The Scottish Parliament
Pàrlamaid na h-Alba

EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

AGENDA

4th Meeting, 2011 (Session 4)

Tuesday 4 October 2011

The Committee will meet at 2.00 pm in Committee Room 5.

1. **Decision on taking business in private:** The Committee will decide whether to take items 5 - 7 in private.

2. **EU economic issues:** The Committee will take evidence on the Multi-Annual Financial Framework, regional funding and the Eighth Framework Programme (FP8) from—

   John Swinney MSP, Cabinet Secretary for Finance, Employment and Sustainable Growth, Elspeth MacDonald, Head of Constitution and Parliamentary Secretariat, Shane Rankin, Deputy Director, European Structural Funds/Defence Review Response, and Aileen McKechnie, Head of Innovation and Industries Division, Scottish Government.

3. **Brussels Bulletin:** The Committee will consider the latest edition of the Brussels Bulletin.

4. **Committee of the Regions:** The Committee will consider written evidence regarding the Scottish Parliament's members of the Committee of the Regions (CoR).

5. **Scotland Bill - EU issues:** The Committee will consider a draft remit for its inquiry on engagement with the EU dimension of the Scotland Bill.

6. **Brussels visit:** The Committee will consider a proposal for a visit to Brussels.

7. **EU economic issues:** The Committee will consider the evidence taken from the Cabinet Secretary for Finance, Employment and Sustainable Growth earlier in the meeting.

EU/S4/11/4/A

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The papers for this meeting are as follows—

Item 2

Note by SPICe	EU/S4/11/4/1
PRIVATE PAPER	EU/S4/11/4/2 (P)

Item 3

Note by the Clerk	EU/S4/11/4/3

Item 4

Note by the Clerk (to follow)	EU/S4/11/4/4

Item 5

PRIVATE PAPER	EU/S4/11/4/5 (P)

Item 6

PRIVATE PAPER	EU/S4/11/4/6 (P)

European and External Relations Committee

4th Meeting, 2011 (Session 4), Tuesday, 4 October 2011

EU economic issues

Background to evidence session

1. The Committee has invited the Cabinet Secretary for Finance, Employment and Sustainable Growth to give evidence on certain EU economic issues which are the Multi-Annual Financial Framework (MAFF), regional funding and the 8th Framework Programme (FP8). The purpose of this session is to provide evidence on these issues as a precursor to the Committee's consideration of future European engagement.

2. A background briefing by SPICe is attached for this session which covers the areas noted above as well as Europe 2020. In addition, an EU Explanatory Memorandum on the MAFF is attached as further background information. The scrutiny of such draft EU legislative and non-legislative proposals and their accompanying Explanatory Memoranda (EMs) is a component of the Scottish Parliament's European Strategy.

Committee Clerk
October 2011

SPICe
The Information Centre

THE EUROPEAN UNION'S MULTIANNUAL FINANCIAL FRAMEWORK

Background

As with all international organisations the European Union requires a budget. The budget pays for the EU's running costs and more importantly finances the EU's strategic policy programmes such as the Common Agricultural Policy (CAP), structural funds and research and development funding. Further information about how the budget is agreed and financed is available in SPICe Briefing 11/47 The European Union – The Budget.

Article 312 of the Treaty on the Functioning of the European Union requires the European Union to agree a multiannual financial framework to "ensure that Union expenditure develops in an orderly manner and within the limits of its own resources". In addition the framework should last for a minimum of five years. The current multiannual financial framework runs from 2007 until the end of 2013.

Negotiations for the next multiannual financial framework are now beginning following the publication of the Commission's proposals on 29 June 2011.

The current multiannual financial framework

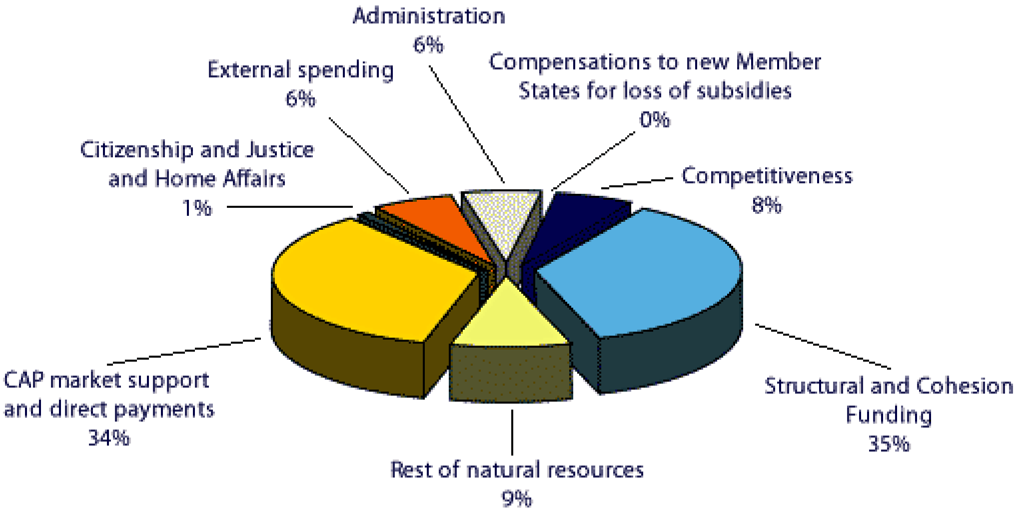
The European Commission originally proposed a budget of around 1.24% of EU Gross National Income (GNI), amounting to €1,025 billion, whilst the six net contributors proposed a budget of 1% of EU GNI. After protracted negotiations, a budget deal was reached at the European Council meeting on 19 December 2005. Member states agreed an overall budget of 1.045% of EU GNI amounting to a total of €862 billion[1].

The budget was finally ratified by both the Parliament and the European Council in April 2006 with the Parliament securing a further €2 billion for the budget. The pie chart on the page opposite shows how the 2007-2013 budget is allocated between the different budget headings.

During the 2007-2013 multiannual financial framework, Scotland will benefit from €4.1bn (with €679m Pillar 2 funding and €3415m Pillar 1 funding after modulation) of CAP funding, €820 million of Structural and Cohesion Funding and up to March 2011 had received over €259 million of Competiveness (research and development) funding.

[1] Following adjustment and revisions the total budget equated to 1.12% of GNI totalling €975,777 billion (http://ec.europa.eu/budget/figures/fin_fwk0713/fwk0713_en.cfm).

Make-up of EU budget 2007-2013



(Source: UK Government Foreign and Commonwealth Office 2007)

The 2014-2020 multiannual financial framework

The Commission published its proposals for the 2014-2020 multiannual financial framework (MFF) on 29 June 2011. The proposals contain a recommendation for the overall size of the budget, proposals for the way in which the budget is raised and proposals for how the budget should be spent.

According to the Commission, the key objectives of the next MFF are to support smart, sustainable and inclusive growth, to encourage greater solidarity and to transform and simplify the system of own resources financing the EU budget.

The Commission has proposed a total budget of 1.05%of EU GNI which amounts to €1,025 million. This compares with the budget of 1.12% for the current period.

The Commission has also proposed the end of correction mechanisms (such as the UK rebate) and replacing them with a system of temporary lump-sum corrections for the UK, Germany, the Netherlands and Sweden for the period 2014-2020. Under this system, each year these Member States would receive from the budget (distinct from policy-related budget expenditure):

- the UK — €3,600 million
- Germany — €2,500 million
- the Netherlands — €1,050 million
- Sweden — €350 million

The two new Own Resources proposed by the Commission to partially finance the Budget are a Financial Transaction Tax (FTT) and new VAT resource. Together, the new Own Resources would finance over 40% of the Budget by 2020.

Proposed budget expenditure comes under four headings:

1. Smart and Inclusive Growth
2. Sustainable Growth (natural resources)
3. Security and Citizenship
4. Global Europe

From a Scottish perspective, the two key budget headings are Smart and Inclusive Growth and Sustainable Growth as these contain the proposals for the key budget headings which Scotland benefits from namely structural and cohesion funds, the Seventh Framework Programme for Research and Technological Development (FP7) and the CAP.

Smart and Inclusive Growth

For the period 2014-2020 the Commission proposes expenditure in Heading 1 of €490,908 million in commitment appropriations. Of this economic, social and territorial cohesion €376,020 million (compared with a budget of €348,415 million from 2007-2013).

The remainder of the heading receives €114,888 million. Of this they key element is financing the creation of the Common Strategic Framework for Research and Innovation (CSF —also known as Horizon 2020). This would combine the successor programme to FP7, the innovation-related elements of the current Competitiveness and Innovation Programme and the European Institute for Innovation and Technology.

The budget for Horizon 2020 is €80 billion which compares with the combined budget for FP7, the Innovation Programme and the European Institute of Technology during the 2007-2013 period of €57 billion.

Sustainable Growth

For the period 2014-2020 the Commission proposes expenditure on the heading for Sustainable Growth of €382,927 million (a fall from €413,061 during the 2007-2013 period). Market related expenditure and direct payments (Pillar 1 of the CAP) constitute €281,825 million (down from €330,085 during the 2007-2013 period) of this total and rural development (Pillar 2) €89,895 million (down from €82,976 during the 2007-2013 period).

The UK Government position on the Commission's proposals

The UK Government's Explanatory Memorandum on the Commission's Communication (A Budget for Europe 2020) outlines its proposed policy approach to the Commission's proposals.

On the size of the budget, the Explanatory Memorandum states "The UK Government has been clear that, at a time of ongoing economic fragility in Europe and tight constraints on domestic public spending, the Commission's proposal for the MFF is unrealistic. It is too large; and it is not the restrained budget the Commission claims and it is incompatible with the tough decisions being taken in countries across Europe."

On the proposal to remove the UK abatement and replace it with a temporary lump sum correction the Explanatory Memorandum states: "The UK Government has made it clear that the UK will protect the abatement. The UK abatement remains fully justified due to continuing expenditure distortions in EU budget, including in the MFF proposed by the Commission. Expenditure distortions mean that the UK currently has the lowest per capita receipts from the EU budget. The temporary lump sum corrections proposed by the Commission would remove the permanency of the UK's current abatement mechanism and threaten our long-term outcomes."

The UK Government also opposes the proposal for a Financial Transaction Tax and a new VAT resource on the basis that tax policy is primarily a matter for Member States to determine at a national level.

In terms of expenditure the key concerns expressed by the UK Government are that the budget for economic, social and territorial cohesion should be significantly reduced and that the cuts imposed should fall on the richer regions with a greater proportion of cohesion spending going to the poorer Member States. In terms of the budget for growth and competitiveness and in particular research and innovation, the UK Government has called for a larger share of the overall EU Budget to be allocated to this heading with a rise in line with inflation.

Under the heading on Sustainable Growth the UK Government has called for a "substantial cut to the CAP budget focussed on Pillar 1". In addition the UK Government has suggested that "Pillar 2 should receive a larger share of a smaller CAP budget".

The Scottish Government position on the Commission's proposals

In al letter to the previous European and External Relations Committee on 1 July 2010, the Cabinet Secretary for Finance and Sustainable Growth wrote:

> "In terms of future budqetarv priorities, spending must better reflect the new policy challenges which Europe faces. These policy challenges are as crucial for Scotland as they are for the EU as a whole - economic recovery, climate change, an ageing population and energy supply. It is important that there is close alignment with the recently agreed Europe 2020 strategy and that future spending is targeted in these areas so that the development of a low carbon economy becomes one of the key objectives of the EU.
>
> Clearly the current CAP has some serious flaws and must be reformed, but we need ongoing support for farming especially in our most fragile and vulnerable areas. Scotland fares particularly badly under the current arrangements for allocating EU rural development funding. The Scottish Government is concerned that the right decisions are taken on the overall size of the EU budget, the allocation between Member States, and the sub allocation within individual Member States, in order to avoid disproportionate impacts on rural areas in Scotland.
>
> Peripheral parts of the EU face significant challenges and recognition of this should continue to inform the development of EU Cohesion policy. We share the Committee's view on the sub-national approach of EU regional policy. While proportionately more support should go to less wealthy Member States, regional policy should continue to target disadvantaged areas across the EU."[2]

Whilst the UK and Scottish Governments agree that the next MFF should reflect the current economic times and should as a consequence be restrained in terms of its size there is a difference between the two Governments in that the UK Government has identified reductions in the proportion of cohesion funding going to richer Member States and calling for significant reductions in Pillar 1 of the CAP whilst the Scottish Government has called on cohesion funding to be targeted at poor regions across all Member States and for a continuation of Pillar 1 funding albeit with some reform of the CAP.

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2 http://www.scottish.parliament.uk/s3/committees/europe/inquiries/euDirectives/documents/EUBudget_SGResponse.pdf

FRAMEWORK PROGRAMME FOR RESEARCH AND DEVELOPMENT – HORIZON 2020

Background

The EU's Seventh Framework Programme for Research and Technological Development (FP7), for the period 2007 to 2013, has a total budget of €53.2 billion. The UK is one of the highest beneficiaries of the EU Framework Programmes and is anticipated to receive a total of €7 billion from FP7 (approx. €1 billion per year), primarily through academia. There has been a downward trend in the industrial sector's participation in FP7 over the years.

The Commission's proposal for the next multiannual financial framework (MFF), published in June 2011, proposes making a significant increase in the share of funding made available for research and development between 2014 and 2020 to a total of €80 billion.

