

COSLA response to the EU Budget Review

The **Convention of Scottish Local Authorities (COSLA)** is the representative voice of all Scottish Local Authorities both nationally and internationally and it has long been advocating strong, consistent EU budgets in which local communities are given the means to prosper and where the partnership principle, whereby Local Authorities are fully involved in the design and implementation of the programmes, is fully applied.

Main messages:

- COSLA welcomes the opportunity to contribute to this public consultation on the future of the EU Budget. We believe it is important to look at the needs of citizens and communities rather than looking at overall financial figures.
- **We would wish to stress that territorial, economic and social cohesion in particular should be key elements of any future EU Budget proposal.**
- The principle of multi-annual programming should be maintained but needs to be closely aligned with the EU legislative term in order to improve political accountability.
- COSLA believes that multiplication of funding programmes should be avoided. Any new EU funding programme should clearly justify its added value. Fewer and bigger funds would allow for flexibility during the programming period.
- Applying this logic, **COSLA will argue for the current EU cohesion policy to be maintained and to remain available to all EU countries. Rural Development funds should be integrated with the Structural Funds.**
- We recognise the importance of the emerging challenges such as climate change and globalisation but we would stress that any additional EU funding should clearly demonstrate how to tackle these issues, and be aligned with national programmes.
- In particular, EU cohesion policy can help deliver the Lisbon Agenda but should not substitute it.
- Funding applications should be made user-friendly. They should be simple, standardised and should be designed to avoid the need for citizens and stakeholders to use intermediaries in order to access them.

For the detailed response to the Questionnaire, please see over

Detailed COSLA Response to the Commission questionnaire

The budget as a tool for changing priorities:

Has the EU Budget proven sufficiently responsive to changing needs?

- 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 or globalisation should be taken into account more comprehensively.
- While we recognise the need to review that 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 absolutely key elements of any future EU Budget proposal.**
- COSLA supports a credible EU budget which provides for:
 - **Multi annual programming:** EU funding programmes set at the EU level allow for medium term investments to be protected from the spending fluctuations of national electoral cycles, allowing communities to develop consistent development strategies.
 - **Additionality to national funds:** EU funding should compliment national funding but also provide for areas which have not been emphasised in national priorities. EU support can deliver additional gains over and above outcomes generated by national and regional funding streams.
 - **Increase EU legitimacy in citizens:** Many EU policies, such as the Internal Market strategy, can provide benefits overall for the EU but equally can impact negatively in certain areas. The EU budget can address this imbalance as well as enhance the future prospects of those areas lagging behind other areas across the EU. Selective EU financial intervention through the Structural Funds can improve the potential for growth and development in disadvantaged communities.
 - **Enable the establishment of international networks:** Without the support of EU funds, local communities, researchers, students and other stakeholders would find it much more difficult to co-operate or move across EU countries to learn from each other. This particularly applies to Local Authorities, with the Territorial Cooperation programmes providing vital opportunities to work with other municipalities across the EU.
- Finally we are not opposed to the participation of the private sector in cohesion policy programmes, and welcome the greater involvement of the EU's lending institutions (such as the EIB) in supporting cohesion policy both directly and through initiatives such as JEREMIE and JESSICA.

How should the right balance be found between the need for stability and the need for flexibility within the multi-annual financial framework?

- COSLA supports the idea of multi-annual programming. We believe that the EU Budget should be realigned with the EU electoral cycle, thereby enabling the EU institutions to set EU budget and to be politically responsible for its implementation
- A practical solution could be that outgoing Commissioners and MEPs could prepare the groundwork of future budgets and that the new Commissioner and MEPs, as well as the Council of the European Union, are required to reach an agreement within the first year of their mandate.
- This would enable the incumbent Commission and European Parliament to be politically responsible for the implementation of their EU budget over the remaining four years of their term.
- Also, by creating a requirement of a set deadline to reach an agreement on the EU budget, the three EU institutions would be encouraged to avoid the protracted budgetary discussions that take place under the current system. This could be the most concrete outcome of the current Budget review.

