

The Added Value of EU Grants in the Netherlands

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Netherlands
Court of Audit

Preface

The Netherlands Court of Audit has regularly examined the Netherlands' use of grants awarded by the European Union (EU) over the past 2 decades. EU funding was especially considered in the following 2 report series:

- *EU Trend Report*. We issued an annual EU Trend Report between 2003 and 2016. This series of publications focused on the management of EU funds in both the Netherlands and EU-wide. It revealed what insight there was into the results of EU funding. We also carried out several case studies of the results themselves.
- *Report on the National Declaration*. In each year between 2007 and 2020, we published an opinion on the National Declaration, the Minister of Finance's statement on the regularity of expenditure funded by the EU and on the funds' management. In the 2019 edition, we reported on the efficiency and effectiveness of EU farm income support. Our audit provided an insight into which farmers, classified by income level, received EU support.

This present report looks in more detail at the added value of EU grants. It provides a broad overview of the experiences of grant recipients in the Netherlands, the financial data and the stance taken by the Netherlands.

Contents

[Preface | 2](#)

[1. Executive Summary | 5](#)

[2. About this audit | 8](#)

[2.1 What is the problem? | 8](#)

[2.2 What we audited | 9](#)

[2.3 Audit method | 10](#)

[2.4 Audit scope | 10](#)

[2.5 Structure of this report | 11](#)

[3. EU grants in the Netherlands | 14](#)

[3.1 Characteristics of EU funds under shared management | 14](#)

[3.2 Amount of EU funds in the Netherlands and their use | 17](#)

[4. Added value of EU grants for recipients | 21](#)

[4.1 Importance of EU grants to recipients | 21](#)

[4.2 Achievement of intended results | 24](#)

[4.3 Achievement of grant objectives | 27](#)

[4.4 Obstacles in the grant process | 27](#)

[4.5 Grant recipients' suggestions to improve the grant process | 30](#)

[4.6 Conclusion | 33](#)

[5. Added value of EU grants for the Netherlands | 34](#)

[5.1 Allocation of EU grants across member states | 34](#)

[5.2 Reasons for budget allocation in the Netherlands | 35](#)

[5.3 Selection of projects for grant-funding | 36](#)

[5.4 Insight into results | 37](#)

[5.5 Conclusion | 40](#)

[6. Conclusions and recommendations | 41](#)

[6.1 Conclusions | 41](#)

[6.2 Recommendations | 43](#)

7. Response of the ministers and the Court of Audit's afterword | 45

7.1 Response of the ministers | 45

7.2 Court of Audit's afterword | 46

Appendices | 48

Appendix 1 Bibliography | 48

Appendix 2 Abbreviations | 50

Appendix 3 Summary of conclusions and recommendations | 51

Appendix 4 Endnotes | 53

1.

Executive Summary

In the period 2014-2020, the Netherlands was awarded approximately €1 billion a year in EU grants under shared management. The European Commission and the Dutch government are jointly responsible for the use of grants awarded under shared management. The money is released from 8 EU funds, each targeting specific EU objectives. The responsible authorities (ministries or designated implementing bodies) pass the grants on to farmers, fishers, municipalities, government institutions, alliances, enterprises, scientists, etc.

The regularity of the use and financial management of EU grants in the Netherlands has been a recurrent theme in the Court of Audit's work for many years. This present audit considers the *added value* of EU grants.

On the basis of a survey completed by some 1,300 respondents, we determined whether EU grants made a difference for the implementation of grant-funded projects. This proved to be the case. The respondents informed us that the grants enabled them to carry out projects and activities that would otherwise have been cancelled, scaled down, postponed to a later date or of lower quality. This picture was confirmed in a survey held at the same time among some 500 grant applicants whose project proposals had been rejected. Where grant applications were not honoured, a large majority of the projects were abandoned, scaled down or implemented at a later date.

Our audit also found that grant recipients were satisfied with the results of their projects. Furthermore, the projects, they believed, had helped achieve the grants' intended goals.

The EU grant recipients we surveyed were not entirely uncritical. The main criticism related to the administrative burden imposed by the grant schemes. Recipients thought it was too high. About two-thirds of the respondents said they had had to engage a third party to help them apply for a grant and account for its use. Recipients were also critical of the responsible authorities for the emphasis they placed on compliance with all the formal requirements. The regularity of grant expenditure was considered more important, they said, than grant outcomes. This, however, is one of the formal requirements the EU sets for funding.

EU grants evidently generate added value for a clear majority of recipients in the Netherlands. But it is not known whether the funds are used where they can have the greatest added value and deliver the required results. For this audit, we therefore also investigated how the responsible ministers acted in order to obtain maximum added value and result delivery. We looked at how the responsible ministers and their designated authorities implemented EU policy. We considered their preparations at the beginning of the programming period, how they implemented EU policy and how they carried out evaluations. EU funds are designed so that ministers can achieve the funds' objectives in keeping with the local context. We found that critical problem analyses had not been carried out for some of the funds. For most of the funds, moreover, no substantive reasons were given for the allocation of the budget across the various parts of the national programmes. As a result, it was uncertain whether the grants were applied where they could maximise added value.

We also found that the Dutch authorities' insight into the results achieved by the various EU funds was less than desirable. This had several reasons. Firstly, it was due to the quality of the *indicators* used. The indicators provide an insight into project outputs, such as the number of projects funded or the number of funded training courses initiated, but not into the intended outcomes. Furthermore, many different indicators are used and it is not known which ones should be weighted more or less heavily to measure progress. Secondly, *evaluations* of the 2014-2020 programming period provide little insight into outcomes. The compulsory mid-term evaluations that the responsible authorities carried out several years after the programmes started came too early to draw conclusions on the outcomes of grant-funded projects, and the final evaluations (planned for 2023-2024) will come too late to be of benefit to new EU programmes.

On the whole, there is little insight into what contribution EU grants make to resolving the challenges facing the Netherlands. This is not the case for all EU funds; the

European Social Fund does consider added value and provides more insight into outcomes.

We recommend that the responsible ministers improve their substantive reasoning for the use of EU grants and improve insight into their outcomes.

2.

About this audit

2.1 What is the problem?

Billions of euros are released from the EU budget to the member states every year. The member states in turn award grants to achieve the objectives set by the EU. Dutch enterprises, public authorities and public and private institutions receive EU grants to carry out projects that, for instance, create jobs, make fisheries more sustainable, promote innovation and research, or improve the asylum, integration and return measures.

The European Commission awards some grants directly to member state organisations and institutions without involving the national government. Such grants under 'direct management' are not considered in this audit because the national government is not responsible for them. Most EU grants, however, are awarded under 'shared management': the European Commission and the national government are jointly responsible for the money and each has its own tasks and powers. The responsible authorities – ministries and implementing bodies designated by them – are responsible for the management and actual award of EU funds to grant applicants. Between 2014 and 2020, the programming period covered by this audit, the Netherlands received approximately €7.4 billion in EU grants under shared management.

The responsible ministers account for the regularity of grant expenditure in the reports they submit to parliament each year. In the period 2007-2020, the accounts took the form of a National Declaration signed off by the Minister of Finance. Since 2021, the ministers concerned have accounted for the funds in their annual reports.

These annual accounts show that in recent years the Netherlands' use of EU funds under shared management has complied with the rules, i.e. the money was spent regularly.

Less is known about the efficiency and effectiveness of EU funds under shared management. This is not surprising; it is often harder to identify the funds' precise outcomes and determine whether they were achieved efficiently.

In our opinion, it is important to know whether EU funds are spent, not only regularly but also efficiently and effectively. For some time, we have been arguing that higher priority should be given to efficiency and effectiveness.

As part of our annual EU Trend Report, in 2015 we audited the effectiveness of 6 projects that had received a grant from one of the EU funds under shared management (Netherlands Court of Audit, 2015). This present audit is far wider in scope. Its findings are based on considerably more grant-funded projects. We can therefore draw more general conclusions about the added value of EU grants in the Netherlands.

In the Report on the National Declaration 2019, we provided information on farmers who had received income support from the European Agricultural Guarantee Fund (Netherlands Court of Audit, 2019). Our audit found that the income support had been partially effective to provide farmers with a reasonable standard of living. Without support, gross farm income would have been less than the statutory minimum wage in just over half of the cases audited; income support reduced the proportion to just over a third. However, our audit also revealed that more than a third of EU income support was paid to farmers who earned at least twice the modal income.

2.2 What we audited

Our audit objective was to determine the extent to which EU grants were critical for recipients to achieve their goals. For example: what difference do investment grants make for dairy farmers? Can municipalities carry out integration projects for refugees without EU funding? And do innovative startups benefit from EU money? We also wanted to determine what the responsible ministers did to ensure that EU funds generated as much added value as possible. What choices did they make within the EU regulatory framework? Did ministers provide substantive reasons for how EU money was used? And do they have an insight into the results achieved so that they can steer expenditure if necessary.

We translated our audit objective into the following three-part key audit question: *What is the added value of the EU grants under shared management awarded to the Netherlands, what role do the design and implementation of grant schemes play, and what lessons can be learned to further increase the added value of EU funds under shared management?*

'Added value' is generated if EU funding enables activities that would otherwise have been cancelled or revised, and if those activities help achieve the grant or programme objectives and alleviate underlying social problems.

2.3 Audit method

We held a survey among recipients of EU grants that had completed their projects. The survey results are a key pillar of our audit. We surveyed enterprises and organisations that were awarded EU grants between 2014 and 2020. We also held a survey among grant applicants whose project proposals had been rejected. By comparing the two groups with each other, we were able to identify the importance of EU grants to project implementation. We then held in-depth interviews with 25 applicants to clarify the survey results. We did not audit the content of any of the funded projects apart from those carried out by our interviewees. Further study is required before we can express an opinion on them.