FP8: 'Horizon 2020'

The Commission published a Green Paper on the possible form of the successor programme in February 2011. One of the most significant proposals was to bring the funding currently available under FP7 together with other EU funding instruments within a streamlined Common Strategic Framework (CSF), alongside simplified application procedures in order to increase participation, particularly among SMEs. In June the name of the CSF was confirmed as 'Horizon 2020 - the Framework Programme for Research and Innovation' and legislative proposals are due to be presented by the end of November 2010. Once adopted it will apply for the same period as the next MFF: from 2014 to 2020.

The proposal may see greater alignment between the following EU funding instruments that support research and innovation and cover the full innovation chain:

- The Seventh Framework Programme (FP7).

- The Competitiveness and Innovation Framework Programme (CIP), which has a budget of €3.6 billion and aims to encourage the competitiveness of European industry, particularly SMEs.

- The European Institute of Innovation and Technology (EIT) – an autonomous EU body which promoting research and innovation in higher education. It receives €309 million from the EU Budget, which it uses to mobilise funds from public and private sources.

The role of the following EU funding is also important but it is not likely to be incorporated into the Horizon 2020 framework programme:

- Cohesion policy, currently provides €86 billion (almost 25% of the total Structural Funds budget) to enhance the capacity of regional economies to change and innovate.

In September 2011, the Commission published a related consultation on the establishment of a European Research Area (ERA) by 2014, creating a genuine single market for knowledge, research and innovation. This is intended to enable researchers, research institutions and businesses to circulate, compete, and co-operate across borders, increasing growth potential.

UK & Scottish Government positions

The UK was enthusiastic about the proposals contained in the Commission's Green Paper and while they agreed that research and innovation should receive a greater proportion of funding under the next MFF this should be "subject to the imperative of real overall budgetary restraint."

The Scottish Government have acknowledged the continuing importance of attracting EU funds. Mike Russell MSP, Cabinet Secretary for Education and Lifelong Learning, presented their response to the Green Paper consultation to Marie Geoghegan-Quinn, the Commissioner for Innovation, Research and Science in February 2011 ahead of the development of Horizon 2020.

Scottish uptake of FP7 funds as a proportion of the total UK spend

As at 16 March 2011, the UK had received a total of just under €2.7 billion of FP7 funds and Scotland received €259 million of this amount (9.6%).[3] Health and ICT (information communication technology) are the main sectors in Scotland that attracted funding and the recipients are predominantly universities and research institutes, with businesses receiving a much smaller proportion of allocations.

Scottish input into the development of Horizon 2020

Scotland's distinctive higher education sector, including its four-year undergraduate degree, illustrates the distinctive Scottish dimension to the development of the future Horizon 2020 programme in the UK context.

In order to maximise the opportunities for Scottish organisations, particularly businesses, in accessing to the remaining FP7 funds and future Horizon 2020 funds, Scotland Europa have established a steering group comprised of the Scottish Government, Scottish Enterprise, Highlands & Islands Enterprise and the Scottish Funding Councils. This group will also coordinate the Scottish contribution to the development of the future Horizon 2020 priorities.

[3] Based upon statistics from the Department for Business, Innovation and Skills (BIS)

EUROPEAN TERRITORIAL COHESION FUNDING

Background

Over the last 30 years Scotland has benefited from European Territorial and Cohesion funding in the form of European Structural Funds. During the 2006-2013 period Scotland received over €1 billion in structural funds whilst during the current multi annual financial framework which lasts until the end of 2013, Scotland will receive €820 million.

There are currently two programme areas in Scotland – the Highlands and Islands and the Lowlands and Uplands Scotland area. Each programme area includes European Regional Development (ERDF) and the European Social Funds (ESF). In the case of the Highlands and Islands, both the ERDF and ESF are Convergence programmes[4] whilst the Lowlands and Uplands programme is a Regional Competitiveness Programme[5]. More details about the current programmes is available in SPICe Briefing 06/45 Future Structural Fund Programmes in Scotland 2007-2013. The current programmes will end in December 2013.

The 2014-2020 Structural Fund Programmes

Negotiations for the next round of programmes are due to be published on 5 October. Ahead of their publication, an indication of the Commission's thinking was provided in its proposals for the next multiannual financial framework (MFF) which were published at the end of June 2011. The MFF proposals set out the Commission's proposed budget for Cohesion funding. The Commission proposed an overall budget of €376,020 million (compared with a budget of €348,415 million from 2007-2013).

From a Scottish perspective, the other key details of the Commission's proposals are[6]:

- €40 billion for a new Connecting Europe facility designed to boost investment in transport, energy and information communication technologies;

- convergence regions (allocated €162.2 billion) — those regions that are less than 75% EU GDP per capita would overall receive the same receipts per capita as in the current (2007-2013) MFF;

- transition regions (allocated €38.9 billion) — creation of a new category of region to replace current phasing system. Regions graduating from convergence would receive two-thirds of current allocation. Regions that are between 75% and 90% of EU GDP per capita that are not graduating would receive enhanced support compared to competitiveness regions; and

- competitiveness regions (allocated €53.1 billion) — those regions not covered by the convergence objective or transitional support would receive on average the same receipts per capita as in the current MFF period.

The Negotiations

The European Commission is expected to publish its proposals for the regulations which will govern how each of the proposed structural funds operates on 5 October 2011. The

[4] The Convergence programmes are designed to support growth and job creation in the least developed member states and regions
[5] The Regional Competitiveness and Employment programmes are designed to help regions (outwith theeligibility for Convergence funding) adapt to economic and other changes
[6] http://www.publications.parliament.uk/pa/cm201012/cmselect/cmeuleg/428-xxxv/42803.htm

proposed regulations will set out the Commission’s thinking on spend eligibility for each strand of the structural funds along with outlining the governance rules for the programmes.

It is likely that the Commission’s proposals will outline clear linkages between spending eligibility and the objectives of the Europe 2020 strategy.

During the negotiations, it will be important that both the Scottish and UK Governments participate in the development of the regulations to ensure that the final agreed texts ensure that the spending priorities for each of the programmes reflect Scottish and UK needs and interests. This approach will help ensure Scotland and the UK can maximise potential receipts from the structural funds programmes.

EUROPE 2020

Background

The Commission launched the Lisbon Strategy on Growth and Jobs in 2000, which had the aim of making the EU the most dynamic and competitive knowledge-based economy in the world by 2010. It was widely regarded to have failed, largely due to the fact that its economic and social policy priorities fell within Member State rather than EU competence.

The successor programme – the Europe 2020 Strategy ('the Strategy') – was published by the Commission on 3 March 2010 and adopted by the Council the following June. It covers a ten year period but its content is not radically different from its predecessor. It intends to help the EU economy make a strong recovery from the global economic downturn and ensure that it can continue to compete economically with the US and rapidly growing economies such as China and India. Europe 2020 aims to allow the EU to become a smart, sustainable and inclusive economy by 2020.

The European and External Affairs Committee published a report on the Europe 2020 proposals last year. It included the following recommendations to the Scottish Government:

- That they should continue working closely with the UK Government.
- That they should monitor Scotland's progress against each of the targets and make this information available on their website. This appears to be available on the 'Scotland Performs' website.
- That they should ensure that Scottish stakeholders are engaged in the process, informed and given the opportunity to input their views.

Europe 2020 Strategy

The Strategy includes three "mutually reinforcing priorities". These are:

(i) Smart growth: developing an economy based on knowledge and innovation (including broadband targets)

(ii) Sustainable growth: promoting a more resource efficient, greener and more competitive economy.

(iii) Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion.

It also includes the following specific interrelated targets:

- 75% of the population aged 20-64 should be employed (currently 69%).
- 3% of the EU's GDP should be invested in research and development (R&D).
- To meet the "20/20/20" targets: Reduction of the greenhouse gas emissions by 20% compared to 1990; increase the share of renewable energy sources to 20% and a 20% increase in energy efficiency.
- The share of early school leavers should be under 10% and at least 40% of the younger generation should have a tertiary degree.

- 20 million less people should be at risk of poverty.

UK & Scottish Government positions

Each Member State is required to submit a National Reform Programme (NRP) outlining their plans to implement Europe 2020 in April each year. Although not a Member State, the Scottish Government submitted the Scottish National Reform Programme for 2011 to the Commission at the end of March 2011, which sets out their plans to make progress towards achieving the Europe 2020 targets. The Scottish Government has also contributed to the UK National Reform Programme. The Scottish and UK Governments' economic strategies contain similar priorities with respect to the development and implementation of the Strategy.

Scottish performance against the Europe 2020 targets

The below table compares the relevant Scottish and UK figures with the EU targets:

EUROPE 2020 TARGETS (%)	Scotland	UK	EU Target
Greenhouse Gas Emissions (reduction from 1990 in 2009)	21.2	23	20
Renewables (as proportion of total installed electrical capacity, 2009)	23	6.7	20
R&D (Gross expenditure, 2009)	1.67	1.84	3
Employment (Oct to Dec 2010)	71.1	70.7	75
Early school leaving	10.9[7]	14.9[8]	Under 10
Tertiary qualification[9] (2008)	46.7	39.7[10]	40

Relative to the UK figures and the EU targets, Scotland is performing well at present. The challenge will be to maintain these positive trends over the next decade, while also tackling weaker areas such as the relatively low gross expenditure on R&D.

SPICe Research
September 2011

[7] April to June 2009
[8] 2010
[9] Share of the population aged 30-34 years who have a tertiary qualification
[10] 43% in 2010

12475/11
COM (2011) 500/I final

12475/11 ADD 1
COM (2011) 500/II final

12475/11 ADD 2
SEC(2011) 867 final

12475/11 ADD 3
SEC(2011) 868 final

12484/11
COM(2011) 403 final

12474/11
COM (2011)398 final

12478/11
COM (2011) 510 final

12480/11
COM(2011) 511 final

12483/11
COM(2011) 512 final

12478/11 ADD 1
SEC(2011)876 final

12478/11 ADD 2
SEC(2011)876 final: annex

EXPLANATORY MEMORANDUM ON EUROPEAN UNION LEGISLATION

A BUDGET FOR EUROPE 2020 - PART I - COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS (12475/11)

A BUDGET FOR EUROPE 2020 - PART II - POLICY FICHES - COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS (12475/11 ADD 1)

STAFF WORKING PAPER ON THE ADDED VALUE OF THE EU (12475/11 ADD 2)

A BUDGET FOR EUROPE 2020: THE CURRENT SYSTEM OF FUNDING, THE CHALLENGES AHEAD, THE RESULTS OF STAKEHOLDERS CONSULTATION AND DIFFERENT OPTIONS ON THE MAIN HORIZONTAL AND SECTORAL ISSUES (12475/11 ADD 3)

PROPOSAL FOR AN INTERINSTITUTIONAL AGREEMENT BETWEEN THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE COMMISSION ON COOPERATION IN BUDGETARY MATTERS AND ON SOUND FINANCIAL MANAGEMENT (12484/11)

PROPOSAL FOR A COUNCIL REGULATION LAYING DOWN THE MULTIANNUAL FINANCIAL FRAMEWORK FOR THE YEARS 2014-2020 (12474/11)

PROPOSAL FOR A COUNCIL DECISION ON THE SYSTEM OF OWN RESOURCES OF THE EUROPEAN UNION (12478/11)

PROPOSAL FOR A COUNCIL REGULATION LAYING DOWN IMPLEMENTING MEASURES FOR THE SYSTEM OF OWN RESOURCES OF THE EUROPEAN UNION (12480/11)

PROPOSAL FOR A COUNCIL REGULATION ON THE METHODS AND PROCEDURE FOR MAKING AVAILABLE THE TRADITIONAL AND GNI-BASED OWN RESOURCES AND ON THE MEASURES TO MEET CASH REQUIREMENTS (12483/1)

STAFF WORKING PAPER COMMISSION REPORT ON THE OPERATION OF THE OWN RESOURCES SYSTEM (12478/11 ADD 1)

ANNEX TO STAFF WORKING PAPER COMMISSION REPORT ON THE OPERATION OF THE OWN RESOURCES SYSTEM (12478/11 ADD 2)

16TH **July 2011**

Submitted by HM Treasury

SUBJECT MATTER

Overview

1. The communication "A Budget for Europe 2020" (12475/11) and accompanying documents set out the European Commission's proposal for EU budget financing and expenditure in 2014-2020. This is the first stage in the process of establishing the EU's budget ceilings for 2014-2020, and provides the basis for negotiations between Member States on this subject, building to a Council agreement. Following this

the European Parliament will be asked for consent.

2. The Multiannual Financial Framework (MFF) sets out annual ceilings for the Headings of EU budget expenditure: (1) Smart and Inclusive Growth; (2) Sustainable Growth: natural resources; (3) Security and Citizenship; (4) Global Europe; (5) Administration.

Document description

3. There are eleven documents that form the Commission's MFF proposal.

4. Of these documents, the key substance of the Commission's proposal is in the two main communication documents (12475/11 and 12475/11 ADD 1) and in the proposal for a decision on own resources (12478/11). The other documents largely elaborate on or put into legal terms the content of these three documents.

5. All documents are summarised below:

   a. 12475/11 is the Commission's main proposal text.

   b. 12475/11 ADD 1 is a series of policy papers setting out in more detail proposals for expenditure in key areas of the budget.

   c. 12475/11 ADD 2 is a staff working paper setting out where the EU adds value.

   d. 12475/11 ADD 3 is a staff working paper setting out in more detail how the Commission has made its proposal on key areas of expenditure.

   e. 12484/11 is a proposal to lay down agreement on various technical budgetary issues in law.

   f. 12474/11 is a proposal for a council regulation to lay down the MFF for 2014-20 in law.

   g. 12478/11 is a proposal for a council decision to change the current system of financing the EU budget (own resources) in law.

   h. 12480/11 is a proposal for a council regulation for implementing measures to support the decision to change the current system of financing the EU budget (own resources).

   i. 12483/11 is a proposal for a council regulation for making available financing to fund the EU budget.

j. 12478/11 ADD 1 is a staff working paper Commission report on the financing of the EU Budget (own resources).

k. 12478/11 ADD 2 is an annex to 12478/11 ADD 1 above setting out Commission analysis of the changes proposed for the financing of the EU Budget.

