

European and External Relations Committee

EU Budget Review inquiry

Written submission received from COSLA

Thank you for the invitation to participate in this second round of the EU Budget Review Inquiry that your European and External Relations Committee is currently undertaking. As you are aware, COSLA had already politically agreed and submitted its formal position to the previous consultation phase of this Inquiry that ended last December.

Despite the pause in the discussions during the last year, mostly arising from the uncertainty over the Lisbon Treaty ratification, our politically agreed position, which had also been submitted to the European Commission official consultation¹ remains the same. Naturally, our response refers mainly to the parts of the EU Budget that are related to Scottish Councils powers, rather than addressing more wide ranging issues that are UK reserved matters or subject to further party political discussion.

In this response I am essentially providing an officer response to the very detailed questions highlighted in the invitation letter we received. If, in addition to this written response, you feel that there would be benefit in COSLA giving evidence to the Committee later this year, I would be happy to arrange for an appropriate member of staff to attend.

- **What do you think should be the future policy priorities of the EU Budget and why?**

COSLA supports the principle of a profound review of the EU budget priorities. We agree with the Commission paper that the spending priorities today are very different to priorities 50 years ago. We also agree that the new challenges such as climate change, demographic decline, the effects and anticipated effects of the recession and globalisation should be taken into account more comprehensively.

While we recognise the need to review the fact that the majority of the EU budget is focused on creating a more even spread of wealth across the EU, we would nevertheless **stress that territorial, economic and social cohesion in particular should be key elements of any future EU Budget proposal.**

It shall be stressed that a “**bottom-up**” **approach** - whereby policy objectives (what we want to achieve to achieve with funding programmed at EU level) are defined first then EU spending priorities are set to match these policy objectives - should be the guiding principle for defining the forthcoming EU budget. Most experts argue that any of the current structural problems of the EU budget stem because the current process is the opposite.

¹ http://ec.europa.eu/budget/reform/library/contributions/pgs/20080325_PGS_13_en.pdf

COSLA believes that the multiplicity of funding programmes should be clearly avoided. Any new EU funding programme should clearly justify its added value, particularly in relation to administration costs. Also, fewer and bigger funds would allow for flexibility during the programming period.

We believe that the preferred option is to have a small number of large funding programmes, reflecting the big policy priorities of the EU (for instance in the current Budget these big priorities are cohesion, protection of natural resources, citizenship, EU foreign action, plus internal administration) We are aware of the practical, political and treaty limitations that could prevent this approach from being fully developed but still consider that is an idea worth exploring.

Reflecting the new emphasis at the EU level on *integrated place-based approaches* and *local partnerships*, Local Authorities should be the key actors in defining and delivering EU funding programmes affecting that area. COSLA believes that there is a wide scope left to maximize local input, partnership and delivery in the structure and management of the Funds. In addition we believe that failure to fully implement the partnership principle at a local level could actually prevent the funds from being fully effective.

We really welcome the principle of Multi-Annual Programming, and the recent European Parliament Böge Report that endorses our view of linking it with the EU legislative term. However, the current economic crisis has proven that there are limits to this approach. Despite the scale of the crises the European Union has only been able to mobilize limited resources in unspent EU funds and needed to put in place two reforms of the Structural Funds regulations to allow an increase in expenditure on the ground.

In order to respond to unplanned needs, it is both necessary to give more flexibility to the EU multi-annual funding programmes over the financial period, particularly to the Structural Funds, and to increase the size and speed of the current anti-cyclical EU funds, such as the Globalization Adjustment fund, so that this money can be quickly made available were there are unanticipated economic crises affecting a given area or areas.

- **What are the challenges and opportunities for Scotland in relation to the future EU budget?**

It is widely agreed that, if the current eligibility rules remain unchanged, Scotland will stop benefiting from EU Structural Funds. However, this analysis takes for granted that the current features of the EU budget will remain unchanged and the current review process would only amount to a rebalancing of sectoral budget headings (Research, Competitiveness, Transport, etc) to the detriment of the Common Agricultural Policy and the EU Structural Funds.

The review offers nonetheless the possibility of a deeper reform of the EU Budget, to sort out the inconsistencies or inadequacies of both the funding

priorities and the management of the funds. We should see the starting point in the review as offering an opportunity to assess the EU Added Value of any current or future funding stream as defined further below. The added value of European funding should be clearly demonstrated before any new EU funding stream is proposed. In this sense COSLA believes that subsidiarity and proportionality should remain the principle criteria to determine whether EU action is required or not.

European “Added Value” is provided when the intended action cannot be better achieved nationally, either because it achieves cross-border or EU-wide (for instance, Trans-European Networks, climate change, migration, international crime) or because it addresses local challenges in a innovative way that has not been or can not be properly addressed within national resources²

In this respect, the recent reflections contained in the Bachtler/Barca report³ are worth exploring: these two scholars argue that instead of focusing on agreeing an overall EU budget and then distributing the funds using the principle of “*fair return*” for each Member State, the size and complexity of the EU Single Market requires that funds are available at EU level and deployed wherever and whenever necessary to ensure that the EU Internal Market works smoothly and key pan European challenges (climate change, demographic decline, innovation, etc). Under this approach EU funds would not just be considered mainly redistributive ones but actually way to fill the gaps not addressed nationally and provide EU wide responses to EU wide problems. A detailed assessment of how this change of tack would benefit Scotland would be beneficial.