We also gathered information in other ways. We requested documents from the ministries responsible for managing EU grants. This part of the audit was designed to explain: (a) the decisions ministers made for the national programmes, and (b) the way in which ministers prepared, implemented and evaluated the grants awarded from EU funds.

In addition, we collected information from public sources and information from the ministries concerned to analyse the objectives, goal achievement and utilisation of EU funds.

2.4 Audit scope

The audit investigated EU funds under shared management in the period 2014-2020. The 8 funds concerned are explained in figure 1 and chapter 2. Our audit did not consider 1 of these funds, the Fund for European Aid to the Most Deprived (FEAD) because it is a very small fund and it funded only 1 project in the Netherlands. We also decided not to audit farm income support provided from the European


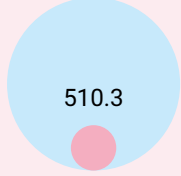



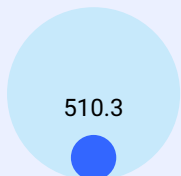

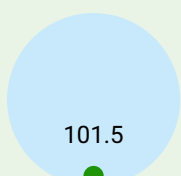
Agricultural Guarantee Fund (EAGF) as we have investigated it before. The audit covered a specific part of the EAGF: the Common Market Organisation (CMO) for Fruit and Vegetables (about 5% of the total EAGF budget).

2.5 Structure of this report


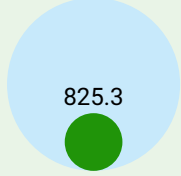

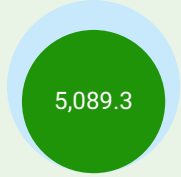



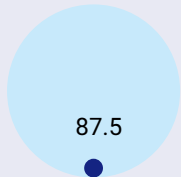
This report consists of the following chapters. Chapter 3 looks at the various EU funds and summarises their key data. Chapter 4 analyses the added value of EU grants at project level. Chapter 5 considers the part played by ministers to maximise the added value of EU grants in the Netherlands. We close the report with our conclusions and recommendations in chapter 6. The audit methodology has been posted as an internet appendix on www.rekenkamer.nl.

Figure 1 EU funds under shared management

EU funds have different goals, target groups, responsible ministers and budgets

Goal	Target group	Responsible minister	Budget* (€ millions)
European Social Fund (ESF)			
Increase labour participation and thus strengthen the economy and combat poverty	Depending on the measure, people with poor job prospects, employees, young people and other jobseekers	 Minister of Social Affairs and Employment	
Fund for European Aid to the Most Deprived (FEAD)			
Reduce the social exclusion of elderly people with low disposable income in the Netherlands	Elderly people with low disposable income who have reached state pension age, live in the Netherlands and who feel socially excluded or are in danger of being socially excluded	 Minister of Social Affairs and Employment	
European Regional Development Fund (ERDF)			
Stimulate innovation and the transition to a low-carbon economy	Chiefly support for SMEs. Other organisations and enterprises can also apply for grants if their projects target SMEs.	 Minister of Economic Affairs and Climate Policy	
European Maritime, Fisheries and Aquaculture Fund (EMFAF)			
Promote the sustainability and competitiveness of fisheries and aquaculture by stimulating innovation, cooperation and investment	Fishers, fishery organisations, fishery enterprises, public law institutions, shellfish and fish farms, aquaculture entrepreneurs, product boards, public sector, semi-public sector	 Minister of Agriculture, Nature and Food Quality	

* Each fund's budget for 2014-2020 (dark blue circle) is shown relative to the total budget of all funds (light blue circle, €7,429.2 million in total).

Goal	Target group	Responsible minister	Budget* (€ millions)
European Agricultural Fund for Rural Development (EARDF)			
Promote competitiveness and innovation, sustainable management of natural resources and balanced territorial development of rural economies with quality of nature and landscape	Primarily farmers, but subject to specific measures, also, e.g., land owners, farming organisations, nature and landscape organisations, municipalities, provinces, water authorities	 Minister of Agriculture, Nature and Food Quality	 825.3
European Agriculture Guarantee Fund (EAGF)			
Ensure food security for citizens and price and income stability for farmers through market and pricing policy	Farmers, agricultural enterprises, milk and fruit producers, schools	 Minister of Agriculture, Nature and Food Quality	 5,089.3
Asylum, Migration and Integration Fund (AMIF)			
Preserve and strengthen the quality of reception and asylum policy, foster social participation and repatriate aliens	Governmental organisations, educational institutions, training organisations, international organisations and NGOs, private and public enterprises	 Minister of Justice and Security**	 301.1
International Security Fund (ISF)			
Promote police cooperation, prevent and combat criminality, crisis management and strengthen the border management process and visa issuance	National government organisations	 Minister of Justice and Security	 87.5

* Each fund's budget for 2014-2020 (dark blue circle) is shown relative to the total budget of all funds (light blue circle, €7,429.2 million in total).

** The Minister of Social Affairs and Employment provides policy-related input for the integration pillar.

3.

EU grants in the Netherlands

The Netherlands receives EU grants from several funds. This chapter describes the main points of each fund. We also explain the European Commission's and the Netherlands' respective responsibilities for the management of grant budgets. This chapter asks how much EU money awarded to the Netherlands in 2014-2020 was actually spent on projects initiated by Dutch enterprises, institutions and authorities. Spending the available funds is a precondition to achieve the intended results.

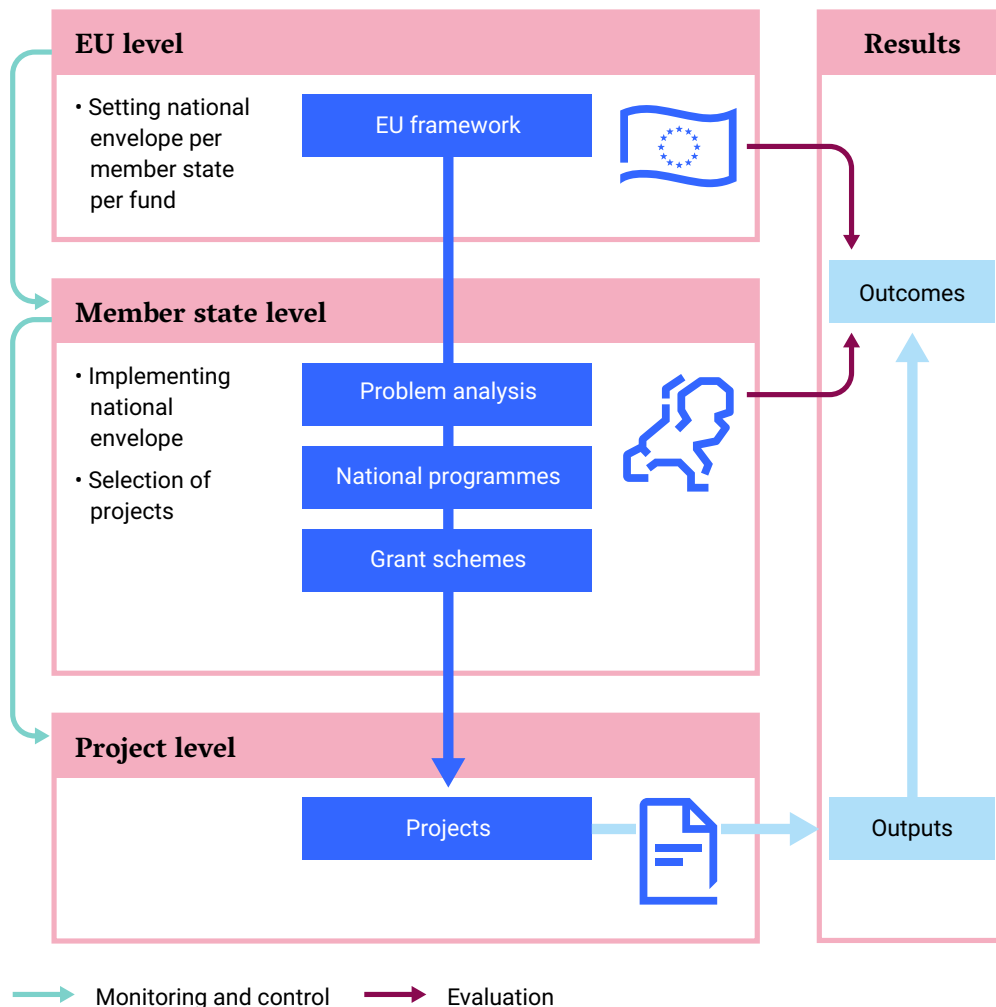
3.1 Characteristics of EU funds under shared management

In the 2014-2020 programming period, the Netherlands was awarded EU grants under shared management from 8 EU funds. The 4 ministers¹ concerned are responsible for the correct operation of management and control systems and use of the funds' grant budgets. The funds and their characteristics are summarised in figure 1 above.

As noted in chapter 2, both the European Commission and the recipient member state are responsible for the use of EU funds under shared management. Their respective responsibilities are shown in figure 2.

Figure 2 Responsibilities for EU grants under shared management

Both the EU and the member state are responsible for funds under shared management



The EU lays down the funds' objectives (the goals the grants must achieve) and implementation conditions (how the member states may spend the grants) in regulations and implementing acts. The EU also sets the national envelope (the maximum amount a member state can be awarded from each fund). In the member states, in this case the Netherlands, ministries or regional authorities (the 'responsible authorities') are then responsible for preparing grant programmes subject to the applicable EU rules. The EU's requirements include for instance timely consultation with stakeholders, the conclusion of a partnership agreement and the performance of ex-ante evaluations and SWOT analyses. The national programmes detail how the funds will be applied to meet specific national needs. The programmes must be formally approved by the European Commission.