Size of proposed MFF and changes to the financing of the budget

6. The Commission states that the key objectives of the next MFF are to support smart, sustainable and inclusive growth, to encourage greater solidarity and to transform and simplify the system of own resources financing the Budget.

7. The Commission proposes commitment appropriations[1] of €1,025,000m (£925,165m[2]) in total from 2014 to 2020. This is 1.05% of EU Gross National Income (GNI). For payment appropriations[3], the Commission proposes €972,198m (£877,506m), or 1.01% EU GNI. The Commission also proposes commitment appropriations of €58,316m (£52,636m) 'outside the MFF', which would also lead to additional payments. Including these, the total commitment appropriations proposed for 2014 to 2020 are €1,083,316 (£977,801m), or 1.11% EU GNI. A table summarizing the key figures of the Commission's MFF proposal is in Annex A.

8. The Commission proposes major changes to the own resources system that governs how the EU budget is financed. The most significant elements of these changes are a change to the system of correction mechanisms in the budget and two proposed new own resources to partially fund the EU budget.

9. The Commission proposes to simplify the current system of member state corrections, including the UK abatement. Currently the UK has a permanent correction mechanism, the abatement, which returns around two-thirds of the difference between UK contributions to and receipts from the EU budget (with a one year lag). Germany, the Netherlands, Austria and Sweden also have temporary budget corrections due to expire at the end of 2013. The Commission proposes to replace this series of corrections with a system of temporary lump-sum corrections for the UK, Germany, the Netherlands and Sweden for the period 2014-2020. Under the proposed system, each year these Member States (MS) would receive the following amount from the budget (distinct from policy-related budget

[1] Commitment appropriations set the limit of legal obligations that can be made in the budget year for activities that will lead to payments in the current and/or future budget years.

[2] This and all subsequent sterling figures in this EM have been converted at the rate on 30 June 2011 of €1=£0.9026.

[3] Payment appropriations are the amounts of funds available to be spent during the budget year, arising from commitments in the budget for the current or preceding years.

expenditure):

- UK: €3,600m (£3,249m)
- Germany: €2,500m (£2,257m)
- Netherlands: €1,050m (£948m)
- Sweden: €350m (£316m)

10. The two new own resources proposed by the Commission to partially finance the Budget are a Financial Transaction Tax (FTT) and new VAT resource. Together, the new own resources would finance over 40% of the budget by 2020 under the Commission's proposal. These new own resources would replace the current VAT-based own resource and reduce the scale of the GNI-based own resource. GNI-based own resource would fall from over 70% currently to around 40% by 2020.

11. The proposed FTT would be broad-based, applying to shares, bonds, and derivatives, and possibly also to currency trading. Different rates could apply to different groups of instruments (e.g. a lower rate for derivatives). The Commission estimates such a tax could contribute 23% of budget funding by 2020.

12. The new VAT resource would involve all EU MS paying over a flat rate (of not more than two percentage points) of the VAT yield on all goods and services currently subject to the standard rate in every MS; the Commission estimates the tax could contribute 18% of budget funding by 2020.

<u>Detail of Proposed Expenditure by Heading[4]</u>

Heading 1 – Smart and Inclusive Growth

13. Over the period 2014-2020, proposed expenditure in Heading 1 is €490,908m (£443,094m) in commitments. Of this economic, social and territorial cohesion (formerly sub-Heading 1B) receives a proposed €376,020m (£339,396m). The remainder of the Heading (formerly sub-Heading 1A) receives a proposed €114,888m (£103,698m).

14. Major proposals for economic, social and territorial cohesion (former sub Heading 1B):

    a. Significant additional spending in Energy, Transport and ICT infrastructure, the majority of which is shifted to the economic,

[4] The Commission has only provided figures by Heading in commitment terms. Until it provides payments figures the UK Government cannot satisfactorily calculate increases by Heading, as commitments do not provide an indication of when or if money will be spent.

social and territorial cohesion section of Heading 1 as the new 'Connecting Europe Facility'.

b. Convergence regions – those regions that are less than 75% EU GDP per capita would overall receive the same receipts per capita as in the current (2007-2013) MFF.

c. Transition regions – creation of a new category of region to replace current phasing system. Regions graduating from convergence would receive two-thirds of current allocation. Regions that are between 75% and 90% of EU GDP per capita that are not graduating would receive enhanced support compared to competitiveness regions.

d. Competitiveness regions – those regions not covered by the convergence objective or transitional support would receive on average the same receipts per capita as in the current MFF period.

e. Cohesion fund – those Member States eligible for the Cohesion fund (less than 90% EU GNI) would overall receive the same receipts per capita from the Cohesion Fund as in the current MFF.

f. Capping - Maximum Structural and Cohesion Funds receipts capped at 2.5% of a Member State's GNI (compared to a sliding scale of up to 3.79% currently).

g. Conditionality – Partnership contracts between the Commission and each Member State would set out the objectives of the programme based on agreed indicators, strategic investments and conditionality. New conditionality provisions are proposed to increase the focus on results and to ensure that the effectiveness of cohesion spending is not undermined by unsound macroeconomic and fiscal policies. A 5% performance reserve would be set aside and allocated during a mid-term review to Member States and regions who have met their targets.

15. Major proposals for the remainder of Heading 1 (formerly sub Heading 1A):

a. Creation of Common Strategic Framework for Research and Innovation (CSF) (also known as Horizon 2020). This would combine the successor programme to the current Framework Programme (FP7), innovation-related elements of the current Competitiveness and Innovation Programme (CIP) and the European Institute for Innovation and Technology (EIT). The CSF would be structured around three main blocks: (i) excellence in the science base (ii) tackling societal challenges and (iii) creating industrial leadership and competitive frameworks.

b. Two large projects taken 'outside the MFF'. International Experimental Thermonuclear Reactor (ITER) and Global Monitoring for Environmental and Security (GMES), which were both included in Heading 1 in the 2007-13 MFF, are moved outside the MFF but would still be funded. It is so far unclear what the Commission means by taking these projects outside the MFF. Our current understanding is that MS would still be required to fund the projects, but that this funding is not included in Commission figures for the total size of the MFF.

c. New 'Competitiveness and Small and Medium Enterprises (SMEs)' programme focussed on providing equity to SMEs and improving the EU economic and regulatory environment.

d. Consolidation of Education, Training, Youth and Sport into one instrument under Heading 1. The Commission proposes that the main education instrument from 2014 would be Education Europe, which would bring together separate sub-programmes of the Lifelong Learning Programme, the international aspects of Higher Education, including Erasmus Mundus and Youth in Action.

e. Measures intended to improve the working of the EU internal energy market, facilitate investment in energy infrastructure, and support for Research, Development and Demonstration (RD&D) into low carbon technologies through the Strategic Energy Technology (SET) Plan.

f. Funding proposed likely to be sufficient to complete and operate the Galileo satellite navigation system during the funding period.

Heading 2 – Sustainable Growth: natural resources

16. Over the period 2014-2020, proposed expenditure in Heading 2 is €382,927m (£345,630m) in commitments. Market related expenditure and direct payments (Pillar 1) constitute €281,825m (£254,375m) of this total. Rural development (Pillar 2) constitutes €89,895m (£81,139m) of this total.

17. Major proposals for Heading 2:

a. Vast majority of Pillar 1 continues to be paid to farmers as direct payments.

b. 30% of direct payments in Pillar 1 conditional on 'greening'.[5]

c. Levels of direct support to be progressively adjusted ('convergence') so that those Member States receiving less than 90% of the EU average payment per hectare would close one third of the gap between their level and 90% by 2020.

d. Capping the level of direct payments per farm.

Heading 3 – Security and citizenship

18. Over the period 2014-2020, proposed expenditure in Heading 3 is €18,535m (£16,730m) in commitments.

19. Major proposals for Heading 3:

a. Consolidation of home affairs funding into two programmes: a migration and asylum fund and an internal security fund. Both these funds to have an increased external dimension to pursue EU home affairs policies with third countries.

b. Streamlining the five specific programmes under the Fundamental Rights and Justice framework into two programmes – 'Justice' and 'Rights and Citizenship' with spend focused on: training for legal professionals; strengthening networks, cross-border cooperation on enforcement; information and public awareness raising .

c. A 'Creative Europe' programme to consolidate culture and media programmes, including using innovative financial instruments to leverage spend.

Heading 4 – Global Europe

20. Over the period 2014-2020, proposed expenditure in Heading 4 is €70,000m (£63,182m) in commitments.

21. Major proposals for Heading 4:

a. New Partnership Instrument programme would provide ad hoc support for co-operation with non-developing and developing third countries with specific focus on strategic partners and emerging economies.

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[5] precise meaning of greening so far unclear.

b. Single integrated Pre-accession Instrument would be retained to ensure candidate countries and potential candidates fully prepared for accession; Macro-Financial Assistance and Instrument for Stability continue and would be available for use in enlargement countries.

c. European Neighbourhood Instrument would provide bulk of EU funding to EU's neighbouring countries, complemented by other external instruments.

d. Instrument for Stability to react to crises, focusing on conflict prevention, peace building and state building.

e. Instrument for Nuclear Safety Cooperation to promote nuclear safety in support of international regulations; Common Foreign and Security Policy budget to support actions without military and defence implications.

f. Increased flexibility in external actions (to "reinforce" budget mechanisms outside financial framework for coping with large unforeseen events).

g. Further use of innovative financial instruments under all Heading 4 instruments.

Heading 5 – Administration

22. Over the period 2014-2020, proposed expenditure in Heading 5 is €62,629m (£56,529m) in commitments. Of this, €49,064m (£44,285) is proposed for administrative expenditure of the institutions.

23. Major proposals for Heading 5:

a. Claim to maintain proportion of MFF spent on Heading 5 (Commitments as a proportion of the total MFF commitments (inside + outside budget)).

b. 5% reduction in staff of all institutions & agencies (not necessarily staff costs).

c. Modifications to the Staff Regulations from 2013.

MINISTERIAL RESPONSIBILITY

24. The Chancellor of the Exchequer has responsibility for United Kingdom policy on European Union monetary and economic issues. The Foreign

and Commonwealth Secretary is responsible for overall United Kingdom policy towards the European Union.

INTEREST OF DEVOLVED ADMINISTRATIONS

25. Policy concerning the EU budget is a reserved matter under the UK's devolution settlements but the devolved administrations have an interest in EU budget expenditure and this EM has been shared with them in advance of submission to Parliament.

LEGAL AND PROCEDURAL ISSUES

i. Legal basis

26. 12474/11 Proposal for a Council Regulation laying down the MFF: Article 312 of the Treaty on the Functioning of the EU (TFEU) and Article 106a of the European Atomic Energy Community (EURATOM) Treaty.

27. 12478/11 Proposal for a Council Decision on the system of own resources: Article 311 TFEU and Article 106a EURATOM.

28. 12480/11 Proposal for a Council Regulation laying down implementing measures for the system of own resources: Article 311(4) TFEU and Article 106a EURATOM.

29. 12483/11 Proposal for a Council Regulation on the methods and procedure for making available the traditional and GNI-based own resources and on the measures to meet cash requirements : Article 322(2) TFEU.

ii. Legislative procedure

30. 12474/11; 12478/11; 12480/11: Special legislative procedure after obtaining the consent of the European Parliament.

31. 12483/11: Consultation of the European Parliament and the Court of Auditors.

iii. Voting procedure

32. 12474/11; 12478/11; 12480/11: Unanimity

33. 12483/11: QMV.

iv. Impact on United Kingdom Law

34. 12474/11; 12480/11;12483/11: None

35. 12478/11: The own resources decision is subject to approval by the Member States in accordance with their constitutional requirements. In the case of the UK approval of previous own resources decisions has taken the form of successive amendments to Section 1(2)(e) of the European Communities Act 1972 by Act of Parliament (most recently European Communities (Finance) Act 2008. Under Clause 7(2)(d) of the European Union Bill a Minister of the Crown may not confirm the approval by the United Kingdom of a decision under the third paragraph of Article 311 TFEU to adopt an own resources decision unless the decision is approved by Act of Parliament.

v. Application to Gibraltar

36. Not applicable.

vi. Analysis of Fundamental Rights Compliance

37. No fundamental rights issues arise from this proposal

APPLICATION TO THE EUROPEAN ECONOMIC AREA

38. Not applicable.

SUBSIDIARITY

39. The EU budget is a matter of exclusive EU competence and the Commission's presentation of the MFF is required by the Treaty.

40. The own resources decision is subject to approval by the Member States in accordance with their constitutional requirements.

POLICY IMPLICATIONS

41. The UK Government has been clear that, at a time of ongoing economic fragility in Europe and tight constraints on domestic public spending, the Commission's proposal for the MFF is unrealistic. It is too large; it is not the restrained budget the Commission claims and it is incompatible with the tough decisions being taken in countries across Europe.

Budget Size

42. There are a number of ways of comparing the size of the Commission's proposals to the current framework. The Commission has used commitment ceilings agreed in 2005 at their highest point, 2013, as their baseline. The UK is disappointed to see that the Commission has also moved a significant amount of spending 'outside the MFF'. This spend is not included in the Commission's assessment of the total MFF spend, but it is likely that the majority will translate into actual payments for MS.