This offers an difficult dilemma for Scotland’s Councils. While it appears inevitable and probably fair that funds available for the “old” EU15 will significantly drop, COSLA strongly stresses the need to recognise the existence of “pockets of deprivation” and “areas with structural handicaps”. COSLA believes that this is how the new emphasis on “place-based approaches” that the Commission is now considering should be understood. Indeed focusing on how policies impact in local areas, and how local areas can maximize EU resources, is a central theme of the Barca Report.

Similarly we very much welcome, the new focus on integrated approaches either policy based (the new Integrated Maritime Policy, for instance) or geographically-based (such as the recent Baltic Sea Strategy the forthcoming, Danube Strategy, perhaps a North Sea Strategy) whereby all EU and national policies affecting a given area are addressed in an integrated, holistic fashion to avoid gaps and inconsistencies. Of course the bottom line for COSLA is that local areas, and local Councils should be at the centre of these new way of working. We continue to endorse the view that both one EU fund, one programme for each purpose and one-stop-shop approaches are essential to

² such as some parts of EU Cohesion Policy, where this concept is known as “additionality” .

³ Fabrizio Barca (2009) “An Agenda for a Reformed Cohesion Policy. A place-based approach to meeting European Union challenges and expectations”, Independent Report prepared at the request of Danuta Hübner, Commissioner for Regional Policy

allow communities and stakeholders, particularly those more vulnerable and with less resources to effectively apply for EU funding.

As part of a process of simplifying specific funding policies the Review should consider integrating Rural Development into EU Cohesion Policy, and to remove the dependence of allocations on agricultural spending (modulation). Similarly, and reflecting the above mentioned new emphasis of “holistic approaches” the Fisheries Fund could be enlarged into a Coastal Fund, as Fisheries Commissioner Joe Borg recently suggested at a meeting with COSLA Vice President Corrie McChord. In this regard the Scottish model of Local Coastal Partnerships would seem to be an ideal vehicle to manage such funds.

The Review could also consider assessing where EU funds can be managed in policy specific funding programmes (such as FP7, CiP, TENs, LIFE+ etc) or coming from a geographically targeted “big pot”, such as from EU Cohesion Funding. COSLA believes that while local communities can benefit from earmarking part of the Cohesion funding to address policy specific issues (transport, environment, etc) in a given area, we still believe that helping to fight these challenges must not deviate EU Regional Policy from its main objective that is to provide Territorial Cohesion.

Also, as outlined in our recent submission to the Scottish Parliament enquiry on the “EU Response to the financial crisis”, the budget review process offers an unique chance of further simplify the European funding programmes, namely but not only the EU Structural Funds.

The practitioners in our member Councils outline that compliance and payment processes need to be greatly simplified to ensure that the approved projects can be quickly delivered on the ground. A “Strategic Dialogue” among stakeholders could be undertaken to help secure consistent, complementary and joined up activity on the ground between local projects and national and EU funding resources as well as ensuring a predictability of award criteria.

Finally, the current review should consider the issue of the performance of EU funds. While still in the early stages of development, the Scottish **Single Outcome Agreements** between individual councils and the Scottish Government, offer a good practice model of tying various strands of work together. It is an arrangement that could have relevance to other member states and act as a way of delivering mutual accountability between local, national and EU levels of governance.

- **What action should be taken now by a) Scottish Government b) Scottish Parliament c) Scottish stakeholders?**

COSLA is a keen promoter of the “*Team Scotland*” approach that underlines our work at an EU level with the other Scottish bodies and institutions that are active at EU level.

As regards to the Scottish Government, its role is key to ensure that the UK negotiating position fully takes into account Scotland's interests. We are keen to see that the arrangements in the Concordat result in further joint policy development between the Scottish Government and Scottish Councils on the European stage. We see local government as not simply being another stakeholder but a partner in the governance of Scotland, alongside both the Scottish Parliament and the Scottish Government. COSLA is willing to work with the Scottish Government so that our views can be addressed in the Budget Review on Scotland's communities.

The Scottish Parliament is the obvious forum for a strong cross-party consensus on the key Scottish funding priorities that should be formed in the forthcoming months. Most of this is quite pragmatic in nature, and despite the differing views that exist between Scotland's political parties on the role and future of the EU, when COSLA has been involved in lobbying at an European Parliament level we have found a high degree of consensus and support for our positions.

We look forward to the response from the Scottish Parliament to the suggestion of the Calman Commission for a closer involvement of Scotland's six MEPs in the discussions of the European and External Affairs Committee to help maximize the influence of the Scottish Parliament in Europe. We believe that the Scottish councillor members of the Committee of the Regions could also participate in this level of discussions as alongside their MSP counterparts they represent Scotland in the only EU forum of local and regional government and routinely discuss and negotiate positions on behalf of Scottish local government.

Finally COSLA maintains a fluid dialogue with our counterparts of other EU Countries, namely via the local government EU umbrella the CEMR were COSLA is now chairing a Task Force on the future of EU Cohesion policy.

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