The responsible authorities then open up grant schemes in the Netherlands so that Dutch enterprises, institutions and authorities can apply for EU funding. On the basis

of the applications, the responsible authorities select projects that qualify for funding. In the following phase the ministries and implementing bodies are responsible for monitoring, controlling and evaluating the results achieved by the EU funds. The European Commission also uses the information it receives from the responsible authorities to monitor, control and evaluate the EU funds.

For the purpose of this audit, a project results in outputs and outcomes. *Outputs* are the specific products delivered by EU-funded activities, such as the number of training courses organised or the number of partnerships established. *Outcomes* relate to the achievement of a project's goals by means of the outputs, such as the number of people gaining a diploma, the number finding a job or the decline in unemployment in a particular target group. References to *results* in this report relate to both output and outcomes. An EU grant has 'added value' if activities are performed (outputs) that otherwise would not have been produced or would have been produced in a different way, and if the activities have helped achieve the grant or programme goals and alleviated the underlying social problem (outcomes).

National implementation of most of the EU funds that award grants to the Netherlands is organised centrally. As a rule, there is 1 programme per fund and 1 minister is responsible for its implementation. But there are exceptions to this rule. A large part of the European Agricultural Fund for Rural Development (EAFRD) is implemented by the provinces and the European Regional Development Fund (ERDF) has 4 regional programmes that are implemented by regional authorities (provinces and municipalities). In compliance with the EU rural regulation, national responsibility for managing and implementing the EAFRD programme lies with the Minister of Agriculture, Nature and Food Quality (LNV). The Minister of LNV has delegated implementation of most of the support measures in the Netherlands' rural development programme to the provinces but remains responsible for their implementation. The Minister of LNV draws up the national programme, sets the programme's grant options, selects the indicators and targets and allocates the EAFRD grants to the support programmes and provinces. The minister is also responsible for monitoring and evaluating the programme.

In the ERDF, the Minister of Economic Affairs and Climate Policy (EZK) coordinates the use of ERDF funds but 4 regional managing authorities are responsible for their use. The Ministry of EZK's coordination consists chiefly of establishing a national legal framework and the allocation of ERDF funds across the 4 regional programmes. As some responsibility is still retained at governmental level, we hold the minister accountable in both these cases. As noted above, accountability differs per fund.

3.2 Amount of EU funds in the Netherlands and their use

This section outlines the size of the EU funds from which grants were awarded to the Netherlands between 2014 and 2020 and their financial progress: how much of the grants awarded has been declared to the European Commission? And what does that mean for the expected final use of the funds?

3.2.1 Budgets of EU funds 2014-2020

The budgets of the EU funds under shared management vary in the Netherlands. The figure below shows their relative sizes.

Figure 3 Relative size of EU funds under shared management in the Netherlands

Financial amount differs considerably per fund (in € million)



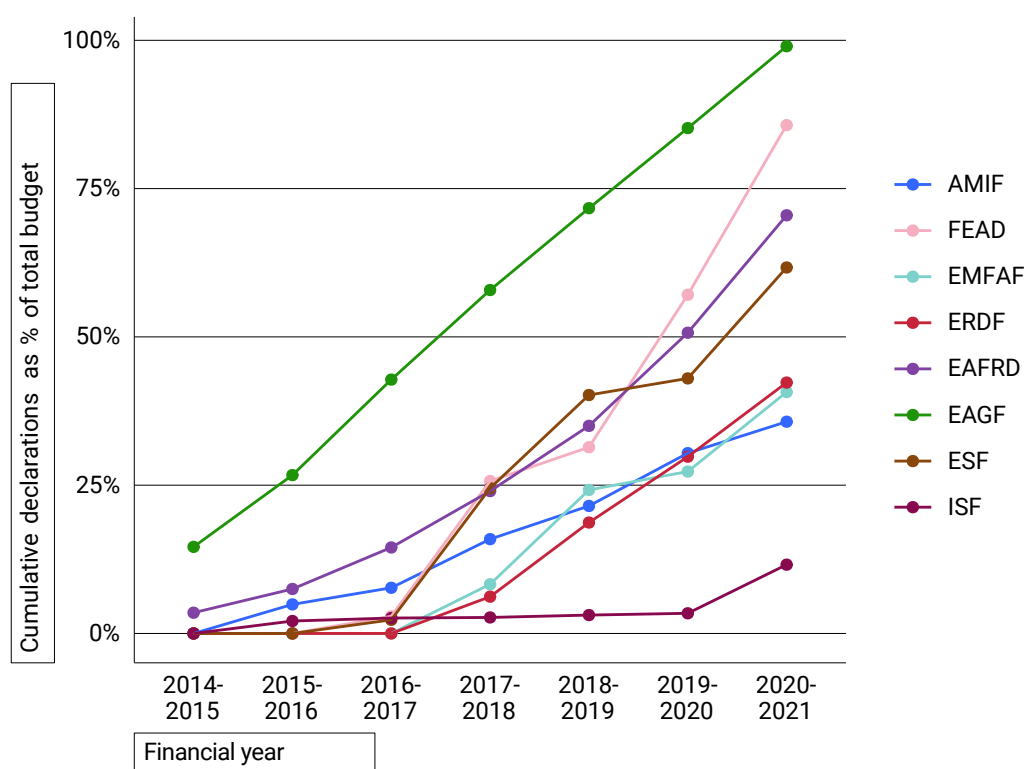
The most important fund by size to the Netherlands is clearly the European Agricultural Guarantee Fund (EAGF). In 2014-2020, the Netherlands' budgeted share of this fund amounted to €5,089.3 million.² It is followed by the European Agricultural Fund for Rural Development (EAFRD) at €825.3 million, the European Social Fund (ESF) at €510.3 million and the European Regional Development Fund (ERDF) also €510.3 million. Of relatively small size are the Asylum, Migration and Integration Fund (AMIF) at €301.1 million, the European Maritime, Fisheries and Aquaculture Fund (EMFAF) at €101.5 million, and the Internal Security Fund (ISF) at €87.5 million. The Fund for European Aid to the Most Deprived (FEAD) is the smallest of the EU funds under shared management: €3.9 million for 2014-2020.

3.2.2 Declarations already made to the European Commission

Member states declare the expenditure of EU grants to the European Commission. Declarations are based on actual costs incurred by the grant recipients.³ The figure below shows the percentage of the budget available to the Netherlands (the national envelope, see also section 5.1) that has been declared to the European Commission. It can be seen that the budget of 7 of the 8 funds has not yet been declared in full by the end of the 2020-2021 financial year.

Figure 4 Percentage of the EU funds' budgets declared to the European Commission, 2014-2020

Only declarations for the European Agricultural Guarantee Fund (EAGF) have reached nearly 100% of the budget



Less than 50% of the budgets of half the funds (ISF, AMIF, EMFAF and ERDF) had been declared to the European Commission at the end of the 2020-2021 financial year. In itself, this is not surprising. A common trait of EU funds under shared management is that not all project expenditure has been incurred by the end of the programming period. This is mainly because of the time it takes for EU programmes to 'get into gear'. Therefore, after a grant is awarded, there is often a delay of between 1 and 2 years before the first project costs are reported. The costs have to be audited before the implementing body can declare them to the European Commission. This also takes time. For these reasons it can be several years before

costs are declared to the European Commission. The European Commission allows payments to be made for up to 3 years after the end of the programming period, in this case until the end of 2023.⁴

It took longer than usual for EU programmes to get into gear in 2014-2020 because the associated EU regulations were adopted relatively late (European Court of Auditors, 2019a). Implementation was therefore delayed from the very beginning of the programming period.

As shown in figure 4 above, the EAGF is an exception to this general picture. Declarations for this fund have already reached nearly 100% of the budget. This is because most of the funds flows are direct income support payments: farmers receive an annual payment from the EAGF based on specific criteria (such as agricultural area). There are no projects that must be approved before they can be carried out.

Of all EU member states, the Netherlands is average as regards the financial progress of declarations (European Court of Auditors, 2021).

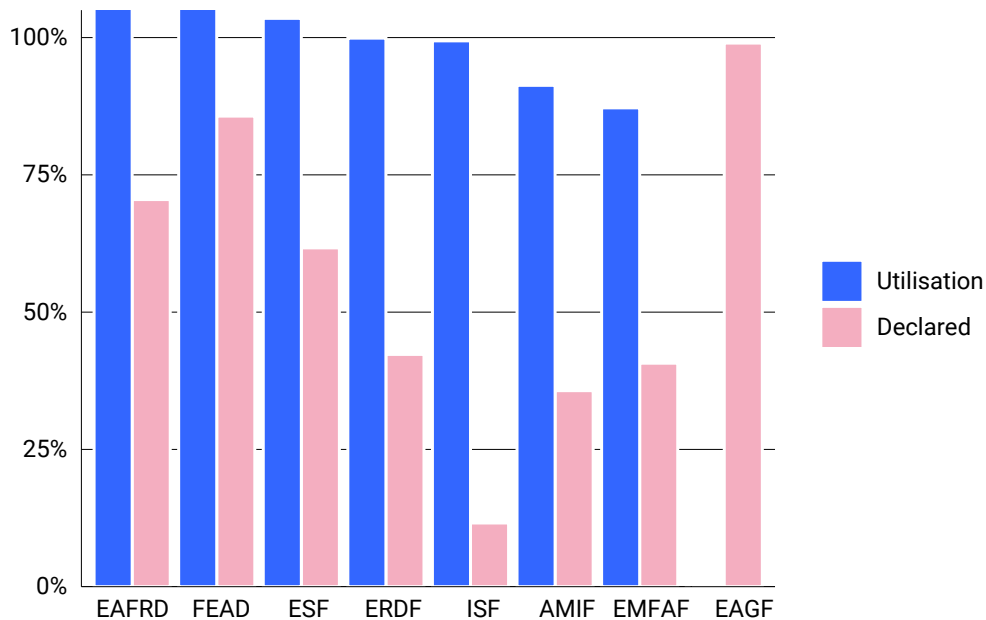
3.2.3 Ultimate budget utilisation

Declarations for the 2014-2020 programming period can be submitted until the end of 2023.⁵ The position at the end of 2020 is therefore not indicative of expected budget exhaustion. Projected expenditure on approved projects (funds that have not been declared but have been committed) provides a better insight into final budget exhaustion.