43. The analysis that matters for the UK Government is how much extra, actual cash outturn this proposal means. This is what determines the cost to the tax payer. The UK Government has therefore chosen to use actual payments outturn as the basis of our calculations and to include any additional spending the Commission has moved 'outside the MFF' in their proposal.

44. The 2011 annual EU budget outturn in payments is €126.5 billion (£114 bn). As well as being the most recent agreed EU budget, the level of payments in the 2011 budget measures actual payments made and is likely to be extremely close to the average level of spend over the current MFF. We have therefore used this as our reference point.

45. A real-freeze on €126.5bn (£114bn) would lead to a total budget size of (7 x 126.5) €885.5bn (£799bn) in 2011 prices. The Commission proposal is for €972bn (£877bn) 2014 to 2020 in 2011 prices. When we include the additional €18bn spending the Commission has moved outside the MFF, the total spend across the period equals €990 bn (£894bn). The UK Government therefore estimates the Commission's proposal to be around €100bn (£90bn) greater in total. This is an average increase of around €15bn (£13.5bn) per year, or over 11% over the period.

46. The UK Government has purposefully laid out the detail underlying its calculations on the budget increases implied by the Commission's proposal as it is important that the MFF negotiation is conducted with regard to the right baselines and measures.

47. The table in Annex B outlines in detail how the UK Government has calculated these estimates. We included new off-balance sheet items to ensure like for like comparisons in order to deal with the Commission's unusual accounting and budgeting presentation.

48. This huge increase in budget size is unrealistic when governments are trying to control domestic spending. The level of public debt across Member States in 2012 will be 50% more than it was in 2007. The UK Government has taken significant steps to control public expenditure and put UK public finances onto a sustainable footing. We are not alone in this: on average, EU member states are expected to see expenditure as per cent of GDP fall by about 8 per cent over the next 3 years from 2010.

49. The final MFF must respect the October 2010 European Council conclusion that it is essential that "the forthcoming Multi-annual Financial Framework reflect the consolidation efforts being made by Member States to bring deficit and debt onto a more sustainable path".

50. The Commission's proposal is also at odds with the clear position on the size of the next MFF set out by the Prime Minister and his

European colleagues in his joint December 2011 letter to the Commission, an extract of which is below:

> *The next multiannual financial framework will come as Member States make extraordinary efforts to clean up public finances. These efforts are intended to bring down public deficits and public debt to a sustainable level in keeping with an enhanced fiscal and macroeconomic monitoring framework.*
>
> *European public spending cannot be exempt from the considerable efforts made by the Member States to bring their public spending under control. The action taken in 2011 to curb annual growth in European payment appropriations should therefore be stepped up progressively over the remaining years of this financial perspective and payment appropriations should increase, at most, by no more than inflation over the next financial perspectives.*

Changes to the Own Resources system

51. The UK Government opposes the changes to the Own Resources System proposed by the Commission. The UK Government has two fundamental objections to the Commission's proposals on this issue.

52. First, the UK Government has made it clear that the UK will protect the abatement. The UK abatement remains fully justified due to continuing expenditure distortions in EU budget, including in the MFF proposed by the Commission. Expenditure distortions mean that the UK currently has the lowest per capita receipts from the EU budget. The temporary lump sum corrections proposed by the Commission would remove the permanency of the UK's current abatement mechanism and threaten our long-term outcomes.

53. Second, the UK Government strongly opposes any new EU taxes to fund the EU budget and opposes the Commission's proposal in this area. The UK Government attaches considerable importance to the principle of tax sovereignty, and believes tax policy is primarily a matter for Member States to determine at a national level. The changes the Commission is proposing to the system of financing the EU budget are a distraction from the primary need to restrain its size.

Expenditure

54. The Commission's MFF proposal will be followed in autumn 2011 by detailed proposals on different areas of expenditure. Where the UK Government has reserved judgement it is because we are awaiting detailed proposals.

55. As outlined previously the Commission has not provided information on its proposal by Heading in payment terms. Consequently the UK Government cannot currently calculate the cost implications of the Commission proposal with any certainty for each Heading. The UK Government has requested this information from the Commission. Until this is provided we have given a broad indication of the changes that would likely be implied by the Commission's commitments proposal.

Heading 1 – Smart and Inclusive Growth

Economic, social and territorial cohesion

56. The UK Government's position is that the budget in this area should fall significantly.

57. The UK Government notes the 'Connecting Europe facility' sits in the 'Economic, social and territorial cohesion' section of the budget rather than as part of other Heading 1 spend. We will examine detailed information on this facility closely.

58. Transport forms part of the new 'Connecting Europe facility'. The UK Government recognises the important role transport plays in developing the economy and helping to address climate change but believes transport spend must be accommodated within an EU budget that increases, at most, by no more than inflation. We will also review the Commission's proposals for the Trans-European Transport Networks (TEN-T) when they are published in September.

59. The introduction of the new transition regions category, and the lack of fund allocation methodology at present, means that it is not possible to determine the allocation of funding between richer and poorer Member States. The UK Government's position remains that the burden of cuts should fall on the richer regions, and cuts should be sought from the Competitiveness budget. The share of structural and cohesion funds going to the poorer Member States should rise. This is not reflected in the current proposal.

60. There is no breakdown of payments by Heading in the MFF Communication, so it is not possible at this stage to estimate the payment appropriations for the UK. The UK Government remains of the opinion that payment appropriations should be set at the minimum necessary to fund programme implementation, and based on realistic implementation rates and estimates of Member States' absorption capacity.

61. The UK Government is willing to explore the greater use of innovative financial instruments, particularly in richer regions, to replace grants with loans or project bonds. However, support for this is conditional upon using innovative financial instruments to reduce, rather than supplement the overall size of the budget.

62. The UK Government is in favour of thematic concentration on a small number of priorities to increase impact and improve value for money However, it believes that Member States should have flexibility to determine what those small number of themes should be, their budget shares, and the balance between European Regional Development Fund (ERDF) and European Social Fund (ESF). However, the Government is supportive of proposals to tie cohesion funding more closely to achieving Europe 2020 objectives.

63. The Government believes that cohesion policy must support the transition to a resource efficient, low carbon economy, particularly in those Member States where the challenges are greatest. The proposal suggests a number of new ways that these objectives could be delivered through cohesion policy, and the Government will need to consider these in more detail.

Other Heading 1 spending:

64. The UK Government believes spending on growth and competiveness underpinned by research and innovation are priority areas for the UK and should have a proportionally larger share of an EU budget that increases, at most, by no more than inflation. Spending in this area should be focused towards delivering sustainable growth, competitiveness, world class research and innovation and to supporting the EU's focus on big societal challenges including low carbon.

65. The CSF has the potential to provide good European added-value and support delivery of the Europe 2020 strategy. However, the UK Government will need to engage with the detail of regulations in this area further to ensure that spending in this area is at the right level and does not create pressure on the budget overall. We support the aim to simplify funding significantly and to support research across all stages of the innovation cycle from frontier research to demonstration.

66. The UK Government will need to examine the proposal taking forward those parts of the CIP not forming part of the CSF (New Competiveness/SME programme) to ensure it targets market failures, is coherent with Member States priorities and supports actions with clear EU added value. We will also want to understand the relationship between the financial instruments in the new Competiveness and SMEs programme and those in the CSF and Structural and Cohesion Funds (under Heading 1B).

67. The proposed Education Europe programme has the potential to bring about a significant simplification of actions and rules through the elimination of sub-programmes. The UK Government will want to consider the detail carefully when it is issued.

68. The UK Government is opposed to granting further funds to complete Galileo, and will scrutinise extremely closely the detail of the Commission's proposal on this issue and wider space policy.

69. The UK Government would agree with the Commission that it needs to address the programme management of its two space programmes, Galileo and GMES. However, we believe that the Commission proposals to take GMES outside the MFF would not contribute to addressing the management issues the programme faces, and could jeopardise the objectives of stimulating growth in the downstream space sector.

70. ITER is currently funded by the EURATOM Framework Programme. Because of past project cost increases, which are to be found from other spending programmes, new support options are now being examined. The UK Government want to ensure a way forward minimises Member State liabilities.

71. The UK Government will maintain its focus on budget discipline. While growth and competiveness which are underpinned by research and innovation are a relative priority for the UK Government, the substantial increase in payments in this area that is likely to result from the commitment level proposed by the Commission is unrealistic and out of line with the need for greater budgetary restraint in the next MFF. We are also concerned about the movement of ITER and GMES outside the MFF.

72. The UK Government also considers that many EU-level actions to support growth and competitiveness do not require significant EU spending, for example the actions set out in the PM's recent pamphlet *Let's choose growth* such as regulatory reform, EU patent, completing the single market and signing free Trade Agreements with third countries etc.

Heading 2 – Sustainable Growth: natural resources

73. The UK Government set out its views on the Commission Communication on the Common Agricultural Policy (CAP) in January 2011. We want to see a competitive, thriving and sustainable EU agriculture sector, benefiting from ambitious reform and not reliant on subsidy.

74. The UK Government is disappointed at the lack of ambition the Commission has shown on CAP proposals, which we believe will not help the EU agriculture sector to prepare for the long term challenges and opportunities. The context for the Commission's proposals in respect of the CAP budget over the next MFF is the need to increase the productivity and responsiveness of the EU (and global) agricultural

sector in an environmentally sustainable manner, against the backdrop of climate change (for example, see the recent Foresight Report on the Future of Food and Farming).

75. The nominal freeze in commitments the Commission proposes is not the complete picture. We do not have the payments profile for items of expenditure. The Commission has also moved money from the existing CAP budget (e.g. for Food Safety or Food for Deprived People) into other budget Headings. It has also expanded existing or established new reserves of funding for agriculture, for example the Emergency Fund to manage risks and crises. Some of these are held off-budget.

76. The UK Government is clear that the CAP Budget must be compatible with the tough decisions being taken in countries across Europe: we want to see a very substantial cut to the CAP budget, focussed on Pillar 1.

77. The proposed Pillar 1 budget consists of expenditure on market price support and on direct payments to farmers. In addition to the fiscal cost of market price support (at €4 bn (£3.6 bn) p.a., currently a relatively small share of the Pillar 1 budget) it also interacts with import barriers to increase the cost of food to EU consumers (by €21bn (£19bn) in 2009 according to OECD estimates). Market price support is a highly inefficient way of making income transfers to farm households, and tends to undermine the development of market mechanisms for the management of price risk. Direct payments lack a clear policy rationale and represent very poor value for money. Continuing with a large budget for direct payments that are decoupled from production will not distort relative production incentives. However, as with trade barriers, market price support and coupled direct payments, decoupled direct payments will tend to capitalise into the returns to land and inhibit important processes of agricultural adjustment and development that are critical to securing and maintaining improved levels of efficiency and productivity. While direct payments will continue during the next MFF, we want to see a clear downward trajectory and a programme of managed transition planning for their abolition.

78. Whilst the UK Government supports a greener CAP, we are cautious of proposals to achieve this through Pillar 1. Environmental outcomes are most effectively delivered by longer term, targeted interventions - currently achieved through Pillar 2. Pillar 2 should therefore receive a larger share of a smaller CAP budget. It is not clear that a green Pillar 1 would deliver an increase in environmental benefits. It is clear that a green Pillar 1 would be more complex to deliver.

79. The Commission will bring forward an Impact Assessment on proposals for CAP, and their legislative proposals by the end of 2011.

Heading 3 – Security and citizenship

80. The UK Government opposes any increase in funding to Heading 3. Funding in this Heading should be reprioritised to areas with significant EU added value, such as migration. The increase in payments in Heading 3 that is likely to result from the commitment level proposed by the Commission is unacceptable. This is particularly the case given that significant areas of spend have been transferred out of Heading 3 into other Headings in the Commission's proposal. This should be a catalyst to make savings, not a way of increasing the Heading further. The UK Government opposes the large implied increases in spending on 'Creative Europe' programmes and rights and citizenship.

81. The UK Government supports the merging of three of the existing migration funds to create one migration and asylum fund. This should encourage flexibility, reduce waste, be tightly linked to outcomes and ensure easier access to emergency funding.

82. Our migration funding priorities should continue to be: developing and sustaining a more robust and effective returns policy; developing a more formalised and sustainable approach to practical cooperation through the European Asylum Support Office; and protecting the funding available for resettlement programmes. However, we do not think it appropriate to increase the funding available for the relocation of the beneficiaries of international protection between Member States. In our view, people who need protection should obtain it in the first Member State they reach and not be relocated routinely from one Member State to another.

83. Merging programmes into an internal security fund would offer an opportunity to both reduce the administrative burden on the Commission and improve the efficiency of these funds, although we need to see more detail on the management structure of the fund before commenting further.

84. The UK Government supports the Commission's proposal to streamline the programmes in the area of Fundamental Rights and Justice. This should simplify funding arrangements and provide more coherence and consistency across the range of activities funded.

85. The UK Government will monitor closely the development of these proposed instruments to ensure that any measures taken provide good value for money and are in line with the UK Government's top priority for the EU Budget: promoting budgetary restraint.

Heading 4 – Global Europe

86. The UK Government considers that Heading 4 expenditure is a priority area and, while the UK's overall objective is budgetary restraint, this area should have a proportionately larger share of an EU budget that increases, at most, by no more than inflation. It also considers that

climate change related spending in this Heading should be prioritised, in particular to meet the EU's international commitments. The UK Government set out plans at the Spending Review to hit the 0.7% ODA (Official Development Assistance)/GNI (Gross National Income) target from 2013, and EU expenditure contributes towards this goal. The UK Government believes that EU external spending can add value to UK interests. But at this time of budget negotiations we will drive the hardest possible bargain for taxpayers.

