

Municipal vision for the Multiannual Financial Framework 2028-2034

The importance of European funds for local innovation and competitiveness

Position Paper

Main message

- **European funds are crucial for stimulating innovation and competitiveness at the local level. Successful programs must be continued to continue to support Dutch and European ambitions.** Local governments have short lines of communication with business and knowledge institutions, and have the best understanding of local needs and challenges. Funding should therefore focus on local challenges, ambitions and investments in order to contribute to European goals and policies.
- **Local governments support a future-oriented MFF that strategically contributes to European and Dutch challenges such as strengthening competitiveness, social, green and digital transitions, with a fair distribution of resources for local governments.** Local governments currently

implement 70% of all European policies. As the main implementer of these policies, local authorities should therefore help determine the frameworks and conditions necessary for the successful implementation of the programs. In the final distribution of European funds, local authorities call on both the European Commission and national governments to ensure that locally earmarked funds can actually be used locally.

- **In the design and implementation of European policies and funds, strengthened partnership should be the basis for regional and local programming.** Working together in partnership is increasingly under pressure in the implementation of new funds and this comes at the expense of local effectiveness. Through strengthened partnership, challenges of economic growth, competitiveness and innovation can be addressed in an area-based approach.

The paper presented here addresses the municipal commitment to the future Multiannual Financial Framework (MFF) and was prepared in close cooperation with the representatives of the municipal networks. Based on this paper, cooperation will be sought with the provinces, water boards and the state, as well as European institutions and our sister associations in other member states. In this paper, VNG sets out its views on European and Dutch MFF policy, complementary to the [Vision Paper Cohesion Policy post 2027](#), jointly adopted with the national government and the co-governments

After the (1) introduction, this paper discusses (2) the importance of the funds for local governments and (3) what are important preconditions for the future MFF. (4) The final section discusses the EU's foreign policy. In addition, the appendix provides examples of cooperation.

1. Introduction: support for a forward-looking MFF that matches challenges facing Europe and the Netherlands

- **The European budget is under pressure and at the same time new challenges are emerging, requiring stability, continuity and resources for all levels of government:** The war in Ukraine, rising geopolitical tensions and the growing importance of defense, underline the need for a strong and united European Union. At the same time, the EU must strengthen its competitiveness and accelerate green and digital transitions to ensure strategic autonomy. The Multiannual Financial Framework (MFF) must therefore serve both the new challenges and the existing transitions.
- **Sharp choices must be made, but the position of local governments must be safeguarded.** After all, all major developments affect the local level: strengthening resilience and the adaptive capacity of residents are essential to major developments. The majority of laws and regulations are implemented at the local level, and municipalities play a crucial role in the implementation of national and EU policies.

2. Why are European funds so important to local governments?

- **European funds play a crucial role in strengthening local ecosystems and stimulating innovation.** Cities and regions drive key goals of the European Commission and the Netherlands, from innovation to achieving climate goals. For local governments, European funds act as a flywheel for public and private investment, directly contributing to competitiveness, strategic autonomy and employment at the local and European level.
- **The decentralized programs implemented in partnership in the Netherlands are extremely successful.**¹ We excel in the efficient use of funds, offer high-quality projects that are close to residents and businesses, and also have lower overhead costs than nationally implemented programs. In addition, the recent period has taught us that when new European funds are introduced, the local interest is not always properly taken into account, putting pressure on the effectiveness and impact of these funds.
- **For the implementation of the funds, the right conditions must be created so that customization can be applied at the local level.** European funds are essential for local governments to achieve European ambitions. Because the regional and local context differs everywhere, it is important to be able to apply customization in implementation.

3. What do local governments need in a future MFF?

Municipalities have the best understanding of needs at the local and regional level and therefore know what is needed to deliver customized solutions. Basically, Dutch municipalities benefit from a long-term approach and investment strategy based on improving competitiveness, green, social and digital transitions. For local governments, the following six elements are key:

- I. **Local authorities should be involved in partnership in European programs**
 - **Strengthened partnership:** The principle of partnership is mentioned by the Commission among its plans in its recent MFF Communication. We think this is a good start, given that we find that partnership is not well

1 For example: European Regional Development Fund (ERDF), Interreg, European Social Fund Plus (ESF+)

ensured in the recent implementation of new funds. This is to the detriment of the effectiveness and impact of the programs. When designing and implementing European policies and funds, strengthened partnership is therefore an important foundation.

