the other member states for several decades. The Commission recognises it in EU reports as the 'UK correction'. It has not been included in the calculations. The member states' financing of this rebate is also excluded. The Commission recognises this rebate as a single item.

- Retroactive implementation of the 2014 Own Resources Decision - NC: the 2014 and 2015 rebates agreed in the 2014 Own Resources Decision are recognised in this item. As the financial reports for these years were prepared before the decision was approved, the rebates had to be implemented retroactively. The recognised amounts relate to the VAT-based rebate, the GNI-based rebate and a recalculation of the UK rebate and the GNI-based contribution. As, with a handful of exceptions, they are directly related to the rebates provided for in the 2014 Own Resources Decision, we did not include them in our calculations of payment positions without rebates.[54]

The GNI-based contributions cover any shortfall in income from the TOR and the VAT-based contributions. Any adjustment of these amounts therefore has consequence for the member states' GNI-based contributions; they are lower or higher depending on whether the contribution from the EU's other revenue sources is higher or lower. For both the VAT-based contributions and the UK rebate, we therefore deducted higher or lower contributions at EU level from the member states' total GNI-based contributions. We then allocated this amount to the member states using the allocation key for the GNI-based contribution per calendar year. However, no account was taken of the topping up provided for in the Own Resources Decision.

Three rebates and corrections in the Commission's reports were not adjusted in our calculation of the net payment position without rebates. They were:

- JHA/FSJ adjustment for Denmark, Ireland and the UK: this adjustment applies to member states with opt-outs in the area of freedom, security and justice. This adjustment is also financed by the EU's other member states. The Commission recognises this item as FSJ adjustment (in 2014: JHA adjustment). As this adjustment is not based on the principle of excessive budgetary burden in relation to a member state's relative prosperity, which other rebates are based on, this amount is included in the calculation of the member states' net payment position without rebates.[55]
- The adjustment of the collection fee from 25% to 20% as from 2014 was not included in the recalculation of the net payment position without rebates. The collection fee covers the cost of levying and collecting TOR and is the same for all member states.
- The retroactive implementation of the 2014 Own Resources Decision – TOR has also been included in the calculations as it relates to an adjustment of the collection fee.

Appendix 3 Abbreviations

AT	Austria
BE	Belgium
BG	Bulgaria
CY	Cyprus
CZ	Czech Republic
DE	Germany
DK	Denmark
ECSC	European Coal and Steel Community
EE	Estonia
EEC	European Economic Community
EFSI	European Fund for Strategic Investments
EIB	European Investment Bank
EL	Greece
ERDF	European Regional Development Fund
ES	Spain
EU	European Union
FI	Finland
FR	France
FSJ	area of Freedom, Security and Justice
GDP	Gross domestic product
GNI	Gross national income
HR	Croatia
HU	Hungary
IE	Ireland
IT	Italy
JHA	Justice and Home Affairs
LT	Lithuania
LU	Luxembourg
LV	Latvia
MFF	Multiannual Financial Framework
MT	Malta
NC	National contributions
NL	Netherlands
OBB	Operating budgetary balance
PL	Poland
PT	Portugal

RO	Romania
SE	Sweden
SI	Slovenia
SK	Slovakia
TOR	Traditional own resources
UK	United Kingdom
VAT	Value added tax
VBTB	From Policy Budgets to Policy Accountability

Appendix 4 Notes

1. See the letter of the Netherlands Court of Audit: Points of interest for the draft budget of the Ministry of Foreign Affairs, House of Representatives, session 2018-2019, 35 000 V, no. 5.
2. See, for instance, the Netherlands Budget Memorandum 2005, House of Representatives, session 2004-2005, 29 800, p. 101, the letter of the minister of Finance to the House of Representatives, November 7, 2018, concerning the next MFF-period: House of Representatives, session 2018-2019, 21 501-20, no. 1379 and the letter of the minister of Foreign Affairs on REACT EU of July 3, 2020 to the House of Representatives, no. 2020 Z13522.
3. Mion, Giordano and Dominic Ponattu (2019), Estimating economic benefits of the Single Market for European countries and regions, Bertelsmann Stiftung.
4. Jan in 't Veld (2019), Quantifying the Economic Effects of the Single Market in a Structural Macromodel, Journal of Policy Modeling 41 (2019) 803–818.
5. It is 0.3% of a statistically harmonised VAT base.
6. The first Own Resources Decision was agreed in 1970. The Own Resources Decision currently in force dates from 2014:
   - Own Resources Decision of 21 April 1970. ECSC, EEG, Euratom, Official Journal No. *L 094 of 28/04/1970*
   - Own Resources Decision of 7 May 1984. EEC, Euratom, Official Journal No. *L 128 of 14.05.1985*
   - Own Resources Decision of 24 June 1988. EEC, Euratom, Official Journal No. *L 185, of 15.07.1988*
   - Own Resources Decision of 31 October 1994. EEC, Euratom, Official Journal No. *L 293, of 12.11.1994*
   - Own Resources Decision of 29 September 2000. ECG, Euratom, Official Journal No. *L 253, of 07.10.2000*
   - Own Resources Decision of 7 June 2007. EC, Euratom, Official Journal No. *L 163, of 23.06.2007*
   - Own Resources Decision of 26 May 2014. EU, Euratom, Official Journal No. *L 168, of 07.06.2014*
7. See EU Trend Report 2011, House of Representatives, session 2010–2011, 32 624, no. 2.
8. Both definitions recognise expenditure for EU agencies located in a member state, such as Europol in the Netherlands, as revenue for the member state. Agencies are responsible for the implementation of policy, these costs are recognised as operating costs, unlike the costs of EU institutions, and are therefore included in the net payment position.