Considering the use of funds under shared management from this perspective produces a different picture. Figure 5 compares utilisation against declarations paid (at the end of the 2020-2021 financial year, as in figure 4).

Figure 5 Utilisation of EU funds in the Netherlands, as at year-end 2020 (committed project funding as at year-end 2020 as % of budgeted funds)

Of the 8 EU funds under shared management, 5 were fully or nearly fully utilised as at year-end 2020



Declarations are lower than the utilisation of nearly all the funds, but the projected final utilisation of 5 of the funds (EAFRD, FEAD, ESF, ERDF and ISF) is nearly or more than 100%. At 87%, the EMFAF has the lowest utilisation rate. As there is no pre-agreed budget for the EAGF as a whole, the budget cannot be utilised.

As noted above, it takes time before project implementation can commence and costs can be declared. If fund utilisation is less than the budget in the run up to the close of the 2014-2020 programming period (in 2023),⁶ eligible projects are not expected to benefit in full from the budget. If more money is spent than budgeted, the member state itself has to make a larger contribution. The responsible authorities therefore need information on the utilisation of EU funds in order to manage programme implementation. Our audit found that most responsible authorities closely monitor utilisation of available EU funds. The Ministry of LNV, however, did not have up-to-date information on the utilisation of EAFRD grants.

4.

Added value of EU grants for recipients

This chapter presents the results of a survey we held among Dutch enterprises and organisations that had received EU grants and completed their projects between 2014 and 2020. Some 1,300 enterprises and organisations completed the survey (22% response rate). To check the reliability of the answers, we held a second survey among grant applicants whose projects had been rejected during the same period. About 500 enterprises and organisations completed this survey (13% response rate). We then held interviews with 25 of the respondents; the interviews are also considered in this chapter. As part of the interviews we visited several grant-funded projects.

The survey results and interviews provide an insight into the added value of EU grants for the recipients. They explain what significance the grants had had for their projects and how necessary they were to carry out their activities. More information on the surveys and interviews is provided in the methodology appendix posted on www.rekenkamer.nl.

4.1 Importance of EU grants to recipients

The surveys and interviews we held among EU grant recipients revealed that the grants – regardless of the fund from which they were awarded – were of significant benefit for the implementation of their projects.⁷ In the survey, 85% of the respondents said the grants they were awarded were important or very important for their projects. And 91% said the grants provided something extra, such as a faster start, larger-scale project or higher product quality. 1% of recipients said a grant made no difference.

Added value of EU grants for sustainability of shrimpers trawlers

Sea fishing company Noordenwind B.V. of Urk operates two trawlers to catch shrimps in the North Sea. The shrimps are cooked onboard before they are landed. Noordenwind B.V., like all shrimp fishers, has a dedicated shrimp boiler onboard each trawler. An old boiler on 1 of the trawlers began to display defects and the company was told it could apply for a grant from the European Maritime, Fisheries and Aquaculture Fund (EMFAF) to replace it. EMFAF's objective is to encourage fisheries to invest in equipment in order to strengthen their competitiveness. A shrimp boiler is an eligible investment. The boiler Noordenwind B.V. bought with a grant of about €13,000 was of better quality than the one it would have bought without a grant. It was also more sustainable than cheaper boilers on the market. According to Noordenwind B.V., this investment raised both the quality of the shrimp product and the company's competitiveness.

As grant recipients may be too positive about the added value of the financial impulse – free money is always welcome – we asked what had happened to rejected projects. This part of the audit had surprising results: 13% went ahead without change. Nearly half (49%) of the respondents said their projects were shelved when their grant applications were rejected. The remaining 38% of the respondents went ahead with their projects but with a different approach. This confirms the impression given by the recipients that grants make a difference.

Investing without EU grant funding is not economically feasible

Johan van Meer, a mixed farmer in the south of the Netherlands, applied for a grant for young farmers to make a sustainable investment in 2018. His application related to 3 machines from a list of eligible investments. According to Van Meer, the machines would cut energy consumption and make farming more efficient. The investment would pay for itself in about 6 years, instead of about 10 years without a grant. However, Van Meer's application was not selected in the lottery and he consequently did not make the investment. Without the grant, according to Van Meer, the investment was no longer economically feasible.

One of the reasons that EU grants are so important is that alternative finance is difficult to find. Of the recipients we surveyed, 87% said it would be impossible or extremely difficult to obtain the necessary budget from other sources.

EU grant essential for fish farming: no other funding available

The Kingfish Company of Zeeland applied for an EMFAF grant in 2016 to farm yellow tail kingfish. The company had been importing this species for some time but had ambitions to breed it itself in the Netherlands. It applied for a grant to cover the innovative breeding programme's high research and development costs. According to The Kingfish Company, a startup company cannot cover its research and development costs without grant funding. Under the EMFAF grant rules, a company must finance a significant part of the costs itself. The Kingfish Company's application was rejected on this ground. The Ministry of LNV thought the company was unlikely to meet this requirement. Development accordingly came to a halt. Funds were not available from any other source. The Kingfish Company eventually carried out the project about a year later when another EMFAF grant was awarded.

EU grants are also important to other funding sources. Co-financiers can withdraw from a project if an EU grant is not awarded, as illustrated by the following example.

Knock-on effect of EU grant for art workshops in refugee centres on other funding

The Nationale Stichting ter Bevordering van Vrolijkheid has been offering art workshops to children in Dutch refugee centres since 2000. De Vrolijke Broedplaats project (1 July 2017 to 31 December 2019) enabled children in 27 refugee centres to express themselves and come into contact with others. To carry out the project, the foundation received a grant of about €1 million from the Asylum, Migration and Integration Fund (AMIF). Without the grant, it could not have carried out so many activities and would have reached fewer children, some of whom have been through traumatic experiences. More important, if the foundation had not been awarded the grant, other funding sources would have been affected. Without AMIF funding, it said, one or more other financial backers would probably have pulled out. This underlines the importance of EU funding. The foundation completed all its planned activities in 2014-2020 and actually carried out more than it had intended. It was pleased with the results. According to the foundation, the project improves the quality of life in refugee centres and the health of the children who live there.

In many cases, but not all, EU funding determines whether a project goes ahead or not. Of the grant recipients that took part in our survey, 13% said they could have arranged other funding relatively easily if their application had been rejected.⁸ Of the respondents whose applications were rejected, 6% said they nevertheless arranged

alternative funding for their projects relatively easily. This is illustrated by the following example.

Investment in crop protection equipment despite having grant application rejected

Jasper van Weringh, an arable farmer in the Achterhoek region, set up a partnership with his parents in order to take over the farm from them. The many tight corners in the fields made it difficult for Van Weringh to spray his crops with pesticides. Some plots had to be sprayed several times to ensure they were fully protected. The young farmers scheme of the European Agricultural Fund for Rural Development (EAFRD) provides grants to buy a new spraying machine. Van Weringh wanted to use the scheme to buy an advanced spraying machine with nozzles that individually close when the GPS system detects that pesticides have already been sprayed on a given part of a field. This reduces the use of pesticides and prevents crops receiving an excess dosage that stunts their growth. However, because Van Weringh did not have full control of the partnership his grant application was rejected. In Van Weringh's case, the rejection was not a decisive factor in his investment plan. A grant would have been welcome but Van Weringh was able to buy the spraying machine with his own money.

4.2 Achievement of intended results

A clear majority (88%) of grant recipients said grant-funded projects more or less delivered the agreed results. 45% of the respondents said their goals were 'largely' achieved and 43% said they were achieved 'to some degree'. Only 2% said their goals had not been achieved. What respondents mean when they say they achieve their goals differs. Some refer to the outputs (their activities); others refer to the activities' outcomes. The following example from an interview with a grant recipient shows what effect an EU grant can have.

Effect of an EU grant: support among fishers for academic catch advice

Stichting Transitie IJsselmeer (STIJ) seeks profitable commercial fishing with a catch capacity that the natural ecosystem of the IJsselmeer and Markermeer lakes can support. In 2017 it was awarded an EMFAF grant of about €350,000 for a project to strengthen cooperation between fishers and academics. By letting fishers and academics sample fish catches together

and learn from each other's insights, methods and expertise, the initiators wanted to increase support for a method to record fish stocks. According to the foundation, the prospect of a grant brought the two parties into contact with each other. In this respect, the grant was a key incentive for cooperation. The foundation was pleased with the outcome of the project. It became clear that the most appropriate stock recording method depended on why samples were being taken. A tangible positive result is that the approach was adapted: the Ministry of LNV now differentiates its recording methods and fishers have more trust in academic catch advice.

Did the projects carried out by the grant recipients we surveyed really achieve their intended goals, as claimed by the respondents? We can confirm this to some extent. The grant-funded projects were approved by the responsible authorities. This means that the outputs were delivered as agreed and that the grants were spent on the agreed activities. The audit authority for some of the projects also checked that the costs declared met the grant conditions.