87. There is much in the Commission's proposals with which the UK Government agrees, including the better differentiation between poor and better off countries, the stated intention to focus on EU value added, concentrate on results and increased efficiency. The UK Government will need to consider in greater detail the proposed new Partnership Instrument, which would provide ad hoc support for co-operation with non-developing and developing third countries, with a specific focus on emerging economies. Key to its success will be addressing in a coherent way the EU's cooperation with these strategic partners, in order to secure economic growth and stability.

88. The UK Government notes the Commission proposal to fund a series of European regional instruments, including the integrated Pre-Accession instrument to ensure candidate countries and potential candidates are fully prepared for accession; a Macro-Financial Assistance Instrument for Stability to provide support in enlargement countries and the European Neighbourhood Instrument, which will continue to provide supportive funding to the EU's neighbouring countries, complemented by the other external instruments. We will consider these proposals when more detail is made available. The UK Government supports further enlargement of the EU.

Heading 5 – Administration

89. The UK Government believes that EU institutions should not be immune from savings and is targeting very substantial reductions in administration spending. Any suggestion of waste in the budget damages the standing of the institutions and of the EU as a whole. The UK Government considers that staff in EU institutions cannot expect to avoid the impact of the current financial circumstances at the expense of UK citizens. The UK has delivered 33% savings in administration in all Government departments and expects the EU to show genuine ambition. The UK Government will also monitor closely the additional €1.2bn (£1.1bn) of administration expenditure currently hidden in other Headings of the budget (2011 annual budget figures).

90. The UK Government notes the Commission claim to maintain administration expenditure as a proportion of the total budget at 5.7%. Even using the Commission's figures, UK Government analysis suggests Heading 5 would represent 5.9% of total expenditure

commitments in 2019 and 2020 (before accounting for administration outside Heading 5).

91. The UK Government notes the proposal to reduce staff in all institutions by 5%. The UK Government also notes, however, the lack of information regarding the cost reductions of such a measure.

92. EU staffing and remuneration levels have important implications for the overall staff costs of all EU institutions, which in turn affects overall administrative costs in Heading 5 of the EU Budget. The UK Government is taking a very tough position on EU administrative expenditure, in light of significant efforts to reduce public administrative expenditure domestically.

93. The UK Government recently wrote to the Commission, alongside eleven other Member States, highlighting that remuneration and career structures in the Institutions should be reformed through the Commission's current review of the Staff Regulations. The UK Government will continue to press for reforms to EU staffing and remuneration to deliver its budget discipline objectives, as part of wider efforts to reform the EU institutions.

Cross-cutting issues – Climate Change

94. The UK Government considers that the EU budget should be reprioritised to help the EU meet the global challenges of the 21st Century – such as climate change. The Government agrees with an increased focus on climate change in the EU Budget, in particular the ambition to mainstream climate objectives through a wider range of spending instruments.

95. While the overall objective is to reduce Budget size, the UK Government considers that climate change and low carbon spending should make up a larger share of an EU budget that increases, at most, by no more than inflation. However, the UK Government will need to consider further how we can support the Commission in increasing the impact of EU spending to achieve the EU's ambitious climate change objectives, whilst at the same time achieving our primary aim of budgetary restraint.

REGULATORY IMPACT ASSESSMENT

96. Not applicable.

FINANCIAL IMPLICATIONS

97. The UK contribution to the MFF is provisionally estimated to be 14.5% (pre-abatement) and 11.5% post-abatement. The actual financial cost to the UK of the 2014-2020 MFF is contingent on both the size of the

final MFF and the distribution of spending across programmes within the MFF. These factors determine the level of UK receipts and also affect the size of the UK's abatement.

CONSULTATION

98. Not applicable.

TIMETABLE

99. The Commission's proposal on the MFF is the first stage in an extended negotiations process. There is no fixed period for negotiation. The eventual Multiannual Financial Framework must be agreed unanimously by all MS at Council. It is then approved by the European Parliament. For the 2007-2013 MFF, Council agreement was reached in December 2006. The equivalent for the next MFF would be December 2012.

Justine G

JUSTINE GREENING MP
ECONOMIC SECRETARY
HM TREASURY

ANNEX A: EUROPEAN COMMISSION MULTIANNUAL FINANCIAL FRAMEWORK PROPOSAL

MULTIANNUAL FINANCIAL FRAMEWORK (EU-27)

(EUR million - 2011 prices)

COMMITMENT APPROPRIATIONS	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020
1. Smart and Inclusive Growth	**64.696**	**66.580**	**68.133**	**69.956**	**71.596**	**73.768**	**76.179**	**490.908**
of which: Economic, social and territorial cohesion	50.468	51.543	52.542	53.609	54.798	55.955	57.105	376.020
2. Sustainable Growth: Natural Resources	**57.386**	**56.527**	**55.702**	**54.861**	**53.837**	**52.829**	**51.784**	**382.927**
of which: Market related expenditure and direct payments	42.244	41.623	41.029	40.420	39.618	38.831	38.060	281.825
3. Security and citizenship	**2.532**	**2.571**	**2.609**	**2.648**	**2.687**	**2.726**	**2.763**	**18.535**
4. Global Europe	**9.400**	**9.645**	**9.845**	**9.960**	**10.150**	**10.380**	**10.620**	**70.000**
5. Administration	**8.542**	**8.679**	**8.796**	**8.943**	**9.073**	**9.225**	**9.371**	**62.629**
of which: Administrative expenditure of the institutions	6.967	7.039	7.108	7.191	7.288	7.385	7.485	50.464
TOTAL COMMITMENT APPROPRIATIONS	**142.556**	**144.002**	**145.085**	**146.368**	**147.344**	**148.928**	**150.718**	**1.025.000**
as a percentage of GNI	1,08%	1,07%	1,06%	1,06%	1,05%	1,04%	1,03%	1,05%
TOTAL PAYMENT APPROPRIATIONS	**133.851**	**141.278**	**135.516**	**138.396**	**142.247**	**142.916**	**137.994**	**972.198**
as a percentage of GNI	1,01%	1,05%	0,99%	1,00%	1,01%	1,00%	0,94%	1,00%
OUTSIDE THE MFF								
Emergency Aid Reserve	350	350	350	350	350	350	350	2.450
European Globalisation Fund	429	429	429	429	429	429	429	3.000
Solidarity Fund	1.000	1.000	1.000	1.000	1.000	1.000	1.000	7.000
Flexibility instrument	500	500	500	500	500	500	500	3.500
Reserve for crises in the agricultural sector	500	500	500	500	500	500	500	3.500
ITER	886	624	299	291	261	232	114	2.707
GMES	834	834	834	834	834	834	834	5.841
EDF ACP	3.271	4.300	4.348	4.407	4.475	4.554	4.644	29.998
EDF OCT	46	46	46	46	46	46	46	321
Global Climate and Biodiversity Fund	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
TOTAL OUTSIDE THE MFF	**7.815**	**8.583**	**8.306**	**8.357**	**8.395**	**8.445**	**8.416**	**58.316**
TOTAL MFF + OUTSIDE MFF	**150.371**	**152.585**	**153.391**	**154.725**	**155.739**	**157.372**	**159.134**	**1.083.316**
as a percentage of GNI	1,13%	1,13%	1,12%	1,12%	1,11%	1,10%	1,09%	1,11%

ANNEX B: UK CALCULATION OF MFF INCREASE

	2014	2015	2016	2017	2018	2019	2020	Total
Payments profile in Commission MFF proposal, €bn 2011 prices	133.9	141.3	135.5	138.4	142.2	142.9	138.0	972.1
Increase in expenditure outside the MFF compared to current MFF, €bn 2011 prices	2.1	2.9	2.6	2.6	2.7	2.7	2.7	18.3
Payments profile in Commission proposal (incl. increase in items outside the MFF), €bn 2011 prices	136.0	144.1	138.1	141.0	144.9	145.6	140.7	990.5
Payments profile: real freeze from 2011, €bn 2011 prices	126.5	126.5	126.5	126.5	126.5	126.5	126.5	885.7
Difference, €bn 2011 prices	9.4	17.6	11.6	14.5	18.4	19.1	14.2	104.8

European and External Relations Committee

4th Meeting, 2011 (Session 4), Tuesday, 4 October 2011

Brussels Bulletin

Introduction

1. The latest Brussels Bulletin – Issue 59 is attached as the **Annexe**.

Purpose of the Brussels Bulletin

2. The Brussels Bulletin is produced by the Parliament's European Officer and is based on the key themes identified by the previous Committee as a result of its consultation on the Commission's Legislative and Work Programme for 2011. These themes will be re-visited in November 2011 upon publication of the Commission Work Programme for 2012.

3. The current themes agreed by the previous Committee at its meeting on 14 December 2010 were—

- Europe 2020
- Cohesion policy
- The Justice (Stockholm) Programme
- Energy and climate change
- Agriculture and fisheries
- Multi-Annual Financial Framework

4. The European Officer provides early intelligence on expected developments, actions of the key players and detail of debate on these key themes, primarily through the Brussels Bulletin. This is circulated to relevant parliamentary committees and is published on the Parliament's website. More detailed briefing can also be commissioned by a committee on any specific issue.

Recommendation

5. **The Committee is invited to consider the latest issue of the Brussels Bulletin and to agree to forward it to relevant committees for their consideration.**

Committee Clerk
October 2011

The Scottish Parliament
Pàrlamaid na h-Alba

BRUSSELS BULLETIN

ISSUE 59 OCTOBER 2011

NEWS IN BRIEF

IN THIS ISSUE:

Common Agricultural Policy (CAP)
European Financial Stability Framework (EFSF)
Energy issues
Cohesion Policy
Smart Regulation
Other news

Upcoming events

Contact details

Common Agricultural Policy (CAP)

An early draft of the expected **12 October 2011** legislative package is available. In particular it details proposed reform of the Single Payment System.

The UK and Polish Governments have issued a joint statement calling for a deep and genuine reform of the CAP, with a significant reduction in subsidy (**20 September 2011**).

European Financial Stability Framework (EFSF)

Eurozone Finance Ministers agreed that implementation of the July 21 Agreement (which would enhance the ability of the EFSF to intervene in bond markets, re-capitalise banks and provide precautionary credit was a priority. It is anticipated that implementation will begin in mid October 2011.

Energy Infrastructure

Commission Director General for Energy Philip Lowe has made a number of trenchant criticisms of member states in relation to energy infrastructure and energy efficiency (**22 September 2011**).

Cohesion Policy

An early draft of the package expected to be published on **5 October 2011** is available. The draft again iterates the introduction of a transition category for funding, with regions with between 75 and 90% of average GDP per capita qualifying. The draft also calls for strong linkages between cohesion policy and the objectives of the Europe 2020 Strategy.

Smart Regulation

The European Parliament debated a report on the Commission's 2010 proposal 'Better legislation, subsidiarity and proportionality and smart regulation' (**September 2011**). Commission Vice-President Maroš Šefčovič (Responsible for Inter-institutional Relations and Administration) provided an update on progress to date.

COMMON AGRICULTURAL POLICY (CAP)
Current status
The Commission is expected to publish its package of legislative proposals for reform of the Common Agricultural Policy (CAP) on **12 October 2011**. An early draft of the October 2011 proposals has become available

What's happening?
Background. The Commission tabled its proposals for reform of the budget (Multi-Annual Financial Framework) on **29 June 2011**, declaring that farm spending would be frozen at 2013 levels. The CAP currently represents 40% of the EU's multi-annual budget. The new budget would mean that of the €372bn proposed for the CAP, €282bn would be allocated for direct payments and market measures in support of farmers (Pillar 1), down from €289bn in the current budget. The remainder of the CAP budget (€89.9bn) would be allocated to rural development (Pillar 2), a decrease from the current €96bn.

Early draft. A draft of the Commission's CAP legislative proposals has been leaked. A copy of the document can be accessed here.

Key features:

- The Single Payment Scheme will be replaced by a new basic payment scheme from 2014 to be implemented according to the rules of the Single Payment Scheme (eligible areas, entitlements, activation, transfers, national reserve, etc) but with only a single type of entitlement.
- The SPS basic payment will be complemented by a series of additional payments funded under the Pillar 1 including: (i) a mandatory green payment (i.e. farmers must meet the environmental conditions to qualify for any payment); (ii) a voluntary additional payment (up to 5% of the national ceiling) for farmers in disadvantaged areas; (iii) a mandatory additional payment to new entrants enrolled in the basic payment scheme (up to 2% of the national ceiling); and (iv) a simplified scheme for small farmers (up to 10% of the annual national ceiling). The simplified scheme for small-scale farmers is mandatory for Member States but optional for farmers.
- The Regulation proposes some limited redistribution initially of direct payment funds between the Member States, following the formula proposed in the Commission's MAFF proposal *i.e.*, for countries currently receiving less than 90% of the EU average payment per eligible hectare, one-third of the gap between their current figure and 90% of the EU-27 average is closed. In the medium-term, however, and by December 31 2028 at the latest, all allocated payment entitlements in the Union should have a uniform value.
- Member States currently applying the historic basis for SPS will be expected to implement a dynamic hybrid model.
- The basic payment support (but not the green payment) to very large farms will be capped. Funds released by capping direct payments will remain with that Member State.
- Support will be limited to active farmers defined as those for where their income from agriculture exceeds at least 5% of their total income, but this restriction will only apply to farms receiving more than €5,000 per annum.
- Member States will have the option, before 1 August 2013, to transfer up to 5% of their national ceiling to rural development (RD) programming for the period of the Regulation.