9. The Commission calculates each member state's budgetary balance on the basis of recalculated or adjusted contributions rather than the actual amounts contributed so that the budgetary balances of all EU member states are in balance (i.e., they aggregate to zero). The European Commission's recalculation of contributions for the operating budgetary balance has been criticised as the member states' national contributions are not actually 'in equilibrium'. The recalculation is in effect an accounting exercise, see The net operating balances: Variants, emerging numbers and history, European Parliament, 2020.
10. Recitals of the Treaty amending certain budgetary provisions of the treaties establishing the European Communities and the Treaty establishing a single Council and a single Commission of the European Communities (Treaty of Luxembourg) of 22 April 1970, Official Journal, No. L2, 2 January 1971.
11. Article 2 (1) of Regulation No. 25 on the financing of the Common Agricultural Policy of 4 April 1962, Official Journal No. 030, 20 April 1962. The term 'community', meaning the relevant community, is a reference to the EU's predecessor.
12. Article 3 (1) and article 4 of the Own Resources Decision of 1 January 1970 (see also note 6).
13. Article 2 (1) (d) of the Own Resources Decision of 24 June 1988 (see also note 6).
14. See the recitals of the Own Resources Decision of 24 June 1988.
15. See the recitals and articles 3 (3) (b) and (4) of the Own Resources Decision of 7 May 1985.
16. Recital 14 and article 5 (1) of the Own Resources Decision of 29 September 2000 (see also note 6).
17. After the clearance procedure at ministerial level a sentence was deleted because of the agreement the European Council reached on the new MFF on 21 July 2020.
18. The UK contribution was reduced by 66% of the difference between its contribution (excluding traditional own resources) to the EU budget and the amount it received from the budget.
19. The Commission's report on the operation of the system of own resources of 7 October 1998 (Com (1998) 560) states with regard to the definition of the UK correction that, 'The first (UK definition) is the only one that has a degree of formal recognition, being based on the Fontainebleau agreement and also in the determination of the UK rebate'.
20. See, for instance, Financing of the European Union; Commission report on the operation of the own resources system of 7 October 1998, in which the Commission applies two definitions, both include administration funds but only one includes customs duties and agricultural levies.
21. Berlin Council meeting of 24 and 25 March 1999.
22. See, for instance, the Explanatory Memorandum to the Own Resources Decision,

which refers to a policy-based adjustment suitable to the declining importance of the TOR to finance the EU; House of Representatives, session 2000-2001, 27568, No. 3, p. 4.

23. The Netherlands' contributions to the EU are currently included in the Ministry of Foreign Affairs' budget. Since the Minister of Finance has political responsibility for the contributions and since budget responsibility should reflect policy responsibility, we believe the contributions should be included in the Ministry of Finance's budget. House of Representatives session 2019-2020, 35 300 V no. 2.
24. The From Policy Budgets to Policy Accountability (VBTB) project attempted to enrich the policy elements of budgets and accounts by linking central government expenditure more specifically to intended policy outcomes and the activities necessary to achieve them.
25. The Budget Memorandum 2002 Foreign Affairs (p. 21-22) states: "considering the VBTB project the contributions to the EU and the perception costs are now brought together in article 5 of the Ministry of Foreign Affairs' budget".
26. How do member states handle contributions to the EU budget in their national budgets; Study by the Budgetary Affairs Department, European Parliament, 2014.
27. See, for instance, House of Representatives, session 1991-1992, 22610, nos. 1-2, p. 17 and the 1993 Budget Memorandum, p. 277.
28. House of Representatives, session 2007–2008, 31 359, no. 3, p. 4-5.
29. House of Representatives, session 2012–2013, 21 501-03, no. 65.
30. House of Representatives, session 2017-2018, 21 501 no. 1349 and House of Representatives, session 2019-2020, 21 501-20, no. 1543.
31. Source: https://www.interregemr.eu/ Consulted on June 8, 2020.
32. List of operations Maas-Rhine, as at 11-02-2020, retrieved from https://www.interregemr.eu/downloads. Consulted on June 8, 2020.
33. Interact is a support programme for Interreg authorities, and ESPON allocates funds on the basis of tenders. Therefore these programmes have not been included in this overview.
34. Sources: List of operations Maas-Rhine, as at 11-02-2020, retrieved from https://www.interregemr.eu/downloads, consulted on 08-06-2020; List of operations Flanders-Netherlands, as at 20-05-2020, retrieved from https://www.grensregio.eu/projecten, consulted on 08-06-2020; List of operations Germany-Netherlands, as at 09-03-2020, retrieved from https://www.deutschland-nederland.eu/nl/projekt-datenbank, consulted on 08-06-2020; List of beneficiaries Interreg 2 seas, as at 30-01-2020, retrieved from https://www.interreg2seas.eu/nl/documents, consulted on 08-06-2020, List of operations Interreg North-West Europe, as at 08-04-2020, retrieved from https://www.nweurope.eu/projects/list-of-operations, consulted on 15-06-2020; List of operations Interreg Europe, https://www.interregeurope.eu/discover-projects, consulted on 15-06-2020, current state unknown; List of URBACT III beneficiaries,