However, delivering all the agreed outputs does not mean the intended outcomes were also achieved. Not all funded projects are audited as to their outcomes. The number of grant-funded courses, for instance, can meet the agreed conditions even if no thought is given to how many people take part. The number of participants can be significantly lower than intended without having any consequences for the funding. Furthermore, the number of participants has no bearing on what they learn and pass on to others or how they put their newly gained knowledge into practice. In short, there is often no direct link between an EU grant's outputs and its outcomes.

A more direct link between outputs and outcomes can usually be established when an investment project has been completed. An energy efficient machine, for instance, achieves its goal of more sustainable production and the outcome, less energy use, is specific and measurable.

Not all EU grants achieve all the intended outputs. This is not always the project implementer's fault; administrative conditions can also be to blame, as illustrated in the box below.

Not all intended outputs delivered to support the repatriation of asylum seekers

Stichting WereldWijd has been receiving AMIF grants for its WorldTools project for many years. The project supports failed asylum seekers when they return to their home countries. In the 2015-2018 period, the AMIF grant amounted to €700,000. Participants in the WorldTools project received materials, tools and equipment to start a business in their home countries. The materials were packed in 1-cubic-metre crates and shipped to the participants. The participants were also offered training. According to Stichting WereldWijd, the added value of the AMIF grant was that they could reach more people and provide materials of higher quality in the crates. About 4 months before the end of the project, the administrative conditions forced Stichting WereldWijd to stop taking on new participants. Otherwise, the project expenditure could not be accounted for on time. As a result, fewer asylum seekers were supported than foreseen: 190 instead of 215. 88% of the intended result was achieved. This did not lead to a reduction in the grant. Fewer costs were incurred and grant expenditure was less than the amount awarded.

As beneficiaries stated that most of the results were achieved, it is not surprising that most of them were satisfied with the results. Of the surveyed grant recipients, 56% said they were 'very satisfied' and 34% said they were 'satisfied to some extent'. Only 4% said they were 'dissatisfied'.

Purchase of 2 wind turbines with EU grant: lower return than expected

A young dairy farmer used a young farmers scheme in 2017 to buy 2 wind turbines with the aid of an EAFRD grant of about €14,000. The investment would cut energy costs and suited the young farmer's ambition of being a good steward of the land. However, he was not entirely satisfied with the investment results because the turbines generated less energy than expected. This was due in part to the weather conditions and in part to the wind turbines themselves. The supplier provided some compensation for the turbines' poor performance. In the end, the farmer was satisfied with the energy saving and one of the sustainability gains was that he could sell his milk at a premium.

4.3 Achievement of grant objectives

We also asked whether respondents thought their projects had helped achieve the grant scheme's objective, such as improved nature management or higher commercial return. A large majority of the respondents (80%) thought their projects had made a significant contribution to the grant objective. Only 1% said their projects had not helped achieve the objective, for example because a sustainable machine later proved to have environmentally harmful side effects.

We could corroborate these survey findings to some degree. We found that the responsible authorities assessed competitive projects on their potential to achieve a scheme's objectives. The projects with the greatest potential had the highest chance of being awarded a grant (see also section 5.3).

4.4 Obstacles in the grant process

In the interviews we held, we asked about the obstacles applicants had to clear in the grant process. Below, we consider the interviewees' comments about the grant conditions, the application and selection process and the reporting process.

Grant conditions

Some 87% of the grant recipients in the survey said the scheme they had used was a good or very good match for their needs. Just 2% said the grant scheme was a poor or very poor match. The interviewees also gave examples of grant conditions that were open to improvement.

Grant conditions do not always match applicants' needs

The interviews we held with grant recipients revealed examples of where an EU grant scheme did not match the interviewees' needs in practice. We consider 2 examples below.

- Centraal Orgaan opvang asielzoekers (COA) received an AMIF grant during the audit period to help admitted refugees participate in the labour market. In practice, the organisation ran into the problem that it could prepare refugees for work but activities to place a refugee with an employer did not qualify for grant funding. According to COA, a placement is often the natural outcome of preparation. For COA, the inability to perform both activities was an unwelcome complication.⁹

- The company P3 B.V. develops the advanced technology needed to breed algae for use in for example meat substitutes and biofuels. It applied for an EMFAF grant but found that the EMFAF did not award multiyear grants. This is an obstacle to an innovative sector where products are not developed within 1 year.

Application and selection process

The EU grant applicants we interviewed were mainly positive about the application and selection process. The procedure and eligibility conditions were clear but most thought the procedure itself was far from simple. Many applicants sought assistance from an external adviser before applying for a grant. The survey found that 68% of the respondents who had been awarded a grant had been helped by an external adviser.

Without assistance no grant and therefore no project

Stichting Transitie IJsselmeer (STIJ) receives an EMFAF grant to bring fishers and academics together so that the two parties can learn from each other's methods and expertise (see the first text box in section 4.2). It estimated in advance that the application process would be too time consuming and complex for it to complete it by itself. It therefore decided to engage a grant consultancy. STIJ's director-secretary thought it should not be necessary to engage a consultancy. It simply confirmed the reputation that EU grants involved a lot of red tape. The director-secretary thought that if the grant consultancy's fees had not been eligible, STIJ might not have applied for a grant. In the director-secretary's opinion, successful completion of the EMFAF grant process is practically impossible without a grant consultancy.

We learnt from the interviews that entrepreneurs who received an EAFRD or EMFAF grant to invest in machinery generally found the application procedure relatively simple. This was because the EMFAF and part of the EAFRD work with a pre-set list of eligible investments. This is convenient but also has the potential to be inflexible as only listed investments are eligible (see also section 4.5).

Reporting proces

Grant recipients are negative about the reporting phase of the EU grant process. About half said they disagreed with the stance that reporting was not time consuming and half also disagreed that the administrative burden was low during this phase. The interviews revealed many examples of high administrative burdens during the reporting phase.

Compliance with reporting requirements impracticable

- Stichting Bevordering Maatschappelijke Participatie received AMIF grants in 2015, 2017 and 2019 for projects to increase social participation of the elderly, migrants and refugees. It was difficult to keep records in accordance with the grant scheme requirements. The foundation's projects are based on open dialogue and some members of the target group did not want their identities to be recorded. The reporting requirements also meant that people in the Netherlands could not take part even though they wanted their stories to be told. In the end, the foundation let them take part but did not enter their details in its records.
- According to Centraal Orgaan opvang asielzoekers (COA), some AMIF reporting requirements are not realistic. This is true of, for example, the requirement to record the participants in its projects. COA said it had to provide the signatures for children who used playground equipment. As this was impractical, targets were set only for another part of the project. Where possible, COA works with a signature list, but this is often not possible. Some refugees are too scared to give their signatures and are not included in reports on the targets. As a result, some COA projects have had many participants but the results on the official target were very low or even zero. According to COA, in these cases the scheme's reporting requirements create a distorted picture of its activities.

The efforts that have to be made to be eligible to apply for a grant are also problematic.

Meeting reporting requirements cost a disproportionate amount of time

A spokesperson for the National Association for the Promotion of Happiness (see also the text box in section 4.1) told us about the Happy Breeding Ground, 'We can meet the grant conditions but it's not easy. It takes a lot of work.'

A majority of the survey respondents (63%) said they were assisted in the reporting process by an external party. This, too, suggests that accounting for EU funding is problematic.

Our survey found that many applicants thought the administrative burden to apply and account for an EU grant was high. It was the subject of most complaints, yet only 10% of the recipients said they would not apply for a grant again at some point in the future. Of the 130 respondents who explained their answer, half said the high administrative burden was a deterrent. It discouraged rejected applicants more often

from applying for another grant. A quarter of the rejected applicants said they would never apply for an EU grant again. About a third of this group blamed the high administrative burden or the laborious process.

4.5 Grant recipients' suggestions to improve the grant process

Both grant recipients and rejected applicants made several suggestions in our survey and our interviews to improve the various phases of the grant process. We discuss some of them below.

Reduce the administrative burden

Nearly half of the respondents who suggested an improvement referred to the administrative burden due to the grant requirements and conditions. There is no simple solution. The EU sets most of the requirements and conditions. The responsible authorities have little influence on them. Improvements require amendment of the relevant EU rules.

A frequently-heard complaint and one that the responsible authorities can act on relates to the way in which grant recipients are informed of the administrative obligations. They are sometimes confronted with extra requirements, for instance because the responsible authority discovers at a late stage that the applicant has to meet more conditions than initially thought.

How not to do it: extra information requirements and extra assessment during application process

The young dairy farmer who applied for an EARDF grant (see the third text box in section 4.2) received successive requests from the province to submit more information and documents. He said the province had told him this was necessary to prevent the grant being lowered. It later transpired that the information was not necessary.

The responsible authorities should prevent such situations wherever possible by having a clear understanding of the requirements in advance and communicating them plainly to the applicants.

Enable telephone contact and use fixed contact persons

Many contacts between grant applicants and the responsible implementing body are made digitally. Several grant recipients said that a timely telephone call could

have helped resolve problems quickly. The respondents would also prefer to have a fixed contact person.

How not to do it: letters and emails about changes to records

An applicant for an ESF grant wrote in our survey, 'It is not clear in advance what exactly has to be reported. We drew up a full report together with the parties helping us carry out the project. We were complimented on the report but it was rejected a couple of times because we hadn't understood 1 thing properly. Communication with the controller by email and letter did not explain what we had to do. Only when we spoke to someone by telephone did we realise we had to make a few minor changes so that the report met the rules and was more than complete.'

Speed up the grant process

Some of the survey respondents told us not only that the administrative burden was high but the grant process was also extremely slow.