Challenges related to climate, economic growth, competitiveness and innovation, faced by the different levels of government, can thus be addressed more effectively and coherently. Local governments must be able to maintain access to European funds

- **Implementation:** Local governments currently implement 70% of all European policies.² As the main implementers of that policy, local authorities should therefore also help determine the frameworks and conditions required for the implementation of the programs. Local expertise is also needed to translate European objectives into impactful projects. Every region is different and synergy in policy objectives increases the impact of EU funds.

II. Local governments should not be held responsible for the wrong steering method or for failing to meet national policy goals

- **Area-based:** place-based funding better aligns with local community needs, this allows for more customization. Local governments have a strong preference for this model.
- **Comments performance-based:** The European Commission has a strong preference to assess the performance of EU funds based on their policy outcomes (performance-based). However, experiences with the RRF show that this form of funding, can lead to complications in the implementation of the programs. Not all European policy ambitions can be directly translated into concrete policy results at the national and local levels. Time aspects and changing economic circumstances play an important role. This requires some flexibility in adjusting goals and in cost accounting.
- **Conditionalities:** Municipalities or regions should not be held accountable for national conditionalities when they fall outside municipal powers and responsibilities. Should the Netherlands fail to meet its (possible) European targets on, for example, water, soil and the mortgage deduction, local

governments should not be held accountable for this and should retain their financial resources.

III. The budget needs to be simpler and more effective

- **Simplification:** The EU budget needs to be simplified and made more effective, but this does not mean precisely that more centralized planning, governance and investment are needed. It is important that the right resources get to the right levels of government, without complicated procedures.
- **Flexibility:** In the event of crises, the flexibility of funds should not be at the expense of long-term investments. This leads to fragmentation and is often accompanied by little coordination with local and regional authorities. Therefore, it is better to make separate funds available for crises. These resources can be deployed well and effectively along the infrastructure of the existing structural funds, following the example of REACT-EU.

IV. Strengthening cooperation across national borders

- **Cross-border cooperation:** European cooperation in cross-border projects are invaluable in enabling transitions locally. No region can tackle societal challenges alone. EU exchange and research programs have shown for many years that European cooperation stimulates innovations and promotes integration. We therefore argue that the new MFF should continue to encourage this cross-border cooperation. In addition, we should continue to invest in removing border barriers through specific border programs and promoting cross-border infrastructure. According to the European Commission, Europe is missing 8% economic growth and 4 million jobs at internal borders. By solving 25% of the bottlenecks, we can achieve 2% additional BRP in the border regions.³

V. Local communities in rural areas must be empowered

- **Agriculture and rural areas:** In addition to the funds available to keep the agricultural sector future-proof, funds are needed to keep rural areas vital. More synergy and complementarity

² [State of Regions and Cities 2024 EU Annual Report.](#)

³ [VNG position paper Growth at the border](#)

between funds is needed, because the broad rural development needed for the complex tasks cannot be financed from the Common Agricultural Policy (CAP) alone. This is exactly what the European Commission indicates in its long-term vision (LTVRA). Regional and local input and implementation are necessary because each area task has its own specific character and merits. It is important that the future CAP and structural funds are in line with this vision.

VI. The future 'EU Competitiveness Fund' should also have strong local anchoring

- **Future "Competitiveness funds":** Horizon, or other research and innovation funds to follow, should remain accessible to all local governments. As Draghi also points out in his report, the location policy and innovation climate is largely determined at the regional and local level. Linking local innovations at the European level will strengthen Europe's competitiveness.
- **Local SMEs:** It is essential that SMEs have adequate opportunities to participate in the Competitiveness Fund. A balanced entitlement is important, focusing on large industry, startups/scale-ups and SMEs.

4. EU foreign policy

- **Strengthen local governments in EU foreign policy:** For an effective EU foreign policy, cooperation with all levels of government is crucial, especially on issues such as migration, security, trade and strengthening democracy. Local governments in partner countries play an important role in the implementation of EU policies and investments. The EU should therefore make a structural effort to strengthen local governments within its external instruments, including the Global Gateway and Team Europe. This increases the effectiveness and sustainability of investments in sectors such as transport, digital infrastructure, energy, health and education.



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