EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

AGENDA

2nd Meeting, 2004 (Session 2)

Tuesday 20 January 2004

The Committee will meet at 2.00 pm in Committee Room 1.

1. Repatriation of European regional development funds and the UK Government’s proposals: an Inquiry into the impact in Scotland: The Committee will hear evidence from—

   Frank Gaskell, Highlands and Islands Enterprise
   Dr Calum Macleod, Scottish Environment Protection Agency
   Roland Diggens, Scottish Council for Development and Industry
   Richard Robinson, Scottish Natural Heritage
   Abigail Howard, The Wise Group

2. Promotion of Scotland Worldwide Inquiry: The Committee will review the written evidence received to date and discuss proposals for an initial schedule of witnesses.

3. Update on the progress of the Inter-governmental Conference (IGC): The Committee will discuss a paper providing a further update on the progress of the IGC and the EU constitutional treaty.

4. Convener’s Report: The Convener will update the Committee on the—

   Report from the meeting of the “European Chairs – UK Group”, Aberdeen 12 January 2004
   Proposed meeting with His Excellency, Daithi O’Ceallaigh, Irish Ambassador to the UK, 12 February 2004
   The Honey (Scotland) Regulations 2003 (SSI 2003/569) and potential requirements for the labelling of country of origin
   Submission by the Committee to the Inquiry by the Select Committee on Transport in the House of Commons, covering proposals for a euro vignette and public service obligations for air routes
   Monthly report from the Clerk/Chief Executive and the Parliament’s External Liaison Unit on inward/outward visits to the Scottish Parliament.
5. **Pre- and post-EU Council scrutiny:** The Committee will discuss the agendas and information received from the Scottish Executive on the following meetings of the Council of the EU—

*Forthcoming Councils*

Agriculture and Fisheries Council, 26-27 January 2004 (tbc)

*Previous Councils*

Transport Council, 5 December 2003
General Affairs and External Relations Council, 8-9 December 2003
Energy Council, 15 December 2003

6. **Sift of EC/EU documents and draft legislation:** The Committee will consider the latest list of EC/EU documents and draft legislative proposals received for this meeting

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The following papers are attached for this meeting:

**Agenda Item 1**

BRIEFING PAPER: “Written submissions of evidence for today’s meeting”

**Agenda Item 2**

BRIEFING PAPER: “Promotion of Scotland Inquiry: Update on written evidence received and proposals for initial schedule of witnesses”

**Agenda Item 3**

BRIEFING PAPER: “Third update on the IGC”

**Agenda Item 4**

Convener’s Report, including:
- The Honey (Scotland) Regulations 2003 (SSI 2003/569)

**Agenda Item 5**

BRIEFING PAPER: “Pre- and post-Council of the EU analysis and scrutiny”

**Agenda Item 6**

Sift of EC/EU documents and draft legislative proposals
Introduction

1 This paper contains, in Annex A, the written submissions of evidence (where one has been received) from today’s witnesses. Most submissions received so far for this Inquiry can be seen on the Committee’s homepage within the Parliament’s website:

http://www.scottish.parliament.uk/european/index.htm

Recommendation

2 Members are requested to refer to these witness submissions to assist them in their preparations for the meeting.

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EUROPEAN COMMITTEE CALL FOR EVIDENCE ON REGIONAL DEVELOPMENT FUNDS SUBMISSION FROM HIGHLANDS AND ISLANDS ENTERPRISE

HIE welcomes the opportunity to provide evidence to the European and External Relations Committee’s Inquiry into the impact in Scotland of repatriation of European regional development funding and the UK Government’s proposals. The timing of this Inquiry is useful as the Committee will be able to examine the proposals against the broader European debate that has inevitably moved on since the launch of the DTI consultation in March.

Among the developments since March has been the inclusion of the concept of territorial cohesion alongside economic and social cohesion in the objectives clause of the draft treaty for a European constitution submitted to the European Council in Thessaloniki in June. The Informal Ministerial Meeting on Cohesion Policy which took place in Rome on 20 October, following an equally significant European Commission meeting in Brussels on 1 October, was also of relevance. As expected, the agenda that the Member States are now discussing is wider than the UK proposal and suggests a need to formulate positions on a European Regional Policy outside Objective 1 areas focussed on growth and innovation but nevertheless having a spatial dimension.

It is therefore useful that the Committee’s questions include reference to ‘other régimes being discussed elsewhere in the EU and in the European Commission’.

The other questions raised by the Committee were to some extent covered in our response to the DTI consultation submitted to the European Structural Funds Division of the Scottish Executive on 23 May 2003, a copy of which is attached. Without some more substantial disclosure by UK Government, however, our thoughts on aspects such as the way sufficiently long term funding could be assured or what guarantees could be given would, at this point, amount to little more than conjecture.

The future of European Regional Policy is of primary concern to Highlands and Islands Enterprise because of the ultimate implications it might have for many communities of this area. Given the combination of challenges we face, unique within Europe, we feel that we have a particularly valuable contribution to make to the refinement of the United Kingdom’s innovative proposals. We would, therefore, welcome the opportunity through your Committee to develop in discussion some of the points we raised in the enclosed submission and to provide some observations on the wider European debate as it has since developed.
Response of Highlands and Islands Enterprise

Received 6 June 2003

As you are aware, on 6 March, the Department of HM Treasury and the Department of Trade and Industry issued a consultation document on the UK position on Structural Funds post-2006, proposing a new 'EU Framework for Devolved Regional Policy'. Responses are invited by 4 July. This letter constitutes the Highlands & Islands Enterprise’s formal response and is sent to you in accordance with the instructions contained as Chapter A6 of the Paper.

For the purpose of analysis, we look at the problems that the policy proposals in the consultation document are intended to tackle, then at the degree to which these are addressed and at whether there are other equally effective or more effective approaches that can be offered from a Scottish, and specifically from a Highlands and Islands, perspective.

Finally, as invited, we comment on the overall objectives for the future of Structural Funds and on the current thinking emerging from the Commission. These comments are attached at Appendix 1.

The Challenge Facing Europe – ‘Scarce means with alternative uses’

The next programme period for the Structural Funds will bring significant changes and is likely to be dominated by the Enlargement of the Union. It is clear that Enlargement will bring about a major increase in regional disparities, even more dramatic than currently exists and will therefore provide a major challenge to the Union's Cohesion Policy.

The 2nd Cohesion Report was prepared in the context of a scenario of a European Union of twenty-seven Member States, that is the current fifteen Member States plus the twelve countries negotiating membership (ten of which will now join on 1st May 2004, with the remaining two, Bulgaria and Romania, expected to join in 2007), and sets out the likely impacts of Enlargement on Economic, Social and Territorial Cohesion. Despite a 28% increase in population, total GDP will increase by only 3% while GDP per capita is set to fall by 13%. At the same time there seems to be little prospect of the structural funds budget being increased from the current level of 0.45% of total EU GDP (see infra). In effect the same approximate budget will have to cover far greater demand, the most serious of which will come from the poorer countries in the East. In the new EU the UK will be one of the richer of Member States in terms of average GDP per head. Clearly, to retain significant impact, any proposal for the west must recognise the need for increased focus dictated by the inevitable reduction in funds available.

Europe has no alternative but to fundamentally rationalise and modernise European Regional Policy to address the massive challenges that these changes entail.

The Parameters

It is worth recalling that the UK proposals set out in the Consultation Paper must be seen in the context of – and must respect - the Treaty basis for European Regional Policy, practice to date and financial realities.

Cohesion and Disparities

The present framework of European Regional Policy is a response to the single European Act of 1986, which recognised (Art. 130) economic and social cohesion as an essential part of the completion of the Single Market. In turn, economic and social cohesion was incorporated by the Maastricht Treaty and Article 158 of the Treaty now states “in order to strengthen its economic and social cohesion, the community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, including rural areas.” Article 159 provides for that action to be supported through the Structural Funds, the European Investment Bank (the EIB) and the other existing financial instruments.
Consultation on the future of the European Structural and Cohesion Funds: Responses from Scotland

Concentration

Since 1988 and the effective introduction of European Regional Policy in its current form, the undisputed guiding principles have been concentration, programming, partnership, addiitonality and, more recently, efficiency. Clearly the most strategic of these principles is concentration, which was the original justification for the introduction of the Objectives and their Priorities. Concentration was a factor in the 1999 reduction in both the number of Objectives from 7 to 3 and in their spatial coverage from 52.1% to 40.2% of the EU population.

Limited Funding

In Berlin in March 1999 the European Council set the overall budget for Structural Funds at 0.45% of the aggregate EU GDP, including costs of Enlargement in the period up to 2006. The total funding of €195 billion (at 1999 prices) was allocated 69.7% to Objective 1, 11.5% to Objective 2, 12.3% to Objective 3 and 5.35% for Community initiatives. Although the 2nd Cohesion Report seemed to suggest that 0.45% should be seen as a floor and there have since been calls from stakeholders for an increase to 0.65%, some Member States are seeking to establish 4% as a ceiling. It is likely that for the coming period 2007-13 the limit will remain at 0.45%

The allocation between Objective 1 and non-Objective 1 is not likely to change, yet in the EU 15 area significantly less of the territory is likely to be covered by Objective 1, if as seems to be contemplated by the Consultation document, all non-Objective 1 NUTS II Regions should be considered eligible for funding. This massively increases the potential area to be covered with the same or lower level of funding than is used on the current Objective 2 areas. This is so even if the former Objective 1 areas, excluded through both growth and the statistical effect, are omitted on the basis that they will have some form of transition cover. The amounts of money will be small relative to that available under current programmes.

The Consultation Paper

The Analysis

Highlands & Islands Enterprise welcomes the radical approach adopted by the Consultation Paper and recognises the analysis of the weaknesses that have to be remedied. All of these features are familiar to stakeholders in the Highlands and Islands:

Inflexibility: “The lack of flexibility in the Structural Funds system, combined with State Aid rules which are inadequate for today’s economic environment, do not allow clearly identified market failures to be tackled effectively and constrain the flexibility that local bodies need to develop their own economic strategies (Page iii, Ministers’ Foreword)

Highlands & Islands Enterprise are convinced of the need to allow local bodies the flexibility to develop their own economic strategies. We share concern over the urgent need to rationalise the State Aid regime radically in order more firmly to control aid with a “significant impact” on inter-Member State trade and to exclude entirely assistance that does not significantly affect inter-Member State trade. With goodwill and a resourceful approach we are convinced that the, very real, State Aid problems afflicting regional development can be resolved but the issue is too serious and complex to be adequately addressed as part of this consultation.

Over centralisation: “there have ... been significant challenges in the implementation (of EU Regional Policies) and current arrangements are often too centralised. This does not adequately reflect the differing needs across the Union, particularly in the more prosperous Member States where Community aid is a comparatively small proportion of spending on regional development, and this inflexibility places an unnecessary constraint on the freedom nations and regions (of the UK) need in order to support their own locally determined and delivered policies.” [Ch.3.8 p.18]

1 0.5% to structural measures in the fisheries sector outside Objective 1
Consultation on the future of the European Structural and Cohesion Funds: Responses from Scotland

We could cite examples of over-centralisation but feel that most of these can be addressed by simple changes of approach by the Commission. At a policy level the Commission, and to a lesser extent the Member State, could afford responsible regional stakeholders greater autonomy over the preparation of programmes: at a more operational level most practical problems could be avoided by the simplified and enlightened use of global grants. Although completely convinced of the virtue of bottom-up approaches to regional development, some strategic dimension is essential at regional, national and, we would suggest, European level.

Bureaucracy: 'Stakeholders often comment on the bureaucracy involved in administering the Funds, particularly for small projects, the very long programming and guidance documents and the lengthy decision making process.' [Box 3.1 p19]

The extent of bureaucracy fatigue is difficult to overstate. 2

Recently we have increasing examples of economic development specialists and field officers professionally advising that participation in European funded projects, given their disproportionate complexity, is an untenable use of resources.

Ineffectiveness in reducing regional disparities: convergence between Member States contrasted to the increasing disparities between regions outside Germany, France and Austria. [Ch.3.10/11 p18] 'the current EU regional Policy is not delivering improvements to all' [Ch.3.14 p20]

Highlands & Islands Enterprise, as the regional development and training agency for the area, is very conscious of the limitations of what is achievable by micro-economic actions in the face of macro-economic forces, whether European Union-financed or not. When the Highlands and Islands was recognised as an Objective 1 region in 1992 it had a GDP of 79% of the average EU GDP per capita. In the year 2000, the last year for which we have statistics, our GDP stood at 74.4%. However, we are among those who “argue that there are underlying forces of divergence that would otherwise increase regional disparities (e.g. through increasing returns, trade and endogenous growth leading to the concentration and clustering of activity) and that EU regional policy has been relatively successful in maintaining regional cohesion overall, and prompting convergence in some cases.” [Ch. 3.12 p.20]. We certainly can see no logical reason why our economic performance should be improved by the removal of European funding or by its significant reduction as a result of a “horizontal” approach to non-Objective 1 funding such as appears to be proposed in the paper. We subscribe to the view expressed in the 2nd Cohesion Report that spatial targeting is essential, whether by direct or indirect zoning, in order to ensure that the principle of concentration (Para 3 (2) supra) is respected and that the critical mass that is necessary for the effective reduction in disparities required under Article 158 (Para 3(1) supra) is achieved.

Proposals

The central proposal of the paper is that regional assistance in Member States with greater than 90% of the average EU GNP per capita, the current criterion for the Cohesion Fund, should be funded domestically and that not even the regions within those Member States that might fall under the new EU 25 Objective 1 criterion would be assisted with European funds.

This clearly responds to the paper’s central premise that “it cannot be right that, after enlargement, countries with the institutions and financial strength to develop and pursue their own devolved regional policies should continue to receive a large proportion of EU structural and cohesion funding.”

Highlands & Islands Enterprise acknowledges the validity of this observation but with the reservation that it is an ideal which is unlikely to be politically deliverable within the Union and that, even if it were, there remains a necessity for a European regional development strategy and for a means by which it can be delivered. The

2 “Structural Funds are increasingly regarded as bureaucratic instruments, especially in the current Programme period. The application process is regarded as too complex and time-consuming, discouraging applicants from coming forward. The workload associated with monitoring and claims requirements is also a problem. A common complaint is that the procedures are often disproportionate to the funding obtained”. (Bachtler et al “EU Enlargement and the Reform of the Structural Funds: The Implications for Scotland”, December 2002)
external imperative of a European regional development framework is useful not only in providing common principles and the coherence of a single approach as opposed to 25 national policies, as the paper recognises. It also has a role in encouraging consistency in respect of issues such as insularity, mountainousness and sparsely populated or fragile rural areas which are often not a significant issue to individual Member States but are of fundamental importance at the European dimension.

The proposal indeed goes near to responding directly to that caveat.

Unlike in the Dutch Government’s ‘Cohesion Approach’ non-paper, the UK Government proposes that there should nevertheless be a European Regional Policy applied in these richer countries but funded by the Member States concerned at the same level that regions could expect were the Structural Fund regime to continue in their territory. The limit of the UK Government’s guarantee in this respect is very clear. “UK nations and regions (would receive) a level of resources which ensures that they do not lose out from the UK’s proposals on Structural Funds Reform, for example, from transitional funding they would have automatically received from the application of the eligibility criteria to the EU 25 instead of the EU 15.”

Our difficulty emerges with the description of the vestigial European Regional Policy envisaged. It is seen as a structure of “common principles which are based on EU-wide outcome-focussed objectives and founded on the Lisbon priorities’ to achieve Treaty obligations”.

The paper provides the following outline of the European regional policy envisaged:

**Key Principles for a new European regional policy**

- Provide an effective, sustainable and affordable EU regional policy which gives a fair result and the best possible value for money for the taxpayer
- Support and add value to Member States’ policies to promote prosperity in nations and regions, while working towards the common European goals of more and better jobs and greater social cohesion. In particular, by:
  - addressing market and social failures
  - recognising the profound diversity between Member States, and
  - allowing decisions to be taken as close as possible to local people
- Actively support the Lisbon agenda of higher productivity and employment, encouraging investment in both physical and human capital via the more efficient use of better targeted funds promoting more open and dynamic markets, protecting the environment and promoting sustainable development.

[Box 3.3]

Highlands & Islands Enterprise would support a European Regional Policy achieved entirely with domestic funding that has the objective of achieving concentration and addressing disparities between regions and assists delivery of the Lisbon agenda, which is an admirable and completely compelling focus for regional development. However, the paper, in effect, clearly proposes that the objective of this new model of European regional development should be to deliver the Lisbon Agenda.

There is no mention in the framework summarised at Box 3.3 of addressing disparities or achieving concentration and critical mass with the scarce means available.

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3 See Appendix 3 attached
Indeed, the political and practical desirability of spatial balance in the economy is not fully addressed in the paper. Attention will inevitably focus not just on the overall performance of the European Union economy but also on whether the fruits of economic growth are equitably distributed and on whether the European Union economy is spatially balanced. A regional policy that focuses on optimising growth opportunities must tend to inflame the politically dangerous - and economically and socially wasteful - accelerating trend towards polarisation of economic activity across Europe identified by many commentators. As the second Cohesion Report points out, while the concentration of economic activity in the stronger regions may lead to greater efficiency of production in the EU in the short term, this may be at the expense of the long-term competitiveness of the Union economy insofar as it damages the productive potential of weaker regions and reduces their capacity to exploit whatever comparative advantage they might have. Moreover, the concentration of both businesses and people in particular regions conflicts with the objective of sustainable development, not only because of the possible overcrowding, congestion and pollution it causes in these regions but also because of the run-down and depopulation of other areas.

The strong focus of Chapter 4 of the paper on the Lisbon Agenda contrasts starkly with the limited treatment of the emerging Commission thinking and framework dealt with at 4.15. The 2nd Cohesion Report, while addressing the Lisbon Agenda, and by no means, dismissing it, nevertheless identifies 10 priorities - 6 geographical and 4 thematic:

**Geographical**
- The least developed regions
- Urban areas
- Diversification of rural areas
- Cross-border trans-national and inter-regional co-operation
- Areas undergoing industrial restructuring
- Areas with severe geographical or natural handicaps

By definition each of these priorities is spatial but for all that no less able to act as a vehicle for the achievement, *inter alia*, of the Lisbon Agenda including, if required, a research and innovation priority as mooted at Appendix 3, paragraph 10 of the Consultation Paper.

**Thematic**
- Employment
- Social Inclusion
- Equality of Opportunities
- New Economy and Knowledge Society

Employment and social inclusion issues are currently dealt with horizontally under Objective 3 in accordance with the UK National Action Plan and this treatment would remain appropriate.

Equality of Opportunities is currently a cross cutting feature of all programmes and presumably would be dealt with similarly under the Consultation Paper proposals.

New Economy and the Knowledge Society are at the core of the Lisbon Agenda and so would pervade the policy delivered whether under the model proposed in the consultation or under HIE’s suggested more spatially focussed model.

A spatial approach can be compatible with the delivery of Lisbon Agenda outcomes and, moreover, it is essential to ensure concentration and the treatment of disparities in compliance with the requirements of Article 158.

**Horizontal Perception – but Spatial Impact?**

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* e.g. Tomas Hanell et al Regional Development in Nordic Countries 2002, Nordregio
Despite the consistently ‘horizontal’ and entirely understandable, emphasis of the language throughout the document on the need to promote the delivery of Lisbon Agenda outputs in all regions and on improving the productivity potential and economic performance of every nation and region, the UK proposal need not necessarily be inconsistent with the delivery of Article 158 spatial outputs. Certainly wherever reference is made to addressing disparities these are most consistently described as being within a given region not between regions. Yet the regional level referred to throughout is NUTS 1, the largest scale possible below Member State level which suggests the possibility of rigorous targeting producing highly focussed areas of assistance with a possibly significant concentration of funding given the large scale of the population from which the selection would be made.

With regard to the criteria upon which such targeting might be based there is a clear reference at Ch.4.17 p.28 indicating that funding should be targeted at areas of ‘high unemployment and low GDP’. While this is very welcome in the context of a document which dwells more on targeting of the key drivers of growth, ‘high unemployment and low GDP’ as criteria – presuming that these are a pair and not alternatives - are too blunt to address situations in fragile rural areas such as the Highlands and Islands. Here low GDP is coupled with relatively low unemployment and there is relatively heavy reliance on low wage employment in agriculture or tourism related service industries, both of which are sectors of not just low pay but of underemployment and seasonality. If adopted this would work to the serious and unjustified disadvantage of the Highlands and Islands.

Is the Proposed Model Deliverable?

Addressing the integration of Scotland, Wales and Northern Ireland into the proposed European Framework for devolved regional policy, the document states ‘the devolved administrations... would benefit from increases in funding for domestic regional programmes on a multi-annual basis from the incorporation of this new approach into the block formula arrangements, in a way which ensures that, taking account of any exceptional circumstances, they receive their fair share. Implementation of regional economic policy is fully devolved and so, as now, they would be free to allocate these resources in support of their own national priorities... if the devolved administrations decide to allocate their increased resources to their regional spending programmes, domestic regional spending will be higher in the devolved administrations after 2006 than before.’ Ch 4.17 p.28.

For this proposal seriously to aspire to be a ‘European Framework for devolved regional policy’ there has to be some reasonable element of framework and some reasonable limit on ‘devolution’. The UK are proposing this framework as a European strategy envisaging ‘co-ordination of broad guidelines in support of the EU’s overarching economic goals, particularly the Lisbon Agenda, promoting high productivity, employment and sustainable development’ Ch.4.9. If the Member States are intended to respect these guidelines, the UK nations/regions must accept some limitation of discretion because an entirely optional strategy is no strategy at all.

While fully acknowledging the constitutional dilemma, we would submit that logically there has to be some irreducible minimum commitment to limitation of discretion in order for this proposal to have any manifestation as a strategic framework in the UK and so any credibility as a constituent part of a proposed European Framework. In the UK this irreducible minimum might most usefully comprise the universal application of area selection criteria. From a Highlands and Islands perspective this would transform the proposal from a potentially inequitable threat to an interesting and innovative model, which we would hope Scotland could build upon to address specific local priorities much as the document envisages.

Practical Considerations

Can a Government, subject to a 5-year electoral cycle, really deliver on a guarantee of a 7-year multi-annual funding? In reality is there not a danger, despite present intentions, of the predictability of multi-annual programmes being replaced by short termism geared to electoral cycles ... and if not why not? This perhaps is

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5 This is illustrated by the map accompanying the Consultation document reproduced at Appendix — along with a chart analysing the divergence of prosperity that this disguises which is generally less within the NUTS 1 areas than between them.
one of the most practical justifications for retention of a truly European external yet benign imperative that can permeate and give shape and continuity to the most locally driven regional policy. The real challenge is how to retain these benign features while shedding the stultifying bureaucracy that is an ever-increasing feature of European-funded regional development. The most practically attractive feature of the UK proposal is the prospect that this would be achieved by the exclusive use of domestic funds.

However it must responsibly be recognised that this model is unlikely to be adopted entirely by the European Union (of 25, when they make their decision). At this juncture, therefore, we must ensure that, in addition to proposing this ideal, we contribute constructively to the delivery of the model that is adopted. This model almost certainly will involve the application and management of European Union funds. We must demand the most radical rationalisation of the European Union system – the creation of a single fund, use of global grants and the acceptance of the Member States’ and, after due accreditation, the intermediaries’ administration and auditing discipline etc.

Will the advantages of regional strategic thinking and partnership be retained or will such a broad approach to regional development with its inevitable dilution of additional funding dissipate partnerships and fragment development?

Salient Points of HIE’s position

1. We welcome the radical approach adopted in the Consultation Paper but regret that we find difficulty in reconciling the horizontal emphasis with the European Treaty and the related concept of ‘concentration’.

2. Moreover we would prefer radical proposals that work within the existing framework of European Regional Policy (see (7) below).

3. The reduced funding available whether directly from the European Commission or by virtue of the UK’s proposed ‘analogy’ approach makes it imperative that there should be a mechanism for ensuring that resources are not spread too thinly. The consultation document’s overwhelmingly emphasise on the essentially horizontal Lisbon Agenda and the need to address growth opportunities across all regions suggest the potential for a possible loss of discipline in this respect.

4. We are reassured by some references in the consultation document to targeting by reference to GDP and unemployment but strongly argue that this criteria be adjusted to address the predicament of fragile areas where low GDP is often associated with low employment which in fact reflects under-employment and seasonality of employment.

5. The apparently limitless degree of discretion afforded to the devolved nations of the UK, entirely understandable as it is, appears inimical to the very existence of a framework or strategy that could have credibility at a European level. The recognition of the use of a consistent range of area selection criteria throughout the UK would remedy that fault and could produce a relatively bureaucracy free alternative to persistence with the current European model.

6. The proposed guarantee of a 7 year multi annual programming cycle is not credible given the UK 5 year electoral cycle and this, together with the possibly intractable constitutional difficulties over UK coherence already referred to, is potentially fatal to the proposal.

7. The UK’s acknowledgement of the continued need for a European level framework or strategy for regional development is welcomed however and in the light of the foregoing the best way forward is probably to work for the continuation of a European regional policy but radically simplified and minimised in terms of administrative and auditing requirements… and accommodating substantial local discretion.

Conclusion
Regional Policy must continue to remain a common task for the European Union and the Member States (on both the national and regional levels) and be based on simple, comparable and transparent criteria. These criteria should be established in conjunction with the regional interests involved.

The future profile of European Regional Policy is of primary concern to Highlands & Islands Enterprise. Given the combination of challenges we face, unique within Europe, we feel that we have a particularly valuable contribution to make to the refinement of the United Kingdom’s innovative proposals and we would welcome the opportunity to develop in discussion some of the points we have raised, should this be thought appropriate.

SANDY CUMMING
CHIEF EXECUTIVE
EMERGING COMMISSION THINKING

SOME COMMENTS ON APPENDIX A3 OF THE CONSULTATION PAPER

"Most Lagging Regions"

It does seem clear that for the post-Enlargement 2007-2013 period, the Commission will wish to retain the 75% of average GDP per capita criteria for identifying the most lagging regions. GDP is universally recognised as an extremely blunt measure but we must accept its retention in the absence of any other statistical measure that is consistently available across the enlarged Union.

There is no compelling logic in the 75% figure given that, in effect, the European Union has identified a level of regional disadvantage that must be addressed that in absolute terms is identified at 75% of the average per capita GDP of the current 15 Member States. Indeed, it would be logical to measure this absolute level of disadvantage against the Europe of 25 Member States’ average and use whatever higher percentage rate emerges. This is the reality, but all Member States recognise that it is impossible for budgetary reasons.

However, the logic remains and it can be accommodated by the State Aid rules which currently identify the same absolute level of disadvantage as the trigger for the highest level of State Aids derogation, 87(3)(a). There is no reason beyond an uncompelling attachment to population coverage, why this absolute level should not be retained, as it has no budgetary implication whatsoever for the European Union.

"Outside Objective 1"

We would expect that the Commission will acknowledge the need for a continuing level of European funding outside the new Objective 1 regions and we would envisage they will recognise three special cases for which specific or transition arrangements would be appropriate:

1 Former Objective 1 regions excluded by virtue of the statistical affect of Enlargement (see above);
2 Former Objective 1 regions excluded by virtue of their economic growth;
3 Ultra-peripheral regions – the French, Spanish and Portuguese overseas territories.

The 3rd Cohesion Report identifies the 6 geographic and 4 thematic priorities already referred to above among which are areas with severe geographical or natural handicaps which essentially comprise mountainous, insular and sparsely populated areas. We feel that unless the real and demonstrable physical disadvantages of these areas (which produce fragmentation of settlements, increased costs of communications, goods and services, lack of density of SMEs and professional services where critical mass is increasingly essential) regional disparities must increase and there is a real danger of desertification of significant areas of Europe. However, there are practical and, at least, political difficulties in mapping these areas and others referred to in the Commission’s nascent menu and therefore there is great superficial attraction to the Commission to withdraw from zoning whether direct or indirect. Simultaneously, there will be increased pressure for zoning because the principle of concentration has to be delivered and disparities have to be addressed within the terms of Article 158. Moreover in any solution that sees the continuing application of European Structural Funds outside the Objective 1 areas – which after all is a Commission desideratum – there will be a need to allocate the available envelope of non-Objective 1 funding to Member States by reference to some form of criteria reflecting comparative disadvantage.

In turn, the Commission will wish to ensure that the funding within a Member State is allocated according to similar criteria of disadvantage – albeit proposed by the Member State - and within the programmes at regional level. Again criteria in some form will be necessary. Indeed considerations of efficiency will dictate that there must be mechanisms for ensuring that resources are not spread too thinly (a reality that we trust would ultimately be incorporated in the UK Government’s proposals – see above).

"Budget"

In the 2nd Cohesion Report the Commission has stated that the 0.45% of EU GDP is the minimum that is consistent with retaining credibility of the Structural Funds policy and stakeholders have argued for an increase
up to as much as 0.65%. However, several Member States would like to see a limit of 0.4% and the best assumption perhaps is that the level will remain at 0.45%. The increased demands that that limited funding will be required to meet post-2006, reinforces our conviction that increased, rather than reduced, discipline to achieve concentration and therefore efficiency, will be essential.
Scottish Environment Protection Agency

The Scottish Environment Protection Agency (SEPA) is pleased to offer the following submission to the above inquiry which is currently being undertaken by the European and External Affairs Committee of the Scottish Parliament.

SEPA views regional policy as an important tool in the pursuit of sustainable development. It recognises the close relationship between the environmental, economic and social dimensions of this overarching policy goal. Moreover, SEPA considers that existing regional policy funding arrangements provide coherence between structural fund programmes and the overall pursuit of regional policy in Scotland with significant evident benefit.

The UK Government has confirmed that it plans to proceed with the EU Framework detailed in A Modern Regional Policy for the United Kingdom as its preferred position during the forthcoming negotiations on future EU policy on structural funds and state aids. The Scottish European Structural Funds Forum, of which SEPA’s Chairman, Sir Ken Collins, is a member, recently submitted a statement to the UK government regarding the proposed EU Framework. The Forum stated that it “would not be able to support the UK’s proposed EU Framework without further detailed discussion with UK Government officials on the precise implications of it”.

SEPA shares the Forum’s concerns as to the precise implications of the proposed EU Framework for future regional development in Scotland. In particular, SEPA is concerned to ensure that any regional funding allocations to Scotland under the proposed model would not result in a reduction in receipts in comparison to that which Scotland would expect to receive via future Structural Funds Programmes. As such, SEPA supports the Scottish Structural Funds Forum’s call for more detailed discussions between the Executive and UK government to clarify what guarantees Scotland can expect in relation to future allocations under the proposed framework. In particular, SEPA would wish to see guarantees in place regarding: the levels of funding; the length of funding; and the focus of funding.

Turning specifically to the question of what funds may be spent on in a new regime, SEPA considers that the broad areas of activity financed through current Structural Funds Programmes (business support, infrastructure development and community development) remain appropriate areas for support within the context of any new regime. In addition, SEPA would welcome the incorporation of support to specific types of activity – including flood defence work and waste minimisation – into any new regional funding regime.

SEPA views the current Structural Funds Programmes’ emphasis on mainstreaming sustainable development to be one of their key strengths. SEPA therefore considers there to be a compelling case for retaining certain core features in any new funding and management regime. These include:

- a formal requirement to mainstream sustainable development;
- an emphasis on partnership approaches;
- a requirement to appraise proposed projects against agreed sustainable development criteria;
- an emphasis on capacity building in support of sustainable development.

The importance of retaining these features is reinforced by the close relationship between sustainable development and regional policy as highlighted in both the Lisbon agenda and, more explicitly, the European Union’s Sustainable Development Strategy (Com (2001) 264). SEPA has previously expressed concern regarding the proposed EU framework’s failure to consider these features in sufficient depth and the agency reiterates their significance to any future funding regime.
In closing, SEPA considers that Scotland has benefited a great deal as a result of receiving European Structural Funding over a number of years. The agency retains reservations as to the precise implications for Scotland under the proposed EU Framework being put forward by the UK government. Therefore, SEPA strongly advocates that any future regional policy model adopted in Scotland is able to safeguard and build upon the benefits which previous and current regional funding arrangements have delivered in pursuit of sustainable development.
Scottish Council for Development and Industry

The Scottish Council for Development and Industry (SCDI) is an independent membership network, which strengthens Scotland’s competitiveness by influencing Government policies to encourage sustainable economic prosperity. It is a broad-based economic development organisation, with membership drawn from Scottish business, trades unions, public agencies, educational institutions, non governmental organisations, local authorities, and the voluntary sector.

The European and External Relations Committee Inquiry remit points out that -

“On 5 March 2003, the UK Government published a consultation entitled, “A Modern Regional Policy for the United Kingdom”. This paper sets out proposals for far-reaching changes to the current regime in Scotland covering the use of European structural funds and state aids.

The UK Government’s consultation paper comes as a timely contribution to the wider debate in the EU on how to tackle regional disparities, especially with the introduction of new, lagging economies in Central and Eastern Europe after enlargement. This enlargement is certain to lead to pressures to spend the broadly capped sums available for regional development elsewhere within the EU amongst the new poorer Member States and not in the relatively richer regions of the Union that used to benefit.

The previous Committee launched a limited and rapid consultation exercise, primarily with Scottish local authorities (as some of the main beneficiaries of, and co-contributors to, structural fund expenditure). This took place in the last weeks of the previous parliamentary session.

Amongst the many issues raised, the central question of ‘renationalisation’ or ‘repatriation’ of funds is the most critical and the most controversial. In simple terms, the UK Government’s proposals, if adopted by the EU as a whole, would see Member States agree common principles for a new funding regime after 2006, but the delivery of regional policy would be substantially devolved and decentralised, and offer greater flexibility to Member States and regions. EU support, both financial and institutional, would be refocused on those poorest Member States that will benefit most from direct EU involvement (i.e. mostly Central, Eastern and Southern Europe).

For other Member States (including the UK), regional policy would be resourced domestically with greater freedom to deliver according to domestic priorities than under the current regime.

It is clear that the UK Government plans to proceed on the basis of its original framework proposed in March 2003. It is also clear that there is a substantial amount of interest in Scotland on the ramifications of this and the other approaches that could be followed for regional development funding beyond 2006.”

SCDI has previously responded directly, during Summer 2003, to the UK Government consultation on “A Modern Regional Policy for the United Kingdom” and similarly responded to the European Commission Directorate General for Regional Policy with our
views on the UK Government stance. Our further response below, broadly restates our position on these issues.

Response to the Inquiry Key Questions -

Q1. What kinds of sums might be expected to be allocated to Scotland from 2007 onwards under the various options for new funding regimes for regional development (e.g. the UK Government’s proposals, European Commission proposals etc.)?

1 At this stage it is not possible for SCDI to comment on what funding amounts might be available to Scotland from Regional Policy funding streams after 2007. This depends very much on the prior negotiations and the agreement eventually reached at the relevant Council of Ministers meeting in 2005.

2 SCDI cannot offer a guide to the required budget for Regional Policy at EU level but other organisations have suggested 0.55% and up to 0.65% of the EU Budget. Given the scale of Enlargement, SCDI believes it is unrealistic to expect existing budget allocations to cover the cost implications of a status quo position on Regional Policy at EU level. We believe that priority should be given to advancing reform of other spending areas such as CAP to re-allocate and increase funds available for Regional Policy.

3 However, it is clear from the UK Government consultation paper that, following EU Enlargement, the UK Government would expect a reformed EU Regional Policy for 2007-13 to result in considerably reduced levels of EU funding of Regional Policy projects in the UK and therefore in Scotland.

4 It seems likely that budget levels available in Scotland from Regional Policy will continue to decline.

Q2. What can these funds be spent on and what could a new funding and management regime look like?

5 The EU should continue to maintain budgetary control, oversight and management of EU Regional Policy – covering all Member States. This should not be devolved to Member States.

6 SCDI supports the adoption of the theme or menu approach to fund allocation, considering it more suited to empowering regions and communities and more in line with the subsidiarity concept. SCDI also supports the maintenance and extension of the Scottish Partnership model for sub-national level decisions regarding Regional Policy.

7 For future allocation of funds we suggest instead a combined thematic and subsidiarity-driven zoning approach is possible which respects both EU strategic aims and local subsidiarity rights.

8 Continuity of multi-annual programmes should be retained as it helps generate longer term, more sustainable projects and reduces strain on partnership working. More work is also needed on setting simplified, common, cross-EU standards to improve
transparency and reduce administrative red tape – including the use of simplified, once-only data capture methods for applicants.

9 Two areas of concern that need to be addressed in any future framework are -

Firstly, with the changing geography, demography and economics of the enlarged EU, it is even more essential to consider peripherality issues across the entire EU area when agreeing the reformed Regional Policy package. Enlargement to the east also increases the distance from the centre to the western and northern Atlantic boundaries and increases Scotland’s peripherality. There is also the limitation for Scotland, in participating in the Single Market, Regional Policy initiatives and other EU initiatives, of not having a land border with any other Member State.

10 Secondly, the 75% of EU GDP per capita criterion to identify lagging regions continues to appear too simplistic and has significant problems. For example, GDP itself is especially difficult to measure accurately at regional levels and the criteria cannot pick out smaller localities of need such as city wards; or adequately account for permanent geographic or climatic constraints such as mountainous ground; or peripherality from the demographic and geographic centres of the EU Single Market. This is particularly the case in Scotland’s Highlands and Islands.

11 Other criteria such as the UK Index of Multiple Deprivation, depopulation rates, levels of R&D, entrepreneurial activity and employment rates would offer the possibility of a fuller picture of a regional economy. SCDI would suggest that an EU level study is undertaken to identify a basket of indicators that could be utilised to identify need for Regional Policy intervention. The UK Government could usefully raise this issue in its submission to the EU debate.

Q3. How will the UK Government’s proposals for renationalisation / repatriation of the funds ensure long-term funding (i.e. over 7 years) and how would they ensure their proposal meets the needs of the objectives set out in the Lisbon and Gothenburg agendas?

12 SCDI has very strong concerns with the continuity of the internal UK political and budgetary choice aspects of the UK Government repatriation proposal. With complete devolution of budgetary control of the Scottish block funding, it is not possible for the UK Government to require Scottish Executive spending in a particular policy area. This is coupled with the inability of any UK Government to make future guaranteed spending commitments on behalf of its successor governments. These two factors would lead to considerable instability in Regional Policy funding if the current UK “Framework” proposal was adopted.

13 Questions which the UK “Framework” proposal does not address include -

How strong can today’s guarantee of future Regional Policy funding be as the years go by? How plausible is it, again as the years go by, for the Scottish Executive to continue to allocate all or any increased Regional Policy funding it accrues through the block formula to Regional Policy spending in Scotland given that it has complete budgetary control over the Scottish block?

14 Factors that might influence these concerns include the separate electoral cycles of the UK and Scotland (5 and 4 years respectively), the possibility of a different governing
party in both (as is, arguably, currently the case with a new coalition in Scotland) and the inevitable future need for a budgetary response to an exceptional or continuing issue of crisis that might see budgets re-allocated from Regional Policy spending (such as Foot and Mouth or the “War on Terrorism”). Given these concerns, there is a considerable opinion in favour of maintaining EU level control of the Regional Policy budget. This would help to retain the continuity of multi-annual funding for which Scottish partners have expressed a strong preference.

However, if the UK “Framework” model were to be adopted it would be incumbent on the UK Government to consult and agree with the Devolved Administrations, the Programme Management Executives and stakeholders on how best to provide certainty of hypothecation of any increase in funds targeted at Regional Policy through the block formula arrangements. SCDI does not currently believe the UK Government proposal is compatible with long-term funding of Regional Policy.

Q4. How can the UK Government ensure local flexibility in relation to Lisbon agenda, for example? How will this affect linking regional policy to other EU policy areas, such as rural development, fishing, competition etc?

SCDI supports the adoption of the theme or menu approach to fund allocation, considering it more suited to empowering regions and communities and more in line with the subsidiarity concept.

For future allocation of funds we suggest instead a combined thematic and subsidiarity-driven zoning approach is possible which respects both EU strategic aims and local subsidiarity rights.

SCDI recommends that the final EU-level funding reforms allow individual Member States and Implementing Authorities the flexibility to introduce a significant proportion of sub-national geographical zoning in their overall funds allocation. This flexibility would help ensure allocation remains linked to the strategic level Lisbon Agenda themes but help to reconcile that desire with acknowledgement of national and sub national subsidiarity.

An integrated approach to thinking across the European Commission Directorates General would certainly help to ensure a closer fit between initiatives from different but related policy areas such as Fisheries, Rural and Regional Policy at a strategic level. At local level however, a flexible approach to blending funds together from different partners and initiatives is often helpful and productive in achieving similar aims.

Q5. What firm ‘guarantees’ would be available to protect the levels of funding, the funding objectives and the management regime in Scotland under either the kinds of options proposed by the UK Government or, alternatively, the other regimes being discussed elsewhere in the EU and in the European Commission? Will monies be ring-fenced, i.e. what will the actual ‘bottom line’ be in terms of receipts from the various mechanisms proposed in the DTI paper?

SCDI does not currently believe the UK Government proposal is compatible with long-term funding of Regional Policy. The basis for this belief is the inability of the
UK Government or the Scottish Executive to provide long term “guarantees” on budgetary allocations because of changing policy and budgetary priorities and the likelihood of a mix of political parties, with different manifesto commitments, making up both the UK and Scottish Governments over the longer term.

Q6. What are the views of other Member States and the European Commission on the reform of the structural funds and on the type of framework being proposed by the UK Government?

21 SCDI is unable to comment on this question but notes that Scotland Europa has developed a very useful tracking paper which covers the changing positions of the Commission, other Member States and other Scottish and European organisations on the reform debate. We suggest this tracking paper would provide useful information for the Committee on this question. (Contact - Sarah English at Scotland Europa via sarah.english@scotent.co.uk)

22 In conclusion, SCDI is aware that the Regional Policy reform debate at the EU level has some time to run but that Member States and the Commission are nevertheless beginning to form their thinking around certain concepts or positions. SCDI is a member of and supports the work undertaken so far on this issue by the Structural Funds Forum in Scotland (at http://www.scotland.gov.uk/about/FCSD/ESF7/00017085/home.aspx) but consider that a clear Scottish voice in the UK and EU level debate has not yet been fully established. We hope that the Parliamentary Committee can help bring further urgency to establishing a Scottish position on the future of Regional Policy.

23 We believe that the EU should continue to maintain budgetary control, oversight and management of EU Regional Policy – covering all Member States. This should not be devolved to Member States as current and future lines of funding cannot be guaranteed.
Scottish Natural Heritage

Scottish Natural Heritage (SNH) has responsibilities for securing the conservation and enhancement of the natural heritage, fostering understanding and facilitating enjoyment of it, and influencing the sustainability of actions that affect it. Since 1994 SNH has had a part in planning and implementing EU Regional Programmes across Scotland. We have collaborated closely with the Scottish Environmental Protection Agency (SEPA), particularly to encourage use of the “horizontal theme” for sustainable development. In the last few months we have contributed to the Scottish Executive Regional Policy Working Group, and support many of the proposals coming from there. This paper contains our own views on regional policy in Scotland.

Regional policy can be defined in various ways. The consultation paper from DTI states that “Regional policy is not just about the poorest areas….a modern regional policy must focus on improving the economic performance of every nation and region…” Our comments are based on this definition. In that case we believe regional policy must take account of:

- Negative regional disparities
- Positive opportunities
- Regional diversity

We also believe that economic performance cannot be considered in isolation from social and environmental factors, and that the idea of sustainable development provides the best framework for dealing with all three. It also offers the chance to achieve better results through an integrated approach, and more lasting benefits. For instance, a region that suffers from environmental degradation, or is not making the most of its environmental assets, is not likely to retain or attract skilled people. On the other hand a region with poor social and economic conditions is not likely to invest in the natural heritage or have resources to help people to enjoy it. So the economic and social benefits of including environmental considerations in regional development are very clear.

Regional policy based on sustainable development, maximising regional potential, and respecting regional diversity has the potential to benefit all parts of Scotland. It would maximise the welfare of their people, and increase the regions’ contributions to the Scottish and UK economies. It offers a coherent approach to the integration of Scotland’s diverse natural heritage, described in our Natural Heritage Futures work\(^1\), with economic and social development. We strongly support the development of EU, UK, and Scottish regional policy based on these principles.

More detailed points arising from this general approach are as follows:

1. The EU framework for regional policy should not solely be defined by the Lisbon agenda. The Goteborg conclusions, based on COM(2001) 264, agreed a sustainable development strategy for the EU by adding an environmental dimension to the Lisbon strategy. We believe that regional policy in the EU the UK, and Scotland should recognise this, and will be more effective as a result. The UK proposals do not appear to reflect the EU sustainable development strategy sufficiently.

2. The scope of sustainable development should be reflected in the way in which regional needs and opportunities are described, and in the regional programmes that result. The UK headline indicators of sustainable development (listed in Annex 1) provide a simple way of seeing the larger picture, and something of this type could be used to define regional needs and priorities. They have the advantage of including understandable environmental, social, and economic indicators. The UK proposals should support an approach based on regional sustainable development indicators at EU, UK and Scottish levels.

3. Regional and cohesion policy will not be delivered by state aids and EU structural funds alone. The regional implications of a range of other policies need to be taken into account and integrated through regional programmes. Some of these such as transport or health may require co-ordination with regional programmes. However, we are concerned that CAP measures should be closely linked with regional

\(^1\) See http://www.snh.org.uk/strategy/nhzones/pd03.htm
programmes, and preferably delivered together. The Rural Development Regulation or second pillar of the CAP is the most obvious field in which there is clear overlap and a need for integration with traditional EU regional programmes. But further reform of the CAP (such as decoupling support from production) is likely to make Pillar I CAP payments increasingly relevant to sustainable regional development. The UK proposals as they stand take very little account of the importance of the CAP.

4. The EU Structural Funds Programmes have been influential in bringing a partnership approach to decision-making, and in achieving integration across a number of sectors. They have also introduced sustainable development as a horizontal or cross-cutting theme, and developed practical ways of applying it. The length and security of the funding streams has been important. This approach to regional policy should be retained in the future. There may be scope to expand it so that it meshes with Community Planning at the more local level, and with Scottish Executive planning. At the same time, the complexity necessary to achieve an integrated approach should be distinguished from the unnecessarily bureaucratic procedures that many wish to see slimmed down in the future. We support the UK proposals to retain the devolved partnership approach of the past system, whilst reducing its rigidity and administrative burden.

5. Scotland’s regions are very diverse, and in many ways this is a strength. It offers opportunities for niche product development, for instance, and this can be linked to characteristic local natural heritage. It also means that regional needs and opportunities vary widely. We believe that the remoter rural areas are important and merit special consideration. They have limited economic opportunities, high costs, many are losing young people, and they contain concentrations of the best natural heritage in Scotland and the UK, a significant amount of which has been designated as being of special value under European Directives. We support targeted measures to address these issues, in line with Commission proposals for areas with severe natural handicaps.

6. Regional development funding could make a significant contribution to achieving the aspirations we have described here. To do so it would need to be made available for a range of measures delivering regional sustainable development. Measurement of outputs and targets would need to be widened considerably from the current system if they were to reflect this. Measuring every project by jobs created, and every region by GDP, will not identify progress towards a wider range of sustainable development goals, for instance. We believe that environmental targets should be included in regional programmes, and their achievement measured. The UK proposals often assume a narrow range of economic targets, and they would be better if more social and environment outputs were included.

7. Finally, the EU Habitats directive is resulting in the creation of a network of legally protected areas for biodiversity – the Natura 2000 network. The Scottish Executive is responsible for the implementation of this legislation in Scotland and SNH acts as a key agent and adviser. Under the directive, Natura 2000 sites require investment to improve or maintain their condition. A European Commission working group has recommended that EU Structural Funds and the CAP are two obvious sources for the €1.7bn of match funding they estimate is required annually across the EU15. Scottish and UK regional policy should take account of the need for Natura 2000 funding when identifying priority areas and developing regional programmes.
Appendix 1

Headline Indicators of Sustainable Development for the UK²

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<tr>
<th>Economic Growth</th>
<th>Social Progress</th>
<th>Environmental Protection</th>
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<tbody>
<tr>
<td><strong>H1</strong> Economic output</td>
<td><strong>H4</strong> Poverty and social exclusion</td>
<td><strong>H9</strong> Climate change</td>
</tr>
<tr>
<td><strong>H2</strong> Investment</td>
<td><strong>H5</strong> Education</td>
<td><strong>H10</strong> Air quality</td>
</tr>
<tr>
<td><strong>H3</strong> Employment</td>
<td><strong>H6</strong> Health</td>
<td><strong>H11</strong> Road traffic</td>
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<td><strong>H7</strong> Housing</td>
<td><strong>H12</strong> River water quality</td>
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<td><strong>H8</strong> Crime</td>
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The Wise Group

INTRODUCTION

The UK Government’s recent proposals to renationalise EU regional policy are currently the subject of debate in Scotland. The Scottish Executive and Scottish Parliament have highlighted a need for more information on the detail of the UK Government’s proposals. This paper represents the views of five major players in the Voluntary Sector who have, over the 2000-2006 programme, made significant use of European funds. The represented groups welcome the opportunity to contribute to the European and External Relations Committee Inquiry by submitting written evidence of our experience of the European Structural Funds and their contribution to our work in the social and economic regeneration of Scotland.

This submission represents the perspectives of 5 major voluntary sector organisations operational in Scotland: The Wise Group, One Plus, Scottish Association for Mental Health, the Claverhouse Group and West Fife Enterprises. Between them these organisations have been successful in attracting approximately £27 million in European funding over the lifetime of the current programme. These funds have enabled us to deliver the following outputs using European monies from 2000 to present:

- 2,400 people into jobs
- 4,000 recognised qualifications
- 2,300 into Further Education

This funding has also been used to deliver outputs that complement many of the Scottish Executive’s strategies. For example, Social Justice...A Scotland Where Everyone Matters, Smart, Successful Scotland and Social Inclusion Opening the Door to a Better Scotland.

European funding is for many voluntary organisations one of their most significant sources of finance. Many voluntary organisations are taking action to reduce their reliance on ESF but in the face of no viable alternative it remains a vital component of their operations, adding value to mainstream funding and providing the flexibility and innovative capacity that is not found under other current funding streams. Moreover, for many of these organisations, European funding acts in a leverage capacity, helping voluntary groups to attract funding on the condition of adding value to it via European monies.

THE SCOTTISH MODEL AND THE VOLUNTARY SECTOR – CASE STUDIES

The Scottish system for managing the distribution of European funding has proved to be a highly successful model. The development of 5 PMEs throughout Scotland has promoted a distinct partnership approach involving national, regional and local players from public, private and voluntary sectors. Partnership has since become a hallmark of the European funding programmes operating in Scotland, contributing widely to the overall added value of the funds.

The Scottish model of implementing European funding programmes lends itself particularly well to achieving elements of added value that would otherwise not be achieved through Government funding alone, as the case studies below demonstrate.

2.1 Case Study One – The Wise Group

The Wise Group is a not-for-profit organisation, which since 1983 has worked to assist the unemployed to move into sustainable employment. Over the last 20 years we have pioneered a range of interventions to assist those disengaged from the labour market, including the ILM or Intermediate Labour Market. Today the Wise Group works across Scotland and the North East of England and offers a range of types of intervention to move those

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3 This submission was submitted to us by The Wise Group and is a compilation of views from the following organisations: The Wise Group, West Fife Enterprises, One Plus, Claverhouse Group and the Scottish Association for Mental Health.
out of work into employment in a range of sectors. Our approach is flexible, and moves with labour market demand. In 2003 we have provided work experience and training opportunities in areas such as Care, Housing & Construction, Childcare, Hospitality, Forestry, Health, Classroom Assistants, Landscaping & Horticulture, Call Centre, Administration, Recycling and Warehousing. Our activity also targets specific groups amongst the unemployed including people with disabilities and the homeless, for whom we have developed specialist interventions. Through these interventions we have, to date, moved 1700 unemployed people into employment in 2003. By the end of the year we expect to exceed our target of 2000 people into jobs.

None of this would have been possible without ESF support. Using ESF, the Wise Group is able to offer beneficiaries a much more rounded package of training and support than would be available under mainstream funding alone, by matching European monies to Government programmes such as New Deal and Training for Work.

Every aspect of Wise Group projects incorporates the added value elements permitted by ESF. For example, our programmes achieve a higher proportion of beneficiaries into employment and offer beneficiaries a longer training period (up to one year rather than 13-26 weeks on New Deal, which for those most removed from the labour market is often insufficient to break down barriers to labour market entry). ESF also allows an enhanced training allowance that helps break the benefits trap, additional support measures such as childcare, travel and clothing allowances, and aftercare provision. Without ESF provision, the Wise Group would be unable to provide these additional support measures, which are key to addressing the barriers faced by our target groups.

Many Wise Group projects involve activity to deliver physical improvements to local disadvantaged communities via construction, landscaping and forestry work undertaken by beneficiaries on construction and land-based training programmes. Without ESF this physical work would still take place but would not be used as an opportunity to bring additional social and economic benefits for the communities in which the work is done. This joined up approach, made possible by ESF, means that a project that would simply have improved the physical environment of a neighbourhood, can also be used to increase rates of local employment; increase local skills levels; add a sense of local ownership to the environment; reduce vandalism; and add myriad other social and economic benefits that result from a local population in employment.

European Structural funding affords the Wise Group greater flexibility in terms of our capacity to fully support those beneficiaries who need it most. The Wise Group’s WorkAble project, funded by the EQUAL Community Initiative, is a good example of a successful and innovative project specifically targeting clients on Incapacity Benefit in the West of Scotland to support them back into the labour market. EQUAL funding has allowed WorkAble to use New Deal for Disabled People money in a more innovative manner and has thus gained the project a reputation for being one of the most successful NDDP deliverers in the UK. To date, over 1100 people have registered with WorkAble NDDP and recent project outcomes are proof of the project’s success. So far, the project has moved 445 people into paid employment, of which 52% have sustained their job for six months or more. 35% of those securing work benefited from support through the Wise Group’s ILM activities. Such is WorkAble’s success that we intend to replicate the model across East and Southern Scotland and the North East of England.

In many respects, European funding offers projects the flexibility to provide integrated support measures that Government funding alone is not capable of providing. The extra support afforded by ESF is often precisely what clients need to enable them to bridge the gap back to work, whether it be a work taster that instils fresh confidence or a full benefits consultation to establish eligibility entitlements. Existing Government programmes are frequently found to be comparatively inflexible in terms of their delivery arrangements and they are not conducive to innovation. Under NDDP funding streams the funding would not have been available to offer clients the range of options available to them under the WorkAble project, without EQUAL funding. The options available mean that rather than just a job brokerage service, clients are offered support measures, training, supported employment options and anything else that the individual requires to ensure that they do not just get a job outcome, but a sustainable job outcome.

2.2 Case Study Two – West Fife Enterprises

West Fife Enterprise is a community based not-for-profit organisation established in 1983 to address the severe economic and social decline of former coalmining villages in West Fife. To achieve a measure of economic
regeneration for these isolated and severely disadvantaged communities, the organisation has focused on creating local wage earners amongst the unemployed and groups particularly excluded from the labour market.

Serving a particular community of place that contains 15 small settlements spread over a large geographical area, West Fife Enterprise has had to address the particular exclusion barriers created in a community that appears rural, but nevertheless contains problems more associated with urban areas due to the community’s almost singular reliance on one traditional heavy industry.

The principal problems these communities face are:

- Isolation from mainstream employment opportunities & infrastructure, learning and further education opportunities
- Cultural, a history of disengagement with formal learning, low levels of participation in further, higher education and other forms of learning
- Employers Needs, an outdated and inappropriate skills base for modern employment needs and an inherent stigma of coming from an area characterised by its high unemployment/deprivation features

To be excluded from the labour market in this community is to be "Doubly Disadvantaged". Residents have neither the skills, qualifications or experience sought by employers and have few opportunities to gain them. Delivering its services based in the community West Fife Enterprise has over the last 20 years set about overcoming these barriers for local residents and has developed its own unique integrated training programme to achieve this.

In the absence of central intervention and a lack of mainstream opportunities in the community, European Structural Funds, combined with partnership support from Fife Council and Lauder College, have provided the organisation’s mainstay for most of its history. The high levels of flexibility inherent in ESF support have enabled the organisation to design provision that is particularly sculpted around local need. Although having assisted well over 1,000 residents in its engagement with ESF the activity under the current programme, the "Quest for Employment" project stands as a particularly good example over the last several years.

This project focuses on helping beneficiaries travel the "Full Journey" into sustainable employment. It contains a menu of opportunities incorporating pre-entry and preparatory skills, vocational training and work experience in the fields of ICT, Modern Office Systems and Engineering Production, Core Skills and Employability Soft Skills Development, Job Seeking and Retention Skills and dedicated Aftercare Support. These features, developed with beneficiaries and local employers are further enhanced with individual tailoring and extensive guidance. Combined with highly flexible participation options and a comprehensive support package the project is highly attractive to particularly excluded groups and achieves high levels of outcomes.

Since the current ESF Programme began, 238 beneficiaries have gone through this project. Their profile included (Individuals are counted more than once due to many being multiply disadvantaged), 46% Workless Households, 29% No Qualifications, 27% Never Had a Job, 16% Lone Parents, 28% Disabled, 11% Severe Literacy/Numeracy Problems, 10% Homeless, 5% Drug/Alcohol Recoverers, 1% Ethnic Minorities. The key successes in working with these groups includes - 168 (71%) into Jobs, 27 (11%) into Further Education and 198 (83%) achieved qualifications. Longer term follow up has demonstrated that 91% are still in employment six months after leaving.

Such activity and success is only made possible due to ESF support which provides opportunities for many groups of excluded individuals who otherwise would receive almost no support. To ensure a clearly additional local service, the project not only targets some of the hardest to reach excluded groups, but less than 3% of beneficiaries are JSA eligible and would therefore not be picked up by New Deal.

West Fife Enterprise is of the belief that its activity stands out as a particular example of the good value that can be gained with ESF support in generating particularly successful local interventions that otherwise would not exist.
2.3 Case Study Three – One Plus

The largest lone parent agency in Europe, One Plus is also a major participant within the social economy in Scotland. The organisation provides learning, training and employment opportunities in addition to information, advice and support for lone parents and other disadvantaged groups.

One Plus works in partnership to create services, training and employment within local communities to help tackle the poverty and social exclusion facing so many one parent families. One Plus has developed a model which demonstrates that providing a continuum of support and training creates pathways to sustainable employment for lone parents. "The Training and Employment Continuum" is unique in that it links together group-based pre-vocational training, vocational training and employment, as well as access to specialist advice, and a range of support mechanisms including travel & childcare, mentoring & aftercare. The aim is to maximise lone parents’ incomes as well as enabling a balance between work and family commitments. The approach is "family-focused" and the needs of children are central to the success of the model. This ongoing support enables lone parents to navigate the transitions they experience in their life as they move from initial contact with One Plus to involvement in personal development courses/vocational training and into employment.

One Plus has been successful in utilising £4.9 million of European Funds during the current programme 2000-2006 to enhance the services available to lone parents in relation to training and employment and to increase the capacity of childcare provision across the West of Scotland. European Funding has enabled One Plus programmes to add value through offering a range of options matched to lone parents' individual needs at the time of accessing the provision and as they negotiate the transitions in their lives towards economic independence and a better quality of life for them and their children.

By accessing ESF, One Plus has been able to continue to deliver Projects contributing to the Government’s Welfare to Work Agenda when initial pilot activity has ceased and so enable more lone parents to access the service. A good example of this is the Positive Options Project, which was a New Deal for Lone Parents Innovative Pilot Project. This Project was initially funded to offer a service to 215 lone parents over one year. One Plus successfully brought in European and SIP funding to enable this Project to run for three years and to work with 630 lone parents and this Project is still operating today with consistently high outcomes.

Since 2000, One Plus has accessed European Structural Funds to open 6 new Childcare Centres; increase the capacity of 48 existing childcare services; provide Personal and Social Development training to 1037 people; provide vocational training in Childcare, Play Work, Social Care, Community Work, Information and Communications Technology and Business Administration to 1204 people. These programmes have been very successful and by June 2003 had enabled: 527 people into jobs, 830 into further education/training, 805 gaining a qualification. These figures will be further increased when a range of courses complete in December. In addition we have developed peer group Mentoring for lone parents, 5 Learning Centres and a Community Grid for Learning on the World Wide Web, addressing the isolation and exclusion experienced by large numbers of lone parents in Scotland today.

Without the multiplier effect of ESF support specifically matched to individual needs and priorities and the focus of partnership working inculcated by the Programme Management Executives, very few lone parents would have been able to sustain training leading to employment if solely funded by UK sources. The government would therefore be further away from meeting the target set to get 70% of lone parents into employment by 2010.

2.4 Case Study Four – Claverhouse Group

Claverhouse Group is a company limited by guarantee with charitable status and its main activity is the provision of services to the community. It currently has a turnover of around £2.2m and a staff of 70. Operations are based at the Dewar House, Staffa Place, Dundee. Activities are financed from a broad base of private and public bodies.

The main purposes of the Group are:

- to provide guidance and vocational training and education to unemployed people aimed at assisting them to obtain employment;
- to assist local employers with their recruitment and training needs;
to provide a service to households within Tayside of installing insulation and home security, and to undertake projects to benefit the wider environment.

Over 3,000 unemployed people make use of our training services each year, which include:

- Opportunities through the New Deal Scheme
- Assistance to local employers with their recruitment needs
- Work experience opportunities leading to employment
- Employment Service Programme Centre
- Get Ready for Work Courses
- Full time practical training such as woodwork and engineering under the Training For Work Initiative
- Part time, flexible training programmes targeted at priority groups such as women returners, long term unemployed and lone parents.

Over 1,200 of these individuals move into employment, with many more achieving qualifications and progressing on to further education and training.

Extensive use has been made of ESF funds to add value to existing programmes and develop new and innovative approaches to helping people into work.

2.5 Case Study Five – Scottish Association for Mental Health

SAMH is Scotland’s leading not-for-profit provider of community care, training and employment services for people with mental health, complex care and support needs. Founded in 1923 as a policy, information and campaigning organisation, SAMH began to develop service models in 1983 and now provides a range of flexible and innovative services in urban and rural communities across Scotland.

The principal aim of all of our services is to support individuals to maximise their independence and realise their full potential, through providing individualised care, support, training and employment services. We can demonstrate much success in realising this aim, supporting service users to progress to more independent living opportunities and increased employability and job readiness through focused rehabilitation.

We currently provide services to over 2000 service users across Scotland delivering care, support, training and employment services to contract standards in partnership with almost 50 commissioning agencies.

The Services SAMH provides fall broadly within the following categories:

- Residential care and support services
- Integrated rehabilitation services (residential and day).
- Integrated care and support services to individuals in their own homes.
- Housing support services (including focussed dual diagnosis, offending and homelessness services).
- Vocational guidance, training and employment services (including focus on addictions)
- Structured day services including 3 Clubhouses – one of which was the first in Scotland and has recently been the first to be accredited on meeting all standards by the International Centre for Clubhouse Development in New York.

SAMH has been a provider of integrated vocational training and employment support projects for people with mental health problems using ESF monies since 1987 and has offered opportunities to over 10,000 individuals to date. We work with a client group who face significant exclusion from the labour market and who require individually tailored programmes of integrated training for a longer period.

We increasingly provide services to individuals with complex and multiple needs, cutting across a range of vulnerable groups including substance misuse issues, offending and challenging behaviours, in addition to those experiencing mental health problems. Clients may have significant educational deficits, no up to date or relevant qualifications, little job market knowledge, little or no previous work experience and the need to develop vocational skills.
We presently work with in excess of 450 clients across approximately 20 training and employment services, responding to a wide mix of training and employment support needs, in partnership with 11 local authority and health board areas and supporting their integrated strategies of meeting best value criteria.

We have demonstrated success in delivering outcomes through a range of funding mechanisms including European Social Funding, which allows SAMH to offer:

- Targeted support for client groups who need specialist intervention and whose training and employment needs cannot be met by current mainstream resources
- Increased options for vulnerable people disadvantaged when competing in the current labour market and lacking the skills and knowledge required to enter employment.
- Entry level programmes for individuals who have significant health, social, educational and economic barriers to employment.
- Focussed, sensitive and specific advice, guidance, support and individualised training programmes within a supportive environment to focus on combating low self-esteem.
- Opportunities to connect and engage with formalised training programmes, working structures, interaction with others and pursuing aims and goals

ESF genuinely adds value to SAMH provision and in particular affords vulnerable people distanced from the labour market the opportunity to reengage in activity, which enhances their potential employability. It is vital to recognise the wider impact of participation in the ESF programmes offered by SAMH on individual health, well-being and self-worth, working with others, problem solving and team building.

REPATRIATION OF EUROPEAN FUNDING – THE IMPACT ON SCOTLAND’S VOLUNTARY SECTOR

As demonstrated from the small number of case studies above, the voluntary sector has used European Structural funds to great effect during the current programme. Adding value to mainstream funding sources and providing indisputable social and economic benefits for some of the most disadvantaged communities in Scotland. The organisations detailed above are therefore deeply concerned about what will happen to European funding after 2006 and the proposed changes highlighted by the UK government.

The voluntary sector is increasingly a major player in the UK economy accounting in Scotland for approximately 107,000 paid jobs and with an annual income of £2.08 billion (SCVO Research Unit 2001/02 figures). The Executive’s Consultation on the Voluntary Sector Review of Funding reiterated the sector’s significance as a major service provider, important for building community capacity, making contact with marginalised groups and identifying and responding to changing needs. In the consultation, the Executive stated its commitment to modernising the strategic, legal and financial framework in which voluntary organisations operate. Yet the sector remains inherently unstable despite its key significance in delivering Scottish Executive policy objectives. And despite the positive comments made and commitment to invigorating the social economy there remains a lack of stable long term funding for the sector. Therefore the impact of the loss of the European Structural funds, as one of the few large scale independently administered funding sources available to the sector, is potentially huge.

The approach advocated by the UK Government, the "EU Framework for Devolved Regional Policy” would essentially decentralise regional policy to Member States and regions, effecting a shift in funding priorities to be determined according to the domestic priorities under the current regime. Despite a guarantee by the UK Government that UK nations and regions will not lose out under the UK’s proposals for reform of Structural Funds, there is no concrete detail to support the Government's commitments. Before Scotland can reach an informed conclusion on the Government's consultation, it will be necessary to initiate further discussion on the precise implications of the proposals.

KEY ISSUES

There are 4 key issues that are of concern to the organisations represented by this submission:

- Availability and duration of funding
• Policy drivers of new funding regime
• How the funds will be distributed
• Retention of innovation, flexibility and added value

Availability and duration of funding

In the first instance, concern surrounds the amount Scotland can expect to receive from 2007 onwards. Under the current programming period, Scotland has been allocated £1 billion in structural funds, to be distributed annually over the seven year programme until 2006. This represents 11% of the UK’s total structural funds allocation. Of this, the Scottish Voluntary Sector has received £101,869,482 during the period 2000-02\(^4\), clearly a significant amount from the various European Structural Funds operating across Scotland. It is important that the current levels of funding in Scotland are protected to some extent.

The sum expected in Scotland post 2006 is of course expected to be reduced under both the UK and European Commission proposals. Yet, the DTI paper outlines the Government’s commitment to ensuring that UK nations and regions will receive a level of resources equivalent to that which would be allocated by European structural funds. The main concerns here focus on the actual amount that is going to be made available, the length of time that the funding is going to be available and of course the means by which that funding is going to be distributed. Moreover the current European programming method has allowed some degree of stability. Organisations such as The Wise Group, West Fife Enterprises, One Plus, the Claverhouse Group and SAMH are able plan long term, safe in the knowledge that multi annual funding is available from Europe for project activity. This long term stability is certainly a feature we are keen to retain in any future outcome.

The DTI consultation also states that increased domestic spending will be targeted on areas of high unemployment and low GDP in order to promote regional productivity and employment. This focus is clearly something that would be welcomed by the Voluntary Sector. Yet there is no commitment to tackling the pockets of deprivation often found to exist even in relatively buoyant economies. A key concern therefore, is that the UK’s proposals for domestic regional policy do not exclude those groups currently supported under European Structural Funds, specifically Objective 3 funding. There is concern that the implications of a modern UK regional policy may attach less significance to the social aspect and human resources, which is currently supported by Objective 3, in favour of concentrating on economic statistics alone, such as GDP. Without the impetus of European Structural and Cohesion Funds, we fear that socio-economic development may become less coherent and less of a priority.

How the Funds will be distributed

The voluntary sector is concerned about the management structure and the practical nature of the financial distribution. The worst case scenario for the voluntary sector would be if the funds were incorporated into central, regional or local government budgets, meaning that there would be a danger of shorter term, politically motivated priorities directing the funding, rather than the longer term strategies currently in place under the current European model. The assessment criteria and procedures currently used to implement European Structural Funds are transparent, operating on an open competition basis – would such levels of transparency be retained in a domestic regional policy?

We would advocate that the management regime set up to implement and distribute the new funding streams should be independent and continue to operate on the basis of open competition. Partnership and innovation are of course some of the key features of the current Scottish system and should be maintained as a feature of the management regime. A successful system currently exists in the PME model; it would therefore seem logical to ensure that this model is maintained under a new funding regime. This allows local flexibility as well as adhering to larger scale, longer term policy aims – the Advisory Group system allows local players to influence financial spend in line with local needs whilst maintaining a level of independence from shorter term political expediency.

\(^4\) Review of EU Structural Funds: an Initial View from the Scottish Voluntary Sector on a Modern Regional Policy for the United Kingdom
Policy drivers of the new funding regime

An advantage of the current regime for the voluntary sector is the fact that the policy determining the targets of the funding is set at a large-scale European level in order to meet long term goals. Under the UK’s proposed EU Framework, the devolved administrations would have greater flexibility to allocate funding in support of their own national priorities. However questions must be asked as to whether this approach would be compatible with achieving the longer-term strategic priorities as set out in the Lisbon and Gothenburg Agendas. National level priorities are more likely to change, whereas the European emphasis on achieving common goals is key to building long term solidarity, as illustrated by the National Action Plans for employment. NAPs require each Member State to set objectives for achieving the common EU strategic aim: “to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion by 2010”. The Voluntary Sector has a significant role to play in helping to attain the goals set by the Lisbon Agenda and UK NAP but it is necessary that policy continues to prioritise these goals. Long term strategic planning and robust policies must continue to drive forward the new funding regime. Whether policy direction comes from the EU or the UK is not the issue – more important is the firm commitment to directing funding towards the attainment of long term strategic priorities and policy aims. Policy continuity and long term strategic planning are vital to the work of voluntary sector.

UK regional policy would essentially separate policy from funding, with the UK having practically no access to European Structural Funds. Going against the grain in this way raises doubts over the UK Government's inclination to follow European policies and strategic direction. This would in effect reduce the visibility of the EU in the UK, undermining the progress made so far to make the EU more visible to its citizens. A full commitment therefore to directing funds towards addressing socio-economic regional imbalances across the UK and striving to achieve common European objectives would be welcomed from the UK Government, as would a strategic focus on employment as a means of preventing social exclusion.

Retention of innovation, flexibility and added value

As the above case studies have demonstrated, ESF has enabled the voluntary sector to bring considerable added value, innovation and flexibility to employment strategies. The Scottish model has proved it's capacity to promote good practice and innovation by disseminating information among partners and identifying any gaps in policy and delivery while not duplicating existing activity. The potential loss of these key elements is possibly our biggest concern.

The Government consultation document criticises the Structural Funds for their apparent lack of flexibility. Indeed, the Voluntary Sector has certainly experienced the disadvantages of the bureaucracy associated with this system and we would certainly endorse suggestions to reduce such bureaucracy. However in terms of what European funding enables the Voluntary Sector to offer, the current system provides substantial flexibility through the various innovative funding streams that facilitate EU regional policy. It seems unlikely that domestic regional policy could offer comparative flexibility or innovation, with little detail provided in the consultation document on how sufficient flexibility and innovation would be achieved were regional policy placed in the hands of the UK Government. There is no guarantee that domestic regional policy would be any less bureaucratic, more flexible or more innovative than the current system.

The added value of the Structural Funds is clearly identifiable and it is imperative that this aspect is retained in any future regional policy scenario. The Structural Funds have added value to European, national and regional policies through establishing a culture of best practice, co-operation, enhanced transparency and strategic vision as well as placing an emphasis on Equal Opportunities, Sustainable Development, Local Partnership and ICT. The funds have enabled additional economic activity to occur and have also driven policy and institutional innovation at national and regional levels.

CONCLUSION

To conclude and briefly summarise, this response to the European and External Relations Committee Call for Evidence on Regional Policy has highlighted the concerns of some of Scotland's most ESF-reliant voluntary organisations. The Wise Group, West Fife Enterprises, SAMH, Claverhouse Group and One Plus have provided evidence of their own experiences of European Structural Funds.
The impact of losing these funds will be heavily felt by Scotland’s Voluntary Sector and, while we realise the necessity to offer substantial financial support to the acceding Member States and acknowledge that current funding streams will decrease, we fear that the proposed UK regional policy would not offer sufficient compensation for the loss of the Structural Funds.

In brief, the main concerns regarding the UK DTI Consultation outlined in this response are predominately concerned with:

- How much will be available for Scotland - a firm guarantee to protect existing levels of funding;
- The duration and long term availability of funds;
- The distribution mechanisms and management regime must remain transparent;
- Maintaining the positive features of the current Scottish model;
- Achieving the long term strategic objectives outlined in the Lisbon Agenda and reinforced by the NAP;
- Targeting funding towards social inclusion agendas and employment policies;
- Retaining the added value, innovation and flexibility of the current system.

In order to prepare fully for the eventual cessation of European Structural Funds, we advocate the provision of some form of transitional funding in Scotland before the funds cease completely. Without a transitional phase, the effects of losing the funds would be too dramatic and potentially damaging to the achievements made so far. Clarification on the above issues is required as soon as possible so that organisations dependant on Structural Funds may begin to plan ahead, for the future financial security of many voluntary organisations is at stake.
Introduction

1 In September 2003, the Committee launched the above-mentioned inquiry. A call for evidence was issued:

   http://www.scottish.parliament.uk/news/news-03/ceu03-001a.htm

2 This led to a great deal of written submissions which have, in the main been reproduced in the interests of transparency on the Parliament’s website. These can be viewed at the following link and are updated on a regular basis as new evidence is received:

   http://www.scottish.parliament.uk/european/index.htm

Written evidence received to date

3 To date, the following is a list of written submissions processed so far. One or two others have been received or are still to be processed by the clerks and will be added to the list below:

   Alison M. Duncan, USA
   Caledonia Centre for Social Development
   Citymoves Dancespace, Aberdeen
   Convention of Scottish Local Authorities
   David Roberts Associates
   Dundee Rep Theatre
   Highlands and Islands Enterprise
   National Library of Scotland
   New York Caledonian Club Inc., USA
   One World Centre, Dundee
   Pagoda Public Relations
   Mr John Purvis MEP
   Scottish Council for Development and Industry
   Scottish Enterprise
   Scottish Poetry Library
   Scottish Natural Heritage
   Dr Alex Wright, Dundee University
   American-Scottish Foundation
   Anne Robertson Kennedy
   Assemblée Nationale, Québec
   Association for Scottish Literary Studies
   Caledonian Foundation USA, Inc.
   Clan Cameron Australia – New South Wales
   Clan Cameron, New Zealand
   Comunn na Gàidhlig
   Edinburgh City Council
   Fife Council
   Glasgow City Council (Officer Working Group)
   Highland Sales, USA
   Jill Scharrf, United States
Proposal for an initial schedule of witnesses

4 It was originally intended to take oral evidence from January/February 2004 and complete the Inquiry by June 2004. However, with the delay in publication of the Commission’s 3rd Cohesion report, the Committee’s parallel Inquiry into structural funds has been slightly extended. Therefore, it is unlikely that the Committee will begin to take oral evidence for this Inquiry until late February/early March 2004. Whilst it is not intended to extend the date for eventual completion, this situation may need to be reviewed in the spring.

5 The terms of reference for this inquiry are quite broad. Therefore, a wide range of subject matter will need to be covered. This suggests a fairly substantial set of witnesses to be called forward to give oral evidence, even if these are grouped at taken as panels of witnesses. Additional committee meetings may be required in the period March to May 2004.

6 The following is an initial list of proposed witnesses. The list is not intended to be final. The Committee may feel it wishes to add to or delete from the initial proposal. Also, the Committee will need to be flexible in scheduling and should agree to task the Convener and Clerk with arranging the witnesses and dealing with invitations. The list below is suggested for initial discussion and agreement in principle, subject to flexibility in the future for new or replacement witnesses.

7 The witnesses could be called forward in panels or sessions, covering those for example with an interest in EU links, North America, business issues, arts issues, academics etc. It is suggested that the Committee task the Convener and Clerk with organising an appropriate structure for the order of witnesses.

Proposed witnesses

Scottish Executive Ministers, including Mr Kerr, Mr Wallace and Mr McAveety
Foreign and Commonwealth Office Ministers
Scottish Executive officials, including those in the three External Relations Divisions and possibly other departments (e.g. tourism)
Scottish Enterprise, including Scottish Development International
Business Groups, including CBI (Scotland), Federation of Small Businesses (Scotland) and Scottish Textile Forum; and other business organisations, including Standard Life, Lloyds

1 There is no provision that requires a committee to draw up a list of witnesses to give oral evidence only on the basis of those organisations or individuals who made a written submission.
TSB Scotland, MJM International etc.
Scotch Whisky Association and Scottish Food and Drink Federation
Scotland the Brand
Scottish Council for Development and Industry
Visitscotland
Eventscotland
Pete Irvine, Unique Events
Lothian and Borders Enterprise (responsible for much of the MTV Europe awards)
Hans Rissman, Chief Executive of the Edinburgh International Conference Centre
Selection of representatives from local government
Scottish Arts Council
Smaller arts/cultural groups, such as Dundee Rep Theatre, Citymoves Dancespace
Aberdeen and Comunn na Gàidhlig
Scottishscreen
Sportscotland
Scottish sporting bodies, such as SFA, SRU and others
British Council (Scotland)
Representatives of the academic community, including Dr Alex Wright, Professor Michael
Keating and Professor James Mitchell
Representatives of the Network of International Development Organisations in Scotland
Selection of the Scottish-based diplomatic and consular corps
Political representatives from other countries and regions
Susan Stewart, First Secretary, Scottish Affairs, British Embassy, Washington DC
Director, Northern Irish Executive Office, Washington DC
Representatives of the Scottish North American Business Council
Other US and Canadian based groups and individuals including American-Scottish
Foundation, Alison M. Duncan and Fiona Ritchie

NB. Subject to approval in the parliament, the Committee will also be able to taken evidence
from representatives of the French, Irish and Flemish governments and local organisations
as part of the planned fact-finding visits.

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Convener
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EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

BRIEFING PAPER

“Third update on the IGC”

Introduction

1 At its previous meeting, the Committee took evidence from Dr Denis MacShane MP, UK Europe Minister, on the progress of the IGC and the constitutional treaty.

2 This factual paper sets out, as can best be ascertained the latest state-of-play with respect to the development of the constitutional treaty. (see Annex A).

Recommendation

3 Members may like to refer to this paper when discussing this item on the agenda.

Stephen Imrie
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The Scottish Parliament
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ANNEX A

LATEST DEVELOPMENTS WITH THE EU’S CONSTITUTIONAL TREATY

Background

Members will be aware that the constitution was not agreed to at the December IGC meeting of Heads of Government. It now falls to the Irish Presidency to take forward discussions. The Irish Presidency has reported that as a first step, it will bring forward a paper to the spring 2004 European Council. It remains unclear whether this will lead to a resolution, or whether the IGC will continue to have to meet through 2004 and possibly 2005. With elections in Poland in May and the European elections in June 2004, it remains uncertain whether an agreement can be quickly achieved. It also remains unclear whether certain Member States will carry out their plans for a “two speed Europe”, where some states forge ahead on the basis of joint agreements.

The Irish Presidency – statements to date

A number of meetings of the IGC at Heads of State or Government or Foreign Minister level took place under the Italian Presidency. However, at its meeting in Brussels on 12/13 December, the European Council noted that it was not possible for the Intergovernmental Conference to reach an overall agreement on a draft constitutional treaty at that stage.

The Irish Presidency was, therefore, requested to consult, to make an assessment of the prospects for progress and to report to the European Council in March (25/26 March 2004).

In late December 2003, the Irish Foreign Minister Brian Cowen TD appeared to rule out the possibility of an immediate return to talks within the framework of the formal Intergovernmental Conference (IGC) for which the mid-December summit was the intended culmination. He said it is too early to say at this stage when the IGC would resume, or when it could conclude.

However, Mr Cowen said he believes all 25 ‘old’ and ‘new’ member states are interested in a quick solution. He said everyone recognizes the absence of a constitution is harmful for the EU. "It is absolutely vital that we ensure that this union has the capacity to take effective decisions going forward," he said. "We all understand that's the overriding political imperative in all of this. And I think, therefore, it wouldn't be helpful if we were to suggest that this can be postponed indefinitely without it having an impact on how the union views itself and how the union is viewed by others looking in."

But other participants in the constitutional process are urging a slower approach. Among them is former French President Valery Giscard d'Estaing, who headed the Convention on the Future of Europe. He told reporters that he did not expect negotiations to resume until late 2004 or early 2005, and said, "A precipitous move, instead of producing [agreement], would probably reinforce antagonisms, so it would be better to have a prudent, cautious approach."
According to the Irish Foreign Minister, Ireland is well placed to try and negotiate a solution, as it has "genuinely no national agenda." Mr Cowen stated that Dublin is equally ready to continue with the Nice voting arrangements, as demanded by Poland and Spain, or accept the "dual majority" system backed most strongly by Germany and France — or even go along with a third option comprising any "reasonable" combination of the two. Mr Cowen appeared sceptical of the notion of a "core group" made up of a limited number of countries willing to pursue closer integration. The idea is supported by both France and Germany.

The Irish minister said this would not be the "optimal" solution. He added all 25 countries share that view, and supporters of a "two-speed" Europe would also prefer to pursue integration within an agreed constitutional framework.

Mr Cowen said open and inclusive cooperation remains the only way for the EU to retain its cohesion and is also the key to the success that has been achieved by the bloc so far.

A two speed Europe?

On 6th January 2004, the Irish Taoiseach, Mr Ahern MP, met Commission President Prodi in Dublin. According to press articles¹, the Taoiseach said that the consultation process with other member states was "now urgent" and that he would try to resume full negotiations in the Intergovernmental Conference (IGC) very quickly. "Just to be very clear: we want the IGC to succeed as soon as possible."

The leaders of France and Germany and the Commission President have spoken in recent weeks about the possibility of a group of member-states forming a closely integrated "core group" within the EU if the constitutional treaty is not agreed this year. The Taoiseach has consistently opposed this idea which he said on Sunday would disadvantage smaller member-states.

Mr Ahern acknowledged at the Dublin talks that there was no guarantee of a successful conclusion of the constitutional talks. "Whether this happens under the Irish presidency of course ultimately depends on sufficient collective political will existing, and we will form that judgment as time goes on. But we will make every effort to build consensus and we believe it is in all our interests to reach agreement as soon as possible so we will do our utmost on it."

The Irish Government's determination to seek rapid progress on the constitutional treaty is informed by an anxiety that failure to restore momentum to the talks quickly could lead to political drift within Europe and fuel the demands for a core group of member-states to press ahead with closer union.

In Dublin, the Taoiseach and the Commission President appeared to minimise their differences over the prospect of a "two-speed Europe" emerging if the constitutional talks fail. However, Mr Prodi repeated his view that if there is no deal in 2004, a group of countries could press ahead with closer integration, while Mr Ahern said it

¹ The Irish Times
was wrong "to speculate about failure … We don't want to look at what might happen in a few years' time."

Mr Prodi maintained he had no disagreement with the Taoiseach about the urgency of reviving talks on the treaty. "We have to make the effort for one year together in order [to reach] a joint, common decision. If we are unable to do that we can't wait forever. It is clear. We can't stop Europe and there will come some day the moment in which somebody … must give example to go on because Europe cannot always go at the speed of a very slow wagon."

Mr Prodi said that Ireland's EU presidency was well placed to advance plans to make the EU the most competitive economic region in the world by 2010. He promised that the Commission's proposals for the EU's 2007-2013 budget, which will be published later this month, would promote competitiveness and investment in human capital.

**Views of the UK Government**

At the Committee's previous meeting, the UK Europe Minister indicated it was still uncertain how long the process of agreeing a new constitution would take. He ruled out a “two speed” approach, making much emphasis on inclusivity. He also ruled out the addition of new amendments to the draft treaty, such as on the conservation of marine stocks. He would not be drawn on the issue of a referendum to ratify any eventual treaty and expressed his own preference for the parliamentary system.

Stephen Imrie
Clerk to the European and External Relations Committee
CONVENER’S REPORT

1. Report from the meeting of the “European Chairs – UK Group”, Aberdeen, 12 January 2004. A successful meeting of the EC-UK Group took place on 12 January in Aberdeen. Political representatives were present from the relevant committees in the Scottish Parliament, the House of Commons, the House of Lords and the Welsh Assembly. The Northern Irish Assembly sent an official. Full minutes will be produced shortly. The Convener now recommends that:

   He provides an oral update at today’s meeting.

2. Proposed meeting with His Excellency, Daithi O’Ceallaigh, Irish Ambassador to the UK, 12 February 2004. Following the regular pattern, the Committee is honoured to note that the Irish Ambassador to the UK is set to visit the Scottish Parliament on 12 February and will address Members and invitees at a public meeting on the presidency priorities. Full details will be announced shortly. The Convener now recommends that:

   Members welcome the acceptance of the Committee’s invitation and note the date in their diaries.

3. The Honey (Scotland) Regulations 2003 (SSI 2003/569) and potential requirements for the labelling of country of origin. In its 15th Report 2003, the Parliament’s Subordinate Legislation Committee, convened by Dr Jackson MSP, considered the above-mentioned statutory instrument. A copy of its considerations is attached as Annex A. This committee noted that according to the Scottish Executive, the most persuasive interpretation of the term "country of origin" within the context of the Regulations on the labelling of honey is that it means the Member State, in this case the United Kingdom. The Subordinate Legislation Committee agreed to draw this response from the Executive to the attention of both the lead committee and the European Committee for its interests and the Parliament on the ground that it required clarification. In light of the material in Annex A and the obvious potential implications for the Scottish honey industry, the Convener now recommends that:

   Members thank the Subordinate Legislation Committee for bringing this matter to our attention and agree to ask the Committee’s Legal Advisor to look further into this matter and see whether the Executive’s interpretation of the Regulation and of
wider Community law is consistent or whether there is scope for the use of a more exclusive regional, territorial or topographical origin in the name as occurs with other products.

4. Submission by the Committee to the Inquiry by the Select Committee on Transport in the House of Commons, covering proposals for a euro vignette and public service obligations for air routes. At a previous meeting of the Committee, it was agreed that a submission be prepared and sent to the above-mentioned inquiry. The submission is reproduced as Annex B. The Convener now recommends that:

   Members note the submission of views to this inquiry and ask the Clerk to pass on any feedback received from the House of Commons.

5. Monthly report from the Clerk/Chief Executive and the Parliament’s External Liaison Unit on inward/outward visits to the Scottish Parliament (Annex C). The Convener now recommends that:

   The Committee welcomes this report and thanks all those involved in the continual submission of this useful information.

Richard Lochhead MSP
Convener
9 January 2004

The Honey (Scotland) Regulations 2003 (SSI 2003/569)

Background

6. The Regulations impose compositional and labelling requirements on the sale of honey. They implement Council Directive 2001/110/EC on honey (OJ No. L10 12.1.02 p47). The Committee noted that section 5(1) on labelling requirements asks producers to state the country of origin but nowhere in the Regulations or in the EC Directive is the term defined. The Committee was unclear as to whether honey produced in Scotland would require to be labelled as a product of the United Kingdom and asked for clarification.

Report

7. The Executive explained that, in the absence of a definition, the term must be interpreted in the context of the Directive. In the Executive’s view, the most persuasive interpretation of the term “country of origin” is that it means the Member State, in this case the United Kingdom. The Executive also explains that the Directive (and the Regulations) also allow a producer to include a regional, territorial or topographical origin in the name. The Executive’s reply is reproduced at Appendix 2.

8. The Committee draws this response to the attention of both the lead committee and the European Committee for its interests and the Parliament on the ground that it required clarification, supplied by the Executive.

Appendix 2 of the SLC Report

THE HONEY (SCOTLAND) REGULATIONS 2003, (SSI 2003/569)

In its letter of 2 December to Catherine Hodgson, the Committee requested an explanation of the following:

"The Committee notes that section 5(1) on labelling requirements asks producers to state the country of origin, but nowhere in the Regulations or in the EC Directive does it define what is meant by this. The Committee is thus unclear as to whether honey produced in Scotland would require to be labelled as a product of the United Kingdom and would therefore welcome clarification of this matter."

The Food Standards Agency (Scotland) responds as follows:-

1. As the Committee notes, the Regulations adopt the term "country of origin" as used in the Directive. That expression is not defined by the Directive and is therefore to be interpreted in the context of the Directive. In the absence of a definition, the most persuasive interpretation is that this term, as so considered, refers to the "Member State" or "third country" in which the honey was harvested.

2. However, Article 2.2(b) (second indent) of the Directive and Note 3 (ii) of Schedule 1 to the Regulations provide that most honeys may include their regional, territorial or...
topographical origin in their name. Therefore, in addition to the mandatory provisions contained in regulation 5(1)(c), Scottish honey may be named as such if a producer wishes.

Food Standards Agency
5 December 2003
Dear Mrs Dunwoody MP,

Re. Inquiry into European Union Competence and Transport

1. Thank you for your invitation to submit evidence to the above-mentioned inquiry being conducted by your committee. We welcome this inquiry as we believe that tackling transport issues will form one of the greatest challenges over the coming decades. We recognise also the potential role of the EU and of national authorities, both in legislative and non-legislative terms, in tackling these challenges.

2. We recognise under the Scotland Act 1998 and associated concordats that there is a role both for the UK Parliament and the