How not to do it: waiting time of more than a year before payment

The spokesperson for an organisation that applied for an AMIF grant wrote in the survey, 'We had to wait more than a year before we were paid the last 20% of the grant. It was a substantial amount. It nearly bankrupted our organisation.'

Make subsidy schemes more flexible

Several respondents suggested that EU grants should better match the applicants' needs. There is a particular need for more flexibility.

How not to do it: grant rules force suboptimal choice of equipment

Farmer Johan van Meer (see the second text box in section 4.1) pointed out that the EAFRD scheme for young farmers works with a set list of eligible investments. According to Van Meer, the list is too restrictive. It includes, for instance, a GPS-assisted weeding machine. For a modern weeding machine, however, Van Meer believes image recognition is more important than GPS, but machines without GPS assistance are not listed. Applicants are therefore forced to make an investment that does not completely match their needs. Van Meer suggested that the EAFRD's young farmers scheme should be retained but made more flexible, for instance by adding an open category of investments and having an expert panel assess whether a project meets the

grant requirements. The panel's decision should be based on the grant scheme's sustainability objective.

Some respondents suggested flexibility could be improved by *lowering the minimum amount of investment grants*. Smaller projects can also contribute to sustainability, they noted. On the other hand, some respondents suggested increasing the maximum amount so that bigger investments could be made.

More flexibility, according to some respondents, is needed to *allow changes to be made during implementation* of a grant-funded project. This is particularly important for innovative projects.

How not to do it: strict rules block responses to unexpected events

The recipient of an ERDF grant wrote in our survey, 'Innovative companies are known for their quick response to unexpected events. The grants, by contrast, are often unbending and offer little scope for change. This can lead to a project being carried out in line with the original plan but the activities are stopped immediately the project is implemented. This could be a waste of capital and an inefficient use of public money.'

Other improvements suggested by grant recipients to meet the needs of initiators more flexibly were:

- Grant providers should pay more attention to the content of a project and not focus exclusively on the formal requirements, so that:
 - occasional departures from the formal requirements are permitted, provided they meet the grant's objective;
 - project evaluation and completion also take account of the follow-up (what a project does in the longer term);
 - project results are communicated more effectively (better explain what the grant has achieved).
- The investment conditions applying to young farmers should recognise that young farmers often share the farm with their parents. This currently has negative consequences for the amount of the grant.

How not to do it: little consideration of results

RINGadvies and an organic dairy farmer together carried out a project called 'Maximum Milk from Grass' in 2017 and 2018. The project matched the public wish to see cows in the fields and not confined to cowsheds. It was awarded an EAFRD grant of about €45,000. Although RINGadvies was positive about the contacts with the grant provider (the province), it noted that it did not monitor the project content. The plans were assessed during the application phase but not during the implementation phase. The province was more interested in the financial settlement.

4.6 Conclusion

Our survey of grant recipients found that EU grants are of great importance to carry out a project. 85% of recipients said so and 91% of the respondents said the grants had added value in the form of, for instance, an earlier start, wider project scope or higher product quality. As recipients evidently have an interest in the grants, they may be biased. Rejected applicants said 49% of projects were completely abandoned when a grant was not awarded and 38% were adapted before being implemented. In our opinion, this confirms our finding that a grant makes a difference for most of the projects. It should be noted, however, that we did not investigate the content of the projects, other than the projects initiated by the people we interviewed. The answers given by both groups of respondents about the availability of alternative financing are also consistent with each other. In both cases, a small minority said alternative funding would have been easy to find (13% of the grant recipients) or had indeed been simple to raise (6% of the rejected applicants).

The survey also found that grant-funded projects delivered results. Only 2% said the project goals had not been achieved. A large majority (88%) said their project goals had been achieved largely or to some extent. This high percentage is plausible because the project grants are determined. Before the responsible authorities determine a grant, they check that all conditions have been met. They determine that the project was carried out as agreed and that the expenditure covered the cost of the activities performed. The interviews also confirmed that the grants were meaningful for the projects, and that grant-funded projects delivered results.

For these reasons, we conclude that the results of our survey of grant recipients draw a realistic picture of the added value of EU grants.

5.

Added value of EU grants for the Netherlands

EU grants make a difference for a clear majority of grant recipients in the Netherlands; without grant-funding, projects are not carried out, are of lower quality or are postponed. But this does not answer whether EU grants are targeted where they have or can have the most effect or whether they deliver the intended results. The responsible ministers must manage for results. We investigated how they do so and what insight they have into the results achieved.

In this chapter we first discuss how grants are allocated to the EU member states and ask whether 'added value' is an allocation criterion. We then analyse the significance of added value in the ministers' budget allocations and in the responsible authorities' selection of projects for grant-funding in the Netherlands. To close the chapter, we consider the insight available into what the grants deliver.

5.1 Allocation of EU grants across member states

The allocation of grants to EU member states is agreed in Brussels every 7 years during the negotiation of the EU's multiannual financial framework, when the member states decide on the size of the EU budget. The budget is then allocated to the various expenditure categories in the EU budget. The member states negotiate the allocation of the available grant budgets (per EU fund) across the member states. The result is known as the national envelope.

The allocation of funds under shared management to member states is based largely on generic characteristics such as relative wealth (European Court of Auditors, 2019b). The EU does not allocate grants based on an analysis of which

member states have the most urgent social problems in order to maximise added value.

5.2 Reasons for budget allocation in the Netherlands

Every EU member state is expected to explain what its needs are for its national envelope (the aggregate grant budgets provided from the various EU funds) and to set up national programmes to address those needs. In the structural and investment funds (i.e. ESF, ERDF, EMFAF and EAFRD), the money must be allocated to projects that maximise added value for the EU's strategy.¹⁰ We understand these requirements to mean that a problem analysis has to be carried out.¹¹ The member states must include a coherent body of targets and measures in their national programmes. To do so, they can select goals and measures described in the relevant EU regulations. Specific conditions that the member states must meet have been set for certain EU funds, such as the use of a minimum percentage of the budget for a particular goal.

We analysed how the responsible authorities in the Netherlands allocated the national envelope to the national programmes.

The responsible authorities have sharpened the focus of the national programmes by linking the budgets available for all funds except the EAGF (CMO for Fruit and Vegetables) to a specific selection of Dutch goals and measures. The reasons for the selection, however, are not always clear. This is illustrated by the following two observations.

- There is not always a clear relationship between the focus and the underlying problems. Clear ex-ante problem analyses of the selection of goals and measures have not been made for some EU funds. This was the case with the EMFAF, AMIF and ISF programmes. In the AMIF programme, for instance, the allocation of the available budget across the themes of Asylum, Integration and Return is based on the allocation made in the previous 7-year period. In the EMFAF programme, most of the available budget is focused on enforcement and data collection without a plausible reason being given that enforcement and data collection will maximise added value. In the EAGF (CMO for Fruit and Vegetables), all measures named in the regulation have been adopted and the focus is not based on problem analysis.
- Even when there is a clear link between the chosen focus and the underlying problem, however, budget allocation is not always substantively justified. Half the money for the provinces from the EAFRD programme, for instance, is allocated to the 12 provinces on the basis of 1/12 per province and the other half is based on

criteria such as population size and rural area. The ERDF funds allocated to the four regions were the same in 2014-2020 as in 2007-2013, without an analysis being made of which regions had the most pressing needs.

We found that the selection of goals and measures and the budget allocation across the measures were substantively justified only in the ESF programme. The ESF programme addresses the main labour market problems in the Netherlands, as stated in the European Commission's country-specific recommendations. In our opinion, this should be the case for all EU programmes. The better the substantive justification of the use of EU grants, the better the funds can contribute to achieving more added value.

5.3 Selection of projects for grant-funding

After the European Commission has approved a member state's national programmes, the responsible authorities select projects for grant-funding from the various funds. Project initiators can submit grant applications to the responsible authorities in accordance with the EU funds' funding options.

To generate the most added value, the responsible authorities select the most promising projects as follows:

- For the grant schemes of some funds (the EAFRD, EMFAF, AMIF and ERDF), projects are *compared with each other* based on objective criteria. The projects that best meet the criteria are funded.
- Some funds (including the AMIF and parts of the ERDF) also set an eligibility threshold. To be eligible for a grant, a project has to score a *minimum number of points*.

We found that other selection methods were also used.

- In some cases, only specific organisations can perform a particular activity. There is no competition among the proposals submitted. This is the case with ESF grants for labour market schemes, EMFAF grants for government contracts and ISF grants for the performance of police and coastguard tasks. In these cases, the responsible authorities systematically assess whether the project proposals meet certain minimum conditions.
- In other cases, it was known in advance that a competitive comparison of project proposals would not be practical or meaningful because, for instance, so many proposals were expected (as in the case of ESF grants for enterprises that employ people on longer-term contracts) or because there is a pre-set list of eligible

investments (as in the case of EMFAF equipment grants). In these cases, lots are drawn (ESF) or the first come, first served principle is applied (EMFAF).¹²

- The EU does not allocate a budget in advance to 1 of the funds (EAGF, CMO for Fruit and Vegetables), and the Ministry of LNV accordingly does not have to compare proposals against each other. The money is allocated to all applicants that meet the funding conditions. Thus, in the EAGF (CMO for Fruit and Vegetables), there is no competition between proposals.

In our opinion, the selection method should facilitate the most efficient use of EU funds. This happens, but in practice it does not always involve competitive comparison of projects, as shown by the examples above. Our analysis found that the responsible authorities have substantive reasons to depart from the principle of competitive comparison.

We refer in this respect to another observation from our audit: project selection is not based on a project's achievement of the targets on the programme indicators. Projects can therefore be funded for their achievement of targets that have already been realised. In some funds, this results in the over-achievement of the targets, sometimes even considerably so (see section 5.4).