UK position. Following the recent informal Agriculture Council (**20 September 2011**) the Agriculture ministers of the UK and Poland (Jim Paice and Marek Sawicki) issued a joint statement calling for a '*deep and genuine reform of the Common Agricultural Policy*'. The statement continues: '*Central to our approach is a reduced emphasis on Pillar 1, and a convergence of direct payment rates, so that all Europe's farmers are incentivised to produce for the market. This should be accompanied by a step change in measures to increase farm competitiveness, including support under Pillar 2. Increasing the proportion of CAP funding spent*

under Pillar 2 would be an effective way of ensuring that CAP spending was well targeted'.

The statement goes on to call for a more sustained 'greening' of the CAP, with a recognition of '*environmental public goods*'. In relation to financing, the ministers call on the Commission '*to propose a fair distribution under both pillars, which moves away from current historic allocations to objective criteria. We also believe that, given the imbalances in spending power between Member States, too much freedom for Member States to top up their direct payments with additional national contributions would lead to creeping re-nationalisation of the CAP, and should be avoided*.'

The UK Permanent Representative to the EU, Sir Kim Daroch stated that, '*The UK wants farm production subsidies to be reduced in the new CAP to create a competitive farming industry that is not reliant on any direct subsidies. This will require a process of transition towards better returns from the market, with any remaining CAP funds rewarding farmers for the valuable benefits they provide – for wildlife, people and the landscape*'.

Agri-environment support. In a related matter, the European Court of Auditors (ECA) has published a performance audit report on whether the EU's agri-environment support policy (CAP) is well designed and managed. The report states that the policy has yielded '*no tangible environmental benefit in the 20 years since its creation*', due to its objectives being too vague. The report also notes the discrepancies in the value of aid awarded to farmers, with little account taken of regional differences. The audit calls for better assessment of rural development programmes by the Commission, more national involvement in project deployment before approval and more effective targeting of agri-environment funding.

EUROPEAN FINANCIAL STABILITY FRAMEWORK (EFSF)

Current status

Eurozone finance ministers meeting in Brussels failed to agree new measures to aid Greece (**16 September 2011**).

What's happening?

The European Financial Stability Facility (EFSF) is a special purpose vehicle financed by members of the Eurozone to combat the European sovereign debt crisis. It was agreed by the 27 member states of the European Union on 9 May 2010, aimed at preserving financial stability in the EU by providing financial assistance to Eurozone states in economic difficulty.

Ministers and central bank governors met informally in Wroclaw, Poland and were joined by US Treasury Secretary Timothy Geithner.

Ministers agreed that the top priority of the Eurozone was to implement the 21 July Agreement, which would enhance the EFSF's capacity to intervene in bond markets, provide for precautionary credit to governments and re-capitalise banks. However, progress has been hampered by the need for the proposals to be ratified by Eurozone members, with only four national parliaments having approved the changes: Spain, France, Belgium and Luxembourg. The German Bundestag scheduled its vote for **29 September 2011**. It is hoped that the proposals will complete the ratification process, allowing the EFSF to act by **mid October 2011**.

Disbursement of the second aid package to Greece, as agreed by Eurozone members on **21 July 2011**, has also been delayed pending resolution of demands by the Finnish Government that greater collateral from Greece is first secured. Although a priority, a solution is not expected to emerge before **early October 2011**.

Commenting after the meeting, Eurogroup President Jean-Claude Juncker stated, '*In the euro area, everyone is disoriented*'.

ENERGY ISSUES

Current status

Following publication of the Communication on security of energy supply and international cooperation (**7 September 2011**, see Brussels Bulletin 58), the Commission Director General for Energy, Philip Lowe, has commented on energy security and energy efficiency issues.

What's happening?

Energy Security. At an energy policy seminar staged by *Bruegel* (the Brussels-based think tank), DG Philip Lowe commented on the September Communication proposals, which would compel EU states to share the details of planned energy accords in advance with Brussels and give the Commission power to negotiate certain energy deals on behalf of governments (**22 September 2011**).

He stated that at the informal Energy Council where the first discussion on the Communication took place (**19 – 20 September 2011**), '*without exception, all smaller member states strongly backed the direction of the paper*.' However, Lowe added, '*Without exception, all the major member states said "well, we might be prepared to look at it on a case-by-case basis if there is some justification, but in other cases bilateral agreements are a national issue."*'

Lowe confirmed that the larger EU member states had agreed on the importance of ensuring that all energy agreements were in line with the EU's internal energy market rules, but were against revealing any details of such deals in advance, as proposed by the Commission.

Energy Efficiency. Philip Lowe also took the opportunity afforded by the *Bruegel* seminar to comment on the current situation with regard energy efficiency. He criticised EU governments for obstructing binding rules to promote energy efficiency (to achieve the goal of a 20% cut in energy use by 2020).

He stated that, at the recent informal Energy Council, member states made clear they desired neither binding targets nor binding measures to achieve energy efficiency: '*So they don't like binding targets or binding measures, and yet they regard energy efficiency as the most important priority of the European Union. Sorry, but we must stop this*.'

Energy Commissioner Gunter Oettinger has stated member states will be given two years to get energy efficiency savings back on track before proposing legally binding targets. The EU is currently set to achieve only 9% efficiency gains by 2020.

COHESION POLICY

Current status

The Commission is expected to publish its proposals for the reform of Cohesion Policy on **5 October 2011**. An early draft of the proposal provides an indication of the key changes.

What's happening?

The Commission proposals on the Multi-Annual Financial Framework (MAFF) provided an early indication of the scale of regional funding (**June 2011**). The draft proposals allocate €376bn for the 2014 - 2020 period: €162.6bn for convergence regions, €38.9bn for transition regions, €53.1bn for competitiveness regions, €11.7bn for territorial cooperation, €68.7bn for the Cohesion Fund. The proposal includes €40 billion for a new Connecting Europe facility designed to boost investment in transport, energy and information communication technologies, as well as proposals for a new category of funding, which would apply to regions with a per capita GDP of 75 – 90% of the EU average).

An early draft provides further detail on the Commission proposals:

- *Transition regions.* The introduction of a 'third' regional category for funding (in addition to the existing Convergence and Competitiveness categories) to be defined as a region with between 75% and 90% of the average EU GDP per capita.
- *Clear linkages with the Europe 2020 Strategy.* Cohesion Policy objectives should be allied with the headline targets of the Europe 2020 strategy (together with the associated priorities within Member States' National Reform Programmes). The new policy should

also make explicit a minimum share of funds (dependant upon classification of region) to be allocated to Europe 2020 targets.

- *A strong focus on the performance.* Cohesion Policy objectives should place a strong emphasis on the role of pre- and post-delivery evaluations to demonstrate the planned and actual outcomes of the funding. There will be a macro fiscal conditionality for those Member States eligible for the Cohesion Fund to ensure compliance with the Stability and Growth Pact.
- *Simplification* and *harmonisation of eligibility rules across the Cohesion Policy funds*.
- *A common architecture to support alignment across instruments.* Cohesion Policy should be conducted within a Common Strategic Framework. Development and Investment Partnership Contracts should also be introduced to act as a catalyst for communication and negotiation between the Commission and the Member States/funding recipients.
- *Financial instruments*. A greater emphasis on the use of instruments such as loan funds.

The Commission has also indicated that the forthcoming European Regional Development Fund (ERDF) Regulation will include an ‘invitation’ to all regions to design Smart Specialisation Strategies. The strategies would aim to support renewed economic growth by focusing a ‘*region’s assets’* on areas of high growth potential. A particular focus is placed on developing a region’s innovation potential and capacity. A Smart Specialisation Platform has recently been set-up by DG Regio which will, in time, be used as a tool for regions to share good practice and seek out partnership opportunities.

SMART REGULATION
Current status

The Commission Vice-President Maroš Šefčovič (Responsible for Inter-institutional Relations and Administration) provided an update to the European Parliament on the Commission’s Better Legislation agenda to the European Parliament (**September 2011**).

What’s happening?

The European Parliament debated a report on the Commission’s 2010 ‘Better legislation, subsidiarity and proportionality and smart regulation’. Vice President Šefčovič provided an update on progress to date:

- The Commission is on track to exceed its target of a 25% reduction in the administrative burden by 2012;
- The systematic ex-post evaluation of legislation will be a key tool in the Commission’s new approach to legislation, aiming to make it more efficient and effective;
- The Commission has merged its efforts to reduce administrative burdens with those to simplify and to evaluate legislation.

The Parliament report, drafted by UK MEP Sajjad Karim, contains the following specific suggestions:

- The Commission should make greater use of regulations (rather than directives) in legislative proposals, as part of the move towards less and better legislation.
- There is a lack of guidance on the scrutiny role of national parliaments and an absence of criteria for parliaments to establish whether there has been a subsidiarity breach. (The report also urges national parliaments, when submitting an opinion, to distinguish clearly between perceived breaches of subsidiarity and of proportionality).
- On policy formulation, the report calls for the Commission to make better use of White Papers when presenting draft proposals to reduce the need for larger reviews during the legislative process.
- On the consultation process, the report criticises the current methods of consultations for not encouraging

responses from all interested stakeholders, (as evidenced by dissatisfaction with the online questionnaire format. It suggests developing a common approach with a standard form for responses to consultations to simplify matters and encourage stakeholders to provide more detailed and reasoned responses. It also criticises the current feedback system from the Commission to consultations).

- On impact assessments, it supports the idea that where new laws impose a cost on businesses, equivalent cost offsets should be identified, which would reduce the regulatory burden elsewhere;
- On SMEs, it urges the Commission to seek to exempt SMEs from regulation where provisions would disproportionately affect them and there is no robust reason for including them in the scope of the legislation;

OTHER NEWS

Financial 'six pack'. The Parliament is expected to adopt six pieces of legislation in the area of financial governance (the so-called financial six pack) (**28 September 2011**).

The package includes: (i) more automatic procedures using reversed qualified majority voting (RQMV) to issue warnings and sanctions against debt offenders. Member States will need a qualified majority to block them; (ii) an annual national budget assessment procedure, whereby the Commission can ask for more information and can conduct spot checks at national level; (iii) a new fine (0.2% GDP) for the provision of fraudulent statistics on deficits and debt; (iv) a sanction for countries that fail to act on recommendations to rectify a macroeconomic imbalance; (v) greater independence of statistical bodies and standards for the compilation of statistics; (vi) greater safeguards for social bargaining processes and wage setting; and (vii) a call for the introduction of Eurobonds.

European Parliament President. Current Parliament President Jerzy Buzek MEP (European People' Party) will demit office in early 2012, by which point he will have served for half the term of the current Parliament. As per an earlier agreement he will be succeeded by a member of the Progressive Alliance of Socialists and Democrats (S&D), for the remainder of the term of the Parliament (demitting office in June 2014). The S&D group has unanimously nominated Martin Schulz MEP.

Green Public Procurement. The Commission has published a survey on Green Public Procurement (GPP), the results of which will contribute to the assessment of the Commission's 2008 Communication on GPP. The Communication set a voluntary target of 50% of public procurement to be 'green' by 2010.

The Commission is keen to receive information about the following categories: cleaning products and services; construction; electricity; catering and food; gardening; office IT equipment; copying and graphic paper; textiles; transport; and furniture. The results will be made available in a report towards the end of the 2011.

Resource Efficiency. As part of its Europe 2020 Strategy, the Commission has published a Roadmap to a Resource Efficient Europe (**20 September 2011**), which will seek to establish actions and milestones for the delivery of the Europe 2020 Flagship Initiative. The Roadmap is broad in scope, addressing the full range of resources (water, air, land, ecosystems, marine, waste), as well as key sectors such as food, buildings and mobility.

Air Quality. The air quality of a number of European cities has been ranked by a European NGO (**16 September 2011**). Top of the list for quality is Berlin, followed by Copenhagen, Stockholm and Vienna.

Glasgow is ranked 6th on the list. The assessment considers issues such as traffic management, public procurement of cleaner vehicles, and compliance with PM10 limits. Low-emission zones, city centre congestion charges and strict parking policies are mentioned as policies having led to emission reductions among the top performers. Glasgow scored particularly high on its modal shift to public transport, due to the modernisation plans in advance of the Olympics and Commonwealth Games. It also

scores above average on reduction of emissions, public procurement of clean cars, and modal shift to walking and cycling. It scores below average on non-road mobile emission sources, use of economic incentives, and traffic and mobility management.

UPCOMING EVENTS & MEETINGS

September	**2011**		**October**	**2011**
4	ECOFIN (Finance) Council	4	8	ECOFIN (Finance) Council
6	Tourism ministers informal Council	6	14 – 17	European Parliament plenary session
6 - 7	Transport, Telecommunications & Energy Council	6 - 7	14 – 15	Agriculture & Fisheries Council
10	Environment Council	10	18	ECOFIN Council Budget discussions
10 – 13	[Open Days Brussels]()	10 – 13	24	Energy Council
11 – 12	Committee of the Regions Plenary session	11 – 12	25	Regional Policy Ministers informal council
13 – 14	Sports ministers informal	13 – 14	28 – 29	(tbc) Visit of the Scottish Parliament European & External Relations Committee to Brussels
13 – 14	European Parliament mini plenary	13 – 14	28 – 29	Education, Youth, Culture & Sport Council
17 – 18	European Council	17 – 18	30	ECOFIN Council
20 - 21	Agriculture & Fisheries Council	20 - 21	30 – 1 Dec	European Parliament Mini-plenary
20 – 21	High-level conference on Multi-annual Financial Framework (MAFF)	20 – 21		
21	Family Affairs & Gender Equality ministers informal	21		
24 – 27	European Parliament plenary session	24 – 27		
26	EP discussion of Tourism report	26		
27 – 28	JHA Council	27 – 28		

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European and External Relations Committee

3rd Meeting, 2011 (Session 4), Tuesday, 20 September 2011

Consideration of Scotland's Representation on the EU Committee of the Regions

Introduction

1. The Committee recently received a letter from the Presiding Officer on the issue of Scottish Parliament representation on the Committee of the Regions (CoR) (see Annex 1).

2. The letter solicits the views of the Committee on the proposal that in future, '*all Scottish places on the UK delegation should be taken up by local authority representatives instead of including nominees from the Scottish Parliament*'

3. To inform the Committee's deliberations, written evidence was sought from: (i) former Scottish Parliament CoR Delegates; (ii) Current Scottish Local Authority CoR Delegates; and (iii) Scotland's Members of the European Parliament. The views of those who responded are appended in Annex 2.

Background

4. The CoR is made up of 344 full and 344 alternate members of sub-national authorities from the 27 Member States. The UK has 24 members and, within this, Scotland has four full and four alternate members. All UK members of CoR are elected politicians representing either the devolved assemblies of Scotland, Wales, Northern Ireland and London or local authorities across the UK.

5. In previous Sessions, the Scottish Parliament has nominated two full and two alternate members to the UK delegation. The remainder of the delegates (two full and two alternate members) have been nominated by COSLA.

6. The composition of CoR membership for the UK and a comparative analysis of how the membership is composed in Belgium, Germany and Spain (federal states with sub-national devolved governments) are detailed in the supporting paper of Annex 1.

7. The Bureau considered a proposition that, in a departure from previous practice, all Scottish places on the UK delegation should be taken up by local authority representatives instead of including nominees from the Scottish Parliament. Before taking a final decision, the Bureau would welcome the views of the EER Committee on this proposition.

8. The Committee should be aware that the Scottish Parliament has previously considered the issue of CoR membership in Chamber debate in Sessions 1 and 2 (see links below).

   Session 1, 24 October 2001, column 3267

   http://www.scottish.parliament.uk/business/officialReports/meetingsParliament/or-01/sor1024-02.htm#Col3267

   Session 2, 28 September 2005, column 19535

   http://www.scottish.parliament.uk/business/officialReports/meetingsParliament/or-05/sor0928-02.htm#Col19535

Recommendation

9. **The Committee is invited to transmit its views to the Presiding Officer**.

Committee Clerk
October 2011

Annex 1

Letter from the Presiding Officer (and accompanying background paper)

The Parliamentary Bureau has been considering the composition of membership of the delegation that Scotland sends to the Committee of the Regions (CoR). At its meeting on 13 September, the Bureau agreed to invite the views of the European and External Relations (EER) Committee on the current arrangements and on an alternative proposition for membership before taking a final decision on this matter.

As you will be aware, CoR is currently made up of 344 full and 344 alternate members of sub-national authorities from the 27 Member States. The UK has 24 members and, within this, Scotland has four full and four alternate members. All UK members of CoR are elected politicians representing either the Westminster Parliament, the devolved bodies of Scotland, Wales and Northern Ireland or local authorities across the UK.

In previous Sessions, the Scottish Parliament has nominated two full and two alternate members to the UK delegation, with the remainder of the delegation (a further two full and two alternate members) nominated by COSLA. The Bureau considered the attached paper (PB/S4/11/25) which, as well as outlining the role of CoR and its composition, provides details of how membership is composed.

As well as detailing the composition of CoR membership for the UK, the paper also looks at how membership is composed in Belgium, Germany and Spain which have federal structures and, like the UK, have sub-national devolved governments.

The Bureau considered a proposition that, in a departure from previous practice, all Scottish places on the UK delegation should be taken up by local authority representatives instead of including nominees from the Scottish Parliament. Before taking a final decision, the Bureau would welcome the views of the EER Committee on this proposition.

I would be grateful for your response by Friday 30 September.

TRICIA MARWICK
15 September 2011

COMMITTEE OF THE REGIONS

Background

1. Established in 1994, the Committee of the Regions (CoR) is the official voice of sub-national authorities within the European Union. It provides a forum for the consultation of local and regional authorities on issues affecting them, giving formal recognition to the role of sub-national government in the EU decision making process[1].

2. The European Treaties[2] oblige the European Council and the European Commission to consult the CoR if a legislative proposal concerns one of the many policy areas that directly affect local and regional authorities. The Maastricht Treaty set out five such areas - economic and social cohesion, trans-European infrastructure networks, health, education and culture, while the Amsterdam Treaty added another five - employment policy, social policy, the environment, vocational training and transport. The Lisbon Treaty extended the scope of the CoR's involvement even further, adding civil protection, climate change, energy and services of general interest to the list of policy areas where the CoR must be consulted.

3. Whilst the CoR must be consulted, neither the European Council nor the European Commission is required to accept the recommendations of the CoR.

4. There are four political groups represented in the CoR, reflecting the main European political families: the European People's Party (EPP), the Party of European Socialists (PES), the Group of the Alliance of Liberals and Democrats for Europe (ALDE) and Union for Europe of the Nations - European Alliance (UEN-EA). Generally CoR Members take their policy lead from their political or national group.

5. The Committee of the Regions pays the expenses incurred for attendance at meetings and other expenses incurred in the process of undertaking CoR business.

Membership

6. CoR is currently made up of 344 full and 344 alternate members of sub-national authorities from the 27 Member States. The UK has 24 members and, within this, Scotland has four full and four alternate members.

7. According to Article 300 TFEU, “the Committee of the Regions shall consist of representatives of regional and local bodies who either hold a regional or local authority electoral mandate or are politically accountable to an elected assembly”.

[1] http://www.cor.europa.eu/pages/PresentationTemplate.aspx?view=folder&id=be53bd69-0089-465e-a173-fc34a8562341&sm=be53bd69-0089-465e-a173-fc34a8562341
[2] Article 307 of the Treaty on the Functioning of the European Union

8. Crucially Article 300 TFEU adds "the members of the Economic and Social Committee and the Committee of the Regions shall not be bound by any mandatory instructions. They shall be completely independent in the performance of their duties, in the Union's general interest." This suggests that it is not possible for a regional parliament to mandate its CoR members ahead of a meeting or to hold them to account following a meeting.

9. This contrasts with the position of any reporters appointed by a committee in the Scottish Parliament where they must carry out work on behalf of a particular committee and are accountable to that committee through, for example, reports back.

10. An issue to note is the variance in membership of the Committee of the Regions. Most Member States are represented at both sub national and local authority level. These divergent interests limit its ability to agree strong positions and consequently the influence it can exert. The next section looks at the composition of some Member States delegations.

Composition of Members

11. As well as providing details of the composition of CoR membership for the UK, this paper also looks at how membership is composed in Belgium, Germany and Spain which have federal structures and like the UK have sub national devolved governments.

United Kingdom[3]

12. All UK members of the CoR are elected politicians representing local authorities or the devolved bodies of Scotland, Wales, Northern Ireland and London.

13. Although the UK Delegation is formally nominated by the UK Government, it receives proposals from the following bodies: the Local Government Association of England & Wales (in consultation with English regional bodies); the Scottish Executive (in consultation with the Scottish Parliament and Convention of Scottish Local Authorities); the Welsh Assembly (in consultation with the Welsh Local Government Association); and the Northern Ireland Assembly (in consultation with the Northern Ireland Local Government Association).

14. As can be seen, the English delegation is made up entirely of members of local government. Whereas Scottish, Northern Irish and Welsh delegations are split between members of their respective Parliament and Assemblies and local government.

Belgium[4]

[3] http://www.cor.europa.eu/pages/PresentationTemplate.aspx?view=folder&id=28ed3fe4-ccaf-4fd7-8f99-af84a7757362

15. The Belgian delegation consists of 12 members and an equivalent number of alternates.

16. Members are appointed by decision of the respective governments of each of the Belgian regions and communities, after an agreement has been reached on the number of members and alternates to be allocated to each one. Belgium's three linguistic communities are therefore represented. The majority of the Belgian members are members of either the governments or the parliaments of the regions and communities. Some members, i.e. the mayors, represent the local authorities.

Germany[5]

17. The Federal Republic of Germany is represented in the Committee of the Regions by 24 members and their 24 alternates. These members are elected representatives of a regional or local authority or are accountable to an elected assembly.

18. The delegation is made up of—

- 21 members and their 21 alternates who represent the 16 federal state governments or parliaments in Germany. Five seats are rotated between the states on the basis of population size.
- members and their three alternates who represent the three local authority organisations (*DeutscherStädtetag, Deutscher Landkreistag, Deutscher Städte- und Gemeindebund*)

Spain[6]

19. Spain has a total of 21 full members and 21 alternates. 17 of the 21 seats of the Spanish CoR Delegation are for the regions and the remaining 4 are reserved for local representatives.

20. Each region proposes a member and an alternate, and four representatives from the local authorities are proposed by the Spanish Federation of Provinces and Municipalities (FEMP - Federación Española de Municipios y Provincias), along with four alternates. Within the local authorities, it was decided that two of Spain's most populous cities (Madrid and Barcelona) should be represented on the CoR, whilst maintaining the political balance with other, smaller authorities.

21. In the case of the regions representation it appears that the appropriate President for the autonomous community he or she leads is also the CoR representative.

Interaction with European and External Relations Committee

[4] http://www.cor.europa.eu/pages/PresentationTemplate.aspx?view=folder&id=760472d0-02bb-447b-98de-e9505ee656bb&sm=760472d0-02bb-447b-98de-e9505ee656bb
[5] http://www.cor.europa.eu/pages/PresentationTemplate.aspx?view=folder&id=f4ce81ce-96e8-4275-8c54-44bff1201fe6&sm=f4ce81ce-96e8-4275-8c54-44bff1201fe6
[6] http://www.cor.europa.eu/pages/PresentationTemplate.aspx?view=folder&id=1c1ef9bb-3cc7-41bd-b17f-b120aecdb1b3&sm=1c1ef9bb-3cc7-41bd-b17f-b120aecdb1b3

22. Midway through session 3 of the Parliament, the European and External Relations Committee adopted the practice of receiving reports from the CoR plenary meetings attended by the Parliament's representatives. These reports, prepared by the European Officer, were forwarded to Members, but not generally discussed at Committee. An example is attached as Annex A.

ANNEX A – Committee of the Regions report

COMMITTEE OF THE REGIONS
85th Plenary session

9 - 10 June 2010

Introduction
The 85rth plenary meeting of the Committee of the Regions focused on the internal market & financial regulation, agriculture & biodiversity, the European Citizen's Initiative and the Europe 2020 strategy.

The plenary session was addressed by **Agriculture Commissioner Dacian Cioloş** for the second time, as part of the CoR's consideration of the draft opinion of René Souchon on the future of the Common Agricultural Policy (see below). Commissioner Cioloş took advantage of his visit to ask for a further opinion from the CoR, this time on how to give greater support to local agricultural marketing (the so-called '*short-circuit*') and to promote small-scale, high quality agricultural output. In responding to the debate, Commissioner Cioloş reassured the CoR that '*both Commissioner Hahn and myself will work to … ensure better coordination between cohesion policy and the CAP. Our aim is to improve the balance between urban and rural areas and the social and environmental challenges they face'*.

The **Internal Market Commissioner Michel Barnier** addressed the plenary gathering, seeking local and regional support for new European financial market rules, as put forward by the Commission. In his speech he stated that '*growth will not recover unless the regions are brought on board. Their economic weight and creativity will contribute to the recovery of the single market. I want traders, consumers and small businesses to take back control of the internal market. How are we to achieve this without the regions passing on questions and criticism to Brussels?*'

During the question and answer session that followed, Barnier was held to account on suggestions that the Cohesion Fund could be suspended to penalise Member States facing an Excessive Deficit Procedure, as proposed by the Commission.

Opinions & resolutions
Europe 2020. Following discussion in the European Parliament, the CoR plenary adopted a resolution calling for stronger local and regional involvement in the Europe

2020 strategy, which recalled points previously raised in a letter to the EU Heads of State and Government. In the resolution, CoR members went further, supporting the European Parliament's suggestion to establish a Territorial Pact of Regional and Local Authorities, subdivided into national territorial pacts. In the resolution members emphasised their intention to '*ensure that national authorities work with local and regional authorities to implement the objectives and initiatives of the Europe 2020 strategy in order to promote European growth in the interests of citizens*'.

CAP reform (Rapporteur: René Souchon). The own-initiative opinion was drafted by René Souchon (a former French Agriculture Minister) in response to the call by the Agriculture Commissioner at the last plenary session for input from local and regional actors. The opinion states that the CAP, as the longest-standing and most important of EU strategic policies, must be judged on the basis of its added value to citizens. It adds that this value largely reside in the CAP's ability to ensure EU food independence and the promotion of territorial cohesion within the EU by ensuring that farming continues in *every* region of Europe. Importantly, the report asks whether the rural development measures of CAP (Pillar II) should be removed from CAP altogether and included under regional policy, thereby eliminating the current two-pillar CAP model.

Biodiversity (Rapporteur: Linda Gillham). The opinion focused on international biodiversity policy beyond 2010. The opinion stresses that neither the EU nor global biodiversity targets for 2010 have thus far been achieved, and that it is vital to give local and regional authorities the human, technical and financial resources to address the new targets. The opinion urges the Commission to give the CoR *observer status* in the European delegation to the UN Conference on Biological Diversity in October 2010 in Nagoya, to ensure that the views of local and regional authorities are represented.

Citizens' Initiative (Rapporteur: Sonia Masini). The report explored the implications of the introduction of the new initiative (following adoption of the Lisbon Treaty). The opinion disagreed with the Commission proposal, considering that the '*significant number*' required to launch the initiative should be one quarter rather than one third of Member States. The rapporteur states that: '*the threshold being proposed is too high and will not encourage this new right of Europeans to participate in the EU's democratic process to take root. The CoR would like the European Commission to provide a framework which reflects the potential of this new instrument*.' The opinion also suggests that an inter-institutional information point should be established to provide assistance to those introducing initiatives, which should also publicise the initiatives under consideration.

Rights of the Child (Rapporteur: Arnoldas Abramavičius). The opinion states that EU action must first and foremost focus on children from the most vulnerable social groups, and also ensure the right to quality education for all. The opinion expresses regret that the available EU funding is fragmented and that information about it is scarce, leading to duplication, inefficiency and a lack of comparative data between the Member States.

Annex 2

Consultation responses

The following consultation questions were sent to :(i) former Scottish Parliament CoR Delegates; (ii) Current Scottish Local Authority CoR Delegates; and (iii) Scotland's Members of the European Parliament.

- Do you believe that the Scottish Parliament should continue to nominate representatives to the Committee of the Regions? Why?
- Do you believe the current equal allocation between Scottish Parliament and local authorities is appropriate? Why?
- What have been the main benefits of the Parliament's membership of the Committee of the Regions?
- What have been the main drawbacks of the Parliament's membership?
- Other comments?

Consultees

Name	**Party**	**CoR status**	**Term**	**Response to EERC inquiry?**
Scottish Parliament CoR former members				
Stewart Maxwell	SNP	Full	Session 3	Yes
Irene Oldfather	Lab	Full/Alternate	Sessions 2 and 3	Yes
Ted Brocklebank	Con	Alternate	Session 3	
Nicol Stephen	LibDem	Full/ Alternate	Sessions 1, 2 and 3	
Maureen Watt	SNP	Alternate	Session 2 (from 2006 – 2010)	
Jack McConnell	Lab	Full/ Alternate	Sessions 1 and 2	
Nicola Sturgeon	SNP	Alternate	Session 2	Nil return
George Lyon	LibDem	Alternate	Session 2	
Richard Lochhead	SNP	Alternate	Session 2	Nil return
Hugh Henry	Lab	Full	Session 1	Yes
Irene McGugan	SNP	Alternate	Session 1	
Scottish Local Authority CoR members				
Graham Garvie	LibDem	Alternate	Serving	Yes
Roger Knox	SNP	Full	Serving	

Corrie McChord	Lab	Full	Serving	
Sandy Park	Ind	Alternate	Serving	
Scotland's MEPs				
Alyn Smith	SNP	-	-	Yes
Struan Stevenson	Con	-	-	Yes
Ian Hudghton	SNP	-	-	Yes
Catherine Stihler	Lab	-	-	Yes
George Lyon	LibDem	-	-	
David Martin	Lab	-	-	Yes

Scottish Parliament former CoR members

Responses received are as follows:

Response from Stewart Maxwell MSP

Do you believe that the Scottish Parliament should continue to nominate representatives to the Committee of the Regions? Why?

Yes, I do believe that the Scottish Parliament should continue to nominate representatives to the CoR. Having representatives from both Local Authorities and the Scottish Parliament provides a broad range of representation and allows both sets of members to complement each other's effort.

Do you believe the current equal allocation between Scottish Parliament and local authorities is appropriate? Why?

A balance between representatives of the Scottish Parliament and Local Authorities needs to be struck and in my view a more appropriate split than the current arrangements would be a 2/6 split, where the Scottish Parliament retains one full member and one alternate member and Local Authorities have three full members and three alternate members.

What have been the main benefits of the Parliament's membership of the Committee of the Regions?

Parliamentary representation has allowed the Scottish Parliament CoR members to address issues on a Scotland wide basis and ensure that CoR papers are influenced and altered to better reflect Scotland specific policies and interests. Equally Local Authority members can have the opportunity to make a very positive contribution.

What have been the main drawbacks of the Parliament's membership?

On occasions Parliamentary CoR representatives have had difficulty in obtaining permission to be absent from Parliament in order to attend CoR meetings.

Response from Hugh Henry MSP

Do you believe that the Scottish Parliament should continue to nominate representatives to the Committee of the Regions? Why?

I do believe that the Scottish Parliament should continue to nominate to the Committee of the Regions. While I accept that there should be an on going debate about the Scottish Government's participation in EU matters, nevertheless the Committee of the Regions offers an opportunity for both the Scottish Government and the Parliament to participate in discussions which can feed into both the European Parliament and the Commission. It also affords the Parliament the ability to make contacts, to network, to learn from best practice and to promote the many positive initiatives which are happening in Scotland. We should not underestimate the interest which there is in the Scottish Parliament. I recognise that there may be a view that the Scottish Government should concentrate its efforts on participation at Ministerial level. In that case the Scottish Government's allocation should pass to the Parliament.

Do you believe the current equal allocation between Scottish Parliament and local authorities is appropriate? Why?

I believe that the current split between Local Government and Government/Parliament represents a good balance and allows for wider participation than would otherwise be the case. I believe it would be a mistake to alter this balance.

What have been the main benefits of the Parliament's membership of the Committee of the Regions?

See my response to question1.

What have been the main drawbacks of the Parliament's membership?

I don't see any drawbacks in the Scottish Parliament's participation.

Other comments?

The present arrangement is a sensible one and allows for a partnership and cross party approach. I do however believe that improvements can be made in how Scotland uses COR and how we report and communicate on what is happening.

Response from Irene Oldfather (MSP in Sessions 1- 3)

Do you believe that the Scottish Parliament should continue to nominate representatives to the Committee of the Regions? Why?

I believe that there is a debate to be had. The ability to attend is important. That is how one gains opinions/positions and influence on Committee of the Regions. Often in the past the Scottish parliamentary timetable has taken precedence over what is seen as - of less importance – CoR business. CoR like the rest of the EU has extended membership considerably and works across a range of languages and members states. In order to play a key role, continuity and attendance are important.

It is important therefore for the Parliament to consider what commitment its representatives could make in terms of time. The decision should be taken based on what level of influence and where the biggest bang can come from? In CoR it is perfectly possible to play a key role regardless of the size of the area that you represent – it is more important to have continuity and commitment.

Do you believe the current equal allocation between Scottish Parliament and local authorities is appropriate? Why?

CoR is an asymmetric body which covers local and regional authorities as well as municipalities. In the past the allocation was between Executive, Parliament and Local.

I have witnessed opportunities for Ministers to influence. In my experience Ministers can bring “gravitas” but again when it comes to eg Chairing Committees or attendance, they usually are very time committed with portfolio parliamentary business which precludes them from active participation.

I think that the Parliament would need to firstly take a decision about whether/how it wants to influence. In my view, the ability/ commitment to attend is really the crucial point. Up until now Councillors have been much better at attending. I missed a number of opportunities to act as policy lead or chair committees because I simply couldn’t commit to attending.

What have been the main benefits of the Parliament’s membership of the Committee of the Regions?

The opportunity to network at senior levels; to influence and contribute to opinions; to engage at fairly senior levels and to host meetings of/with key opinion formers in the Scottish Parliament itself.

What have been the main drawbacks of the Parliament’s membership?

Difficulty in attending because Plenary sessions correspond with Parliamentary Business.

The CoR works on the basis of Political Groups and Member State delegations. Almost everything is agreed/decided within these parameters. It is not a drawback of membership, but there is a necessary limitation in terms of accountability back to the Parliament because of the above structures. My understanding of Membership of CoR is that it is based on accountability to that institution above and before others. In that sense, it is of course similar to that of the European Parliament.

Other comments

I welcome the opportunity to contribute to the Committee’s deliberations. The very tight timescale over a Glasgow holiday weekend has regrettably limited the time that I have been able to devote to this but I hope that the above has been of some assistance and would be happy to discuss further with the Clerks or Convenor if more time to consider is available.

Responses from Richard Lochhead MSP and Nicola Sturgeon MSP

Richard Lochhead MSP (now the Cabinet Secretary for Rural Affairs and the Environment) and Nicola Sturgeon MSP (now Deputy First Minister and Cabinet Secretary for Health, Wellbeing and Cities Strategy) both responded with a nil return. The Cabinet Secretary for Rural Affairs and the Environment explained that he was a representative on the EU Committee of the Regions a considerable time ago and could not recall attending a meeting, therefore didn’t feel he is best placed to feed back any comments.

Current Scottish Local Authority CoR delegates

Responses received are as follows:

Response from Cllr Graham Garvie

Do you believe that the Scottish Parliament should continue to nominate representatives to the Committee of the Regions? Why?

NO. The attendance of their reps (with a couple of notable exceptions) has been very poor over a number of years.

Do you believe the current equal allocation between Scottish Parliament and local authorities is appropriate? Why?

No. I think (as was the case previously before the establishment of the Scottish Parliament) that all 8 places should be allocated to Scotland`s 32 local authorities.
The COR is a Committee of European Regions (i.e. local authorities with direct service delivery responsibilities) and not a Committee of European Parliaments.

What have been the main benefits of the Parliament's membership of the Committee of the Regions?

I have no knowledge of any such benefit.

What have been the main drawbacks of the Parliament's membership?

Their reps on the COR have mostly rarely attended.

Scotland's MEPs

Responses received are as follows:

Response from Ian Hudghton MEP

My view is that all eight seats should be allocated to local authority representatives.

Our local Councils are the regions of Scotland, and it has always been my view in principle that Council representatives should be Scotland's members on the EU Committee of the Regions.

Response from David Martin MEP and Catherine Stihler MEP

Do you believe that the Scottish Parliament should continue to nominate representatives to the Committee of the Regions? Why?

Yes, we do think that the Scottish Parliament should continue to nominate representatives to the Committee of the Regions, because we believe that the Scottish Parliament should seek to achieve the best representation possible for the people of Scotland at the Committee of the Regions. The Committee of the Regions was set up with the purpose of giving representation to Government below that of Member States and, as other areas of Member States are represented at this level, not to send representatives from the Scottish Parliament would reduce our influence and take away an excellent opportunity for Scottish Parliamentarians networking with representatives at a similar level.

Do you believe the current equal allocation between Scottish Parliament and local authorities is appropriate? Why?

Yes we do, because although it would be good to have more Members from the Scottish Parliament, it is only fair that local authorities should have representation because it is often they who have to implement European Union legislation.

Equal representation has worked well in the past so we should be guided by that well accepted rule: 'if it is not broke, don't fix it'.

What have been the main benefits of the Parliament's membership of the Committee of the Regions?

The main benefits of the Parliament's membership of the Committee of the Regions have been the level of expertise and influence Scottish Parliamentarians have brought to the process of European Union legislation and the knowledge they gain from Brussels which enables them to engage intelligently in debates on European Union issues in the Scottish Parliament and Committees. I find it invaluable to be able to communicate with members of the Scottish Parliament who are familiar with the procedures and issues which dominate the European debate.

What have been the main drawbacks of the Parliament's membership?

We think that, if there has been a drawback and I am not sure there has, it is that the Scottish Parliament's representation is not bigger.

Other comments

We find it strange that there is a proposal to change a procedure that has been working well and to carry out the consultation in such a short timescale.

Response from Alyn Smith

Do you believe that the Scottish Parliament should continue to nominate representatives to the Committee of the Regions? Why?

No.

The constant diary clashes between Scottish Parliament plenary sessions and CoR meetings mean that an MSP simply cannot fulfil the role properly.

The Scottish CoR delegation has, to date, been somewhat unloved and uncoordinated given it came from two places and there has been no clear objective or role for the delegation. Unifying the delegation under COSLA co-ordination will allow a far greater coherence and unity of purpose.

Do you believe the current equal allocation between Scottish Parliament and local authorities is appropriate? Why?

No, primarily because of logistics, but also because of a confusion over what the Scottish delegation was actually there to achieve.

Holyrood has ample ways to interact with MEPs, the Commission and other stakeholders in Brussels. The CoR has been explicitly designed as a forum to give other stakeholders a voice and COSLA could do it better. Holyrood, meanwhile, should concentrate on the European Parliament.

What have been the main benefits of the Parliament's membership of the Committee of the Regions?

Given the practicalities and the confusions to date, I struggle to think of many tangible benefits beyond a degree of networking.

There have been recent improvements with Cllr Roger Knox nearly succeeding in bringing his Committee to Scotland, but given proper focus, support and organisation by COSLA there are a number of practical advantages Scotland could accrue from a switched-on Councillor-EU representation.

What have been the main drawbacks of the Parliament's membership?

I have been critical of the CoR in the past, and remain of the view that it should either be given appropriate legislative and budgetary teeth (my own preference) or wound up. However, it exists, and is not being wound up any time soon. So, in the meantime, it is a useful opportunity to augment Scotland's representation in EU fora and amplify messages being given by other Scottish organisations in other settings. That opportunity has simply not been maximised due to the delegation being drawn from two (often competing) institutions.

Response from Struan Stevenson MEP

Do you believe that the Scottish Parliament should continue to nominate representatives to the Committee of the Regions? Why?

No

Do you believe the current equal allocation between Scottish Parliament and local authorities is appropriate? Why?

No

What have been the main benefits of the Parliament's membership of the Committee of the Regions?

Few, if any.

What have been the main drawbacks of the Parliament's membership?

It is costly and there are no real benefits

Other comments

During a period of austerity the Committee of the Regions should be abolished as a costly and unnecessary appendage.