as at August 2019, retrieved from https://urbact.eu/files/list-urbact-iii-beneficiaries, consulted on 16-06-2020.

35. The Ministry of Finance confirmed that this was the case.
36. https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/opportunities/horizon-dashboard, consulted on 15-06-2020
37. European Commission, Interim Evaluation of Horizon 2020 SWD(2017) 220 final, p. 11. 'Approximately 75% of all funding so far went to instruments supporting collaborative research and innovation bringing many organisations across countries together. 25% of funding went to single beneficiaries to support excellent science through European Research Council grants (…)'.
38. See art. 21.1 and 41.2 (b) (v) of the Annotated Model Grant Agreement (retrieved from https://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/amga/h2020-amga_en.pdf), consulted on 31-08-2020) for projects financed from the Horizon 2020 programme, which lays down that payments are made through a project's coordinator.
39. Source: https://ec.europa.eu/commission/strategy/priorities-2019-2024/jobs-growth-and-investment/investment-plan-europe-juncker-plan/investment-plan-results_en, consulted on 31-08-2020.
40. According to the European Commission, allocations are based on a fund's management costs.
41. These corrections do not affect the net payment position as a percentage of a member states' GNI but do affect the nominal contributions.
42. There are some exceptions, for instance when reservations are made regarding the figures for the transition from ESA 95 to ESA 2010 the five years period can be extended.
43. Council Decision of 26 May 2016 on the system of own resources of the European Union, Brussels, 26-05-2014. In force as from 01-10-2016 to the present.
44. We did not apply the correction to the calculated contribution or revenue when using the operating budgetary balance definition. The European Commission, by contrast, does apply it in its calculations to balance out the funds provided to member states and the contributions received from them. Our calculations are based on actual amounts contributed by the Netherlands and the other member states to the EU. We therefore place an asterisk next to the abbreviation when referring to the operating budgetary balance definition as used by us.
45. The percentage for the VAT-based contribution in 2014-2020 was 0.3%. For Germany, Sweden and the Netherlands, it was 0.15% (2014 Own Resources Decision, art. 2 (4)).
46. In the period 2014-2020, the annual GNI-based contribution of Denmark, the Netherlands and Sweden was reduced by €130 million, €695 million and €185 million respectively. Austria received a gross rebate on its GNI-based contribution of €30

million in 2014, €20 million in 2015 and €10 million in 2016 (2014 Own Resources Decision, art. 2 (5)).

47. In the 2014 and 2015 figures, the rebate the Netherlands received in 2016 was included retroactively. The 2014 and 2015 figures are not in line with the figures in the respective financial reports.
48. As stated elsewhere, the European Commission's correction of the figures so that they aggregate to zero has not been applied.
49. As explained in appendix 2, we divided the member states into two groups: net contributors, which under the Commission's definition had a negative net payment position in at least 2 of the 5 years, and net recipients (other member states).
50. And Germany because it contributes for just two-thirds to the UK rebate, rather than in full.
51. After the clearance procedure at ministerial level part of the sentence was deleted because of the agreement the European Council reached on the new MFF on 21 July 2020.
52. European Commission (2019), Financial report 2018, European Commission (2018), Financial report 2017, European Commission (2017,) Financial report 2016, European Commission (2016), Financial report 2015, European Commission (2015), Financial report 2014. The figures for 2019 are published by the European Commission in excel format only (see note 53)
53. https://ec.europa.eu/budget/graphs/revenue_expenditure.html, consulted on 31-08-2020.
54. Draft amending budget no. 5 to the general budget 2016. Implementation of the Own Resources Decision no. 2014/335/EU further to the closing of the ratification process and its entry into force on 1 October 2016, COM (2016) 660.
55. See consideration 3 of Council Decision of 26 May 2014 on the system of Own resources of the European Union (2014/335/EU, Euratom), the 2014 Own Resources Decision.

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