5.4 Insight into results

As explained in chapter 3, insight into budget utilisation is needed to ensure that grants are awarded to enough projects. It must also be known whether funded projects deliver the required outputs that ultimately contribute to the EU funds' objectives. Insight into utilisation, outputs and outcomes is needed to manage for maximum added value.

In practice, the authorities responsible for the various EU funds in the Netherlands usually closely monitor the utilisation of EU money (see also section 3.2.3).

Underutilisation of the grants is 1 of the main reasons that changes are made during the programming period and EU money is diverted, subject to the EU frameworks, to other EU objectives or that other grant schemes are applied. The indicators that are used provide an insight into the outputs delivered by EU grants.

The Dutch authorities, however, have only limited insight into the outcomes of the various EU funds. This is because the indicators used in the programmes to measure results have two shortcomings.

- Firstly, most of the indicators in the programmes are output indicators. They provide an insight into the outputs delivered but not into the outcomes realised by the outputs. The outcome indicators that are used, moreover, inadequately explain the relationship between the measures taken and the social outcomes. This is true of all funds.
- Secondly, realisation of the indicators' targets is very mixed. All funds have indicators whose targets are realised only in part if at all, but there are also indicators with higher, sometimes considerably higher, target realisation. As the relative importance of the indicators for each fund is not weighted, it is not known at fund level whether a programme is progressing as intended. This is true of all funds.

Little insight into benefits of EMFAF for maritime sector and fisheries sector

The EMFAF programme has both output and outcome indicators. The output indicators relate to the number of projects that are funded from a particular grant scheme. They count the projects but say nothing about what the projects achieve. The responsible authority reports every year on the values of the output and outcome indicators, which are the sum of the values realised on individual projects. There are significant differences in realisation: some targets have not been realised, whereas others showed significant over-realisation at the end of 2020. The realised value on the *Change in the value of aquaculture production* indicator at 31 December 2020, for example, was 960% of the target (actual value of €6,237,000 versus a target value of €650,000). The value realised on the *Number of serious infringements detected* indicator, by contrast, was zero (actual value 0, target value 50). The indicators provide some insight into the results but because the relative importance of the indicators is not clear, the results' significance to the maritime sector and the fisheries sector as a whole cannot be determined. No conclusion can therefore be drawn on the extent to which results are achieved.

We also found that nearly all indicators used for the Netherlands' grant programmes are prescribed by the EU. Common indicators let the European Commission follow the programmes' progress across member states. However, common indicators are not always suitable to measure outcomes in the Netherlands' context. We had also referred to this in 2017 (Netherlands Court of Audit, 2017).¹³

The authorities in the Netherlands make little use of their own, additional national indicators that could provide more insight into the results achieved. The ESF and ERDF do use national indicators. According to the Ministry of LNV, a persuasive

argument not to use national indicators is that they would increase the administrative burden for grant recipients. For the ESF programme, however, the Ministry of SZW has developed a method to describe project results without increasing the administrative burden: on behalf of the ministry, Statistics Netherlands (CBS) analyses what the ESF grant delivers for individual groups of project participants. The ESF dashboard it publishes shows which participants in the regional labour market projects who were initially unemployed had found work within 1 year.¹⁴

Apart from the scores on the indicators, *evaluations* can provide an insight into the outcomes of EU grants. EU regulations require grant programmes to be evaluated. A mid-term evaluation and a final evaluation at the end of the programming period are compulsory. The Netherlands fulfils this requirement for all EU funds. The mid-term evaluations for the 2014-2020 programming period have been carried out. However, the findings come too early to draw conclusions on the outcomes. Programmes are often just getting into their stride when the mid-term evaluations are carried out; very few if any projects have been completed. Mid-term evaluations therefore cannot provide input to adapt the programmes. Final evaluations are not made until several years after completion of the programme (in 2023 or 2024), i.e. after the new programming period has started. Final evaluations are thus too late to be of benefit to the new programming period. The European Court of Auditors has also drawn attention to this problem (European Court of Auditors, 2020).

Additional national measures are required to evaluate funds under shared management and gain an insight into the effectiveness of grant-funded activities. Only the responsible authority for the ESF invests in measures that supplement the compulsory evaluations.

Good example: supplementary evaluations of the effectiveness of ESF grants

The measures taken for the ESF are a good example of the use of evaluations. The implementing body for the ESF, UVB,¹⁵ carries out mid-term evaluations of several ESF grant schemes in addition to the EU's minimum evaluation requirements. Every year it performs an in-depth analysis of the effectiveness of the active inclusion part of the programme for the reintegration of people with poor job prospects and the prevention of youth unemployment, in order to understand the 'story behind the numbers'.

5.5 Conclusion

To maximise the added value of EU grants, EU funds must be targeted as precisely as possible. All funds except the EAGF (CMO for Fruit and Vegetables) make a selection from the options (goals and measures) provided by the relevant EU regulation. Only limited substantive reasons are given for the allocation of grants from the fund. In some funds, this is due to the absence of clear problem analyses to underpin the allocation. But even if the focus is on national problems, it is usually not clear why the budget was allocated within the set accents or parts of a programme.

Furthermore, owing to the lack of good indicators and evaluations that provide an insight into the grants' outcomes, it is uncertain whether or not the intended outcomes are achieved. We accordingly cannot say whether EU grants help alleviate social problems and therefore whether the funds have generated added value. The ESF is a positive exception. It gives higher priority to justifying the allocation of programme funds to the agreed goals and measures and to measuring and evaluating the results achieved.

6.

Conclusions and recommendations

6.1 Conclusions

The Netherlands recognises the importance of implementing EU grants under shared management correctly. It accordingly ensures that expenditure is regular and that financial management is in order. Our reports on the National Declaration over many successive years can confirm this.

Furthermore, the Netherlands takes measures to meet the EU's formal requirements that EU grants must generate as much added value as possible. The EU's requirements include timely consultation with stakeholders, the conclusion of a partnership agreement and the performance of ex-ante evaluations and SWOT analyses in preparation for the programmes. Progress on the agreed EU indicators must be measured during programme implementation and by means of mid-term and final evaluations must be carried out.

Each member state must apply grants so as to achieve the greatest possible results in the light of the national context. We believe the Netherlands can improve its efforts in this area and so increase the added value of EU grants in the Netherlands. We base this on the following two main conclusions of our audit.

1. At individual project level, EU grants have added value for the implementation of grant-funded projects

This conclusion is based on the survey we held among grant recipients and is confirmed by the survey of rejected applicants. 85% of grant recipients said a grant was important or very important for the implementation of their projects,

and 91% of the respondents said the grant had provided something extra such as a faster start, wider project scope or higher product quality. Where grant applicants were rejected, 49% of the projects did not go ahead and 38% were modified before commencement. 13% of the projects went ahead without change. According to the respondents, the projects they carried out helped achieve the grant objectives.

2. It is uncertain whether EU grants provide maximum added value for the Netherlands as a whole.

There are two causes of the uncertainty:

- Problem analyses to explain the choices made in the national programmes are not performed for some funds. Where problem analyses are carried out, they are not used as a basis to allocate funds to the various parts of the grant programmes.
- It is uncertain whether intended results are actually achieved. This is due to the lack of good outcome indicators and timely evaluations that provide an insight into the outcomes of EU grants.

The ESF is a positive exception. It pays more attention to the reasons for the allocation of funds to the programmes and to measuring the results achieved.

The uncertainty about whether the intended results are achieved is due chiefly to the conditions laid down in EU regulations. Output and outcome indicators are set at EU level. The EU sets common indicators so that the European Commission can obtain an aggregate picture for the EU as a whole. But common indicators are often of little benefit to individual member states. Furthermore, the mid-term evaluations prescribed by the EU take place too early in the programming period to draw conclusions about outcomes and the final evaluations are too late to serve as input for the important decisions that have to be taken for the following programming period.

Nevertheless, the Netherlands itself could increase added value, subject to EU rules. It could pay more attention to the reasons given for the responsible authorities' allocation of EU funding. Improving insight into the results by including relevant indicators and evaluating the funds' outcomes would also help optimise the use of EU grants. With better insight into the results, the responsible authorities could improve their steering to maximise the added value of EU grants.

6.2 Recommendations

On the basis of our audit conclusions, we make the following recommendations to increase the added value of EU grants in the Netherlands.

Recommendations 1 and 2

Our first two recommendations concern the reasons given for the allocation of funds. Member states must target EU funds to generate the greatest added value.

Recommendation 1: Perform problem analyses to improve the substantiation of the allocation of EU funds. Base accents in the programme on the analysis.

This recommendation is made to the Ministers of LNV (EMFAF) and J&V (ISF and AMIF).

Recommendation 2: Allocate budgets to parts of the programme in accordance with substantive reasons.

This recommendation is made to the Ministers of LNV (EMFAF and EAFRD), J&V (ISF and AMIF) and EZK (ERDF).

These first two recommendations relate to the preparation of a new programming period and are therefore not particularly relevant to the current programme implementation phase.

Recommendations 3 and 4

Our third and fourth recommendations concern the monitoring of programmes and the information needed to determine whether a programme has achieved its intended goals or whether it should be modified (before completion).

Recommendation 3: Consider setting national indicators for EU programmes to improve insight into the results achieved.

This recommendation is made to the Ministers of LNV (EMFAF, EAGF and EAFRD) and J&V (ISF and AMIF). We are aware that the ministers wish to avoid higher administrative burdens and are reluctant to follow up this recommendation. The ESF, however, is a good example that national indicators do not always lead to additional administrative burdens.

Recommendation 4: Determine to what extent the intended results are realised and whether they contribute to the funds' objectives. Use insight gained from evaluations to make improvements in the current programming period.

This recommendation is made to the Ministers of LNV (EMFAF, EAGF and EAFRD) and J&V (ISF and AMIF). We recommend that the Minister of EZK (ERDF) remind the 4 regional managing authorities of their evaluation obligations.

7.

Response of the ministers and the Court of Audit's afterword

All the ministers concerned responded to our draft report. Their responses are summarised below. The full responses (in Dutch) have been posted on www.rekenkamer.nl. This chapter closes with our afterword.

7.1 Response of the ministers

The ministers' responses were generally favourable. Yet they also suggest that current practice already incorporate the Court of Audit's recommendations to a significant extent. The ministers responded cautiously to the recommendation to make more use of national indicators to gain an insight into the results achieved as they feared it would increase the administrative burden.

The Minister for Poverty Policy, Participation and Pensions says in her response that she is 'pleased' the ESF evaluation and monitoring programme is named as a good example and she is aiming to minimise the administrative burden for the new ESF+ programme. The indicators and evaluations will be comparable to those in the previous programming period.

The Minister of Agriculture, Nature and Food Quality writes that substantive reasons are given for expenditure on both the CAP (EAGF and EAFRD) and the EMFAF programme in the new programming period. The minister notes that indicators developed in the EU will be used wherever possible in order not to increase the administrative burden. The minister will monitor the CAP as closely as possible and adapt measures where necessary, with the mid-term evaluation in 2025 being an important moment. An evaluation plan is being drawn up for the frequent evaluation

of the EMFAF's effectiveness, efficiency, relevance, coherence and Union added value.

The Minister of Economic Affairs and Climate Policy takes to heart the recommendation to gain more insight into project results by means of evaluations and, when working out the evaluation plans for 2021-2027, will consult the managing authority to discuss what further evaluation steps can be taken.

The Minister and State Secretary of Justice and Security reply that they do not fully agree with the conclusions and recommendations because the Asylum, Migration and Integration Fund (AMIF) and the Internal Security Fund (ISF) have certain specific characteristics. The minister also thinks comparison with funds that are already several decades old requires clarification and nuance that is not always evident in our draft report. In her response to the recommendations, the minister writes that the future use of funds will consider the recommendation to carry out a problem analysis in accordance with the Integrated Assessment Framework for Policy and Regulation where opportune. She agrees with the recommendation that allocation should be substantively justified and it has been for the 2021-2027 programming period. The minister will consider our recommendation to include national indicators, while taking account of the administrative burden for grant recipients. The minister agrees with the recommendation to increase insight into results and adapt measures where necessary during project implementation.

7.2 Court of Audit's afterword

The Court of Audit has been investigating accountability for the use of EU grants in the Netherlands for many years and has concluded that the regularity and financial management of EU funds under shared management in the Netherlands are in order. That is why we have now audited the added value of EU grants in the Netherlands. We expect ministers to ensure that EU grants are spent where they are expected to generate the most added value. We also think ministers should know whether the grants achieve the intended results.

In so far as we could see, EU grants have a positive impact. Nevertheless, there is still room for improvement. Analyses are sometimes not made of where EU grants are expected to produce the best results. Where they are made, they are not always used for the allocation of funds. There is also limited insight into the results. The ESF is a notable exception to this.

Given our conclusion that grants are an important incentive for the implementation of projects, we think the undertakings given by the responsible ministers are rather procedural in nature.

The ministers apparently agree with our recommendations but there is little that is concrete in their undertakings. They refer to long-established practice, such as the use of SWOT analyses and mid-term evaluations. On the basis of our audit, we believe there are more opportunities for improvement so that the added value of EU grants in the Netherlands is maximised for the benefit of Dutch citizens and businesses.



Appendices

Appendix 1 Bibliography

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Appendix 2 Abbreviations

AMIF	Asylum, Migration and Integration Fund
CAP	Common Agricultural Policy
CBS	Statistics Netherlands
CMO	Common Market Organisation
COA	Central Agency for the Reception of Asylum Seekers
EAFRD	European Agricultural Fund for Rural Development
EAGF	European Agricultural Guarantee Fund
EMFAF	European Maritime, Fisheries and Aquaculture Fund
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
EZK	Economic Affairs and Climate Policy
FEAD	Fund for European Aid to the Most Deprived
ISF	Internal Security Fund
J&V	Justice and Security
LNV	Agriculture, Nature and Food Quality
NGO	Non-governmental organisation
SWOT	Strengths, weaknesses, opportunities and threats
SZW	Social Affairs and Employment
UVB	Implementation of Policy, Ministry of SZW

Appendix 3 Summary of conclusions and recommendations

Conclusion	Recommendation	Recommendation made to	Response of the responsible ministers
At individual project level, EU grants have added value for the implementation of grant-funded projects.	None		The Minister of LNV recognises the survey results.
For the Netherlands as a whole, it is uncertain whether EU funds provide maximum added value.	1. Improve the reasons for spending EU funds by means of problem analysis. Base accents in the programmes on the analysis.	Ministers of LNV (EMFAF) and J&V (ISF and AMIF)	<p>The Minister of LNV wrote that the EMFAF programme for the next programming period is based on the needs revealed by a SWOT analysis.</p> <p>The Minister of J&V wrote that in future she would consider the recommendation to carry out a problem analysis where opportune.</p>
	2. Allocate the budget to various parts of the programme on the basis of substantive reasons.	Ministers of LNV (EMFAF, EAFRD), J&V (ISF and AMIF) and EZK (ERDF)	<p>The Minister of LNV wrote that intervention logic had been developed based on a SWOT analysis for various types of intervention in the new CAP. The EMFAF goals are included in the EMFAF programme. They will be achieved by means of grant schemes and government projects.</p> <p>The Minister of J&V can agree with the recommendation and it will be followed up for the 2021-2027 programming period. Budget allocation is in line with the recommendation regarding substantive reasons.</p> <p>The Minister of EZK accepts the recommendation.</p>
	3. Consider setting national indicators that improve insight into the results achieved by EU programmes.	Ministers of LNV (EMFAF, EAGF, EAFRD) and J&V (ISF and AMIF)	<p>The Minister of LNV wrote that in view of the administrative burden indicators developed in the EU are used wherever possible.</p> <p>The Minister of J&V will consider the recommendation where relevant to the future use of funds, with the bodies concerned remaining alert to the administrative burden</p>

Conclusion	Recommendation	Recommendation made to	Response of the responsible ministers
	<p>4. Determine the extent to which intended results are achieved and whether they also contribute to the funds' objectives. Use the insight gained to adapt the programme during the programming period. We urge the Minister of EZK (ERDF) to remind the 4 regional managing authorities of their evaluation responsibilities.</p>	<p>Ministers of LNV (EMFAF, EAGF, EAFRD), J&V (ISF and AMIF) and EZK (ERDF)</p>	<p>According to the Minister of LNV, it has been agreed that the CAP will be closely monitored, with the mid-term evaluation being an important moment. EMFAF will be regularly evaluated and an evaluation plan will be drawn up. Evaluations will consider effectiveness, efficiency, relevance, coherence and Union added value.</p> <p>The Minister of J&V accepts the recommendation but notes that it will not be known whether the goals have been achieved and what contribution they have made to the funds' objectives until after the programming period.</p> <p>The Minister of EZK wrote that evaluations were important to assess the effectiveness, efficiency and impact of ERDF programmes. She nevertheless takes the recommendation to heart and will consult the managing authorities when working out the evaluation plan to discuss whether and, if so, what further evaluation steps can be taken.</p>

Appendix 4 Endnotes

1. The 4 ministers responsible for EU grants in 2014-2020 were: the Minister of Agriculture, Nature and Food Quality (LNV), the Minister of Economic Affairs and Climate Policy (EZK), the Minister of Justice and Security (J&V) and the Minister of Social Affairs and Employment (SZW).
2. This relates solely to the EAGF budget for direct income support for farmers.
3. This is not true of all EU funds. Remuneration is sometimes based on an amount per hectare of land or on a calculation of lost income.
4. On account of the COVID-19 pandemic, the payment period has been extended. This endnote was added after clearance at ministerial level.
5. See endnote 4.
6. See endnote 4.
7. In view of the significant differences in the number of respondents per fund and because the differences in the funds' outcomes were not large, in chapter 4 we summarise the answers to our survey questions without making a distinction between funds.
8. This percentage is confirmed in the report *Evaluatie EFRO Doelstelling 2 en 3 programmaperiode 2007-2013 (EZK-cofinanciering EFRO) [Evaluation of ERDF Objectives 2 and 3, 2007-2013 programming period (EZK cofinancing ERDF)]*, published by Technopolis (2018). Appendix to parliamentary paper 21501-08 no. 706, session 2017-2018.
9. The Ministry of J&V, which is responsible for managing AMIF in the Netherlands, observed in response to this example that EU rules sometimes prevented a wider interpretation at national level.
10. This is laid down in article 18 of Regulation (EU) no. 1303/2013.
11. Based on the Integrated Assessment Framework for Policy and Regulation (IAK).
12. The first come, first served principle means that the grant is allocated on the basis of who applies for funding first
13. In 2017 we wrote: 'Improvements are required in, for instance, the definition of indicators. The Commission prescribes common indicators so that EU-wide comparisons can be made... [But] these common indicators [are] defined such that they are often not [entirely] applicable to the situation in a member state' (Netherlands Court of Audit, 2017, p. 14).
14. See the visualisations of participants' position in the labour market at https://dashboards.cbs.nl/v3/ESF_2014tm2020/.
15. The former Agency of the Ministry of SZW, was renamed UVB (Implementation of Policy) on 1 January 2018.

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