Flexibility and stability:

- COSLA believes that multiplication of funding programmes should be clearly avoided. Any new EU funding programme should clearly justify its added value, particularly in relation to administration costs.
- We believe that the preferred option is to have a small number of large funding programmes, perhaps as little as four, 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 treaty limitations to this approach being fully developed but still consider that is an idea worth exploring.

The added value of EU spending:

Do the new policy challenges set out here effectively summarise the key issues facing Europe in the coming decades?

- COSLA believes that the Commission's assessment of future challenges (demographic change, climate change, migratory pressure, etc) is essentially correct. We also believe that concerted action at EU level on the supranational dimension of these problems is essential.
- We would nevertheless warn against using these new challenges as arguments to weaken the current financial allocations for territorial cohesion as we believe these should remain a key EU priority. Still, we recognise that Territorial Cohesion funds (Regional Policy and Rural Development) should help combat the territorial impacts of these emerging challenges.

- As with any other EU policy goal, for any of these new emerging challenges to receive substantial EU funding, European added value should be clearly demonstrated.
- Finally given the modest size of the EU Budget (2% of EU Member States' public spending), national and European Budgets would need to be aligned to combat these challenges if they are to be countered, particularly regarding climate change.

What criteria should be used to ensure that the principle of European value added is applied effectively?

- COSLA believes that subsidiarity and proportionality shall remain the paramount criteria to determine whether EU action is required or not. Added value of European funding should be clearly demonstrated before any new EU funding stream is proposed.

How should policy objectives be properly reflected in spending priorities? What changes are needed?

- For those EU policy objectives that need financial allocations to be implemented¹, we believe that concentration of funds on the key EU objectives, rather than a thin spread of funds across numerous objectives, is the best way of ensuring effectiveness as well as improving public perception of the proper use of EU funds.
- It shall be stressed that a “**bottom-up**” approach - whereby policy objectives are defined first then EU spending priorities are set to match - should be the guiding principle for defining the forthcoming EU budget.

COSLA would like to outline the following key messages:

Territorial Cohesion shall remain a priority

- COSLA understands that, given the political and financial trends in the EU, the next budgetary settlement for EU Cohesion policy is most likely to be equal to or less than the current one.
- We also acknowledge that should a reduction of funds be agreed in the future, priority should be given to the least developed regions of the new EU Member States (EU12).
- However, we support the EU institutions such as the European Parliament and the Committee of the Regions, together with our partners in the Local Government European umbrella CEMR, to request an **ambitious EU Cohesion policy across the whole of the EU**.

¹ i.e. those which are not mainly legislative policies such as Internal Market, Competition or External Action.

- **We therefore support the ESPON research which indicates that without a strong EU Cohesion the area known as the “Pentagon” would not be widened to cover Scotland².**
- In this respect, we welcome the fact that the new Treaty would recognise **Territorial Cohesion as one of the EU official Objectives** for the first time.
- **The EU Cohesion principle can help deliver the Lisbon agenda however the Lisbon Agenda cannot be a substitute for cohesion policy.**
- **We would argue for a new “local paradigm”** in planning and delivering cohesion in which a set of eligibility indicators beyond the current GDP based criteria will facilitate territorial targeting, in particular regarding **“pockets of deprivation”** and **“areas with structural handicaps”**.
- **Local Authorities should be the key actors in defining and delivering funding programmes.**
- COSLA argues that the distinction between ESF and ERDF does not facilitate flexibility and a merging of the two should be considered to the extent that current Treaty limitations allow for it. It goes without saying that our view is that ESF delivery should be local rather than national.
- Finally, we are not opposed to private involvement or use of lending resources (EIB loans etc) provided it is not a substitute for direct EU funds.

Rural Policy should be integrated with Cohesion funding

- COSLA believes that **the current distinction between Structural Funds and Rural Development funds can be seen as artificial** and should therefore be critically reviewed so they could at least eventually be bundled in order to make a “one-stop- shop” for potential local applicants.
- COSLA has historically argued for much higher allocations to wider Rural Development. Modulation should be increased and freed-up funds should increase Rural Development allocations.
- Finally, assuming that some form of farm support would to remain in future programmes, we would stress the need to target this support to farms based on socio-economic needs.

EU funding in other policy objectives shall be consistent with the Territorial Cohesion funds and vice versa.

² The ESPON Territorial Futures study clearly demonstrates that a future EU scenario with a strong EU Cohesion policy is the only way by which Glasgow/Edinburgh will be able to join the nodes of the “Pentagon” central area of prosperity in the EU. This is how ESPON names the core development area of Europe stretching between (formed by London, Paris, Hamburg, Munich and Milan) where most of European GDP and population is concentrated.

- COSLA recognises that Structural and Rural Development Funds should help meet challenges such as the Lisbon Agenda or Climate change. Any potential specific funds which might be created should have at least a partial territorial dimension. Current FP7 Regions of Knowledge is a good example of this.

Over what time horizon should reorientations be made?

- As detailed above, COSLA believes that the EU budget should be closely aligned in the future with the mandate of the Commission and the European Parliament to increase the legitimacy and accountability of the spending choices made.

How could the effectiveness and efficiency of budget delivery be improved?

- As indicated above, we believe that a narrower set of funding priorities paired with a small number of large funding programmes is the best way to ensure effectiveness on the programme. Factual evidence of cost benefit analysis should be provided before setting up a new funding stream.
- User friendly, one-stop-shop approaches are essential in order to allow communities and stakeholders to effectively apply for EU funding. While recognising that the “one programme, one fund” simplification of the current period is a welcome improvement, we believe that there is still a margin to reduce the number of existing programmes by merging them to create as few as four large EU funds.
- Similarly application procedures should be standardised and simplified to allow individual citizens to effectively understand them. A good first step would be for the Commission to request external assessments as to how “user friendly” the current funding applications are.
- Where the management of EU budget streams is delegated to national authorities (for example in relation to Structural Funds and Rural Development) it is crucial that Local Authorities are fully involved in the planning and delivery of these programmes, as local authorities are best placed and have the democratic legitimacy to understand the needs and aspirations of the communities they represent.

Could the transparency and accountability of the budget be further enhanced?

- Partnership principle: We would stress the need for relevant EU funding programmes to have local accountability by involving representatives of Local Authorities in the design and implementation of EU funding programmes.
- Transparency: In addition to reinforcing current audit and financial management systems, we would argue the need to progress the current trend of *decentralised shared management of EU funds*. If the funds are managed at a level that is as close to the citizen as possible, public awareness of the funds would increase. This of course should not prevent the European institutions from verifying that control and audit systems of the implementing bodies meet minimum quality standards.

Could enhanced flexibility help to maximise the return on EU spending and political responsiveness of the EU budget?

- As stated above, by reducing the number of EU funding programmes, there would be a greater degree of flexibility to change spending priorities during the programming period if necessary.

Financing the Budget:

What principles should underpin the revenue side of the budget and how should these be translated in the own resources system?

Is there any justification for maintaining correction or compensatory mechanisms?

- The above questions relate to political decisions that are outwith the remit of local authorities to comment on.
- We would nevertheless stress the importance of ensuring that a fair, non-discriminatory and proportionate system of EU budget contributions should be in place in order to ensure the support of citizens across EU Member States.

What should be the relationship between citizens, policy priorities, and the financing of the EU budget?

- The impact of the EU budget should be felt at a level as close to the citizen as possible to ensure ownership of EU actions. Similarly, citizens' needs and concerns should be at paramount when designing and implementing the EU budget. We therefore believe that Local Authorities' involvement in EU-funded programmes is fundamental in order to ensure that citizens' priorities are understood and duly reflected in EU funding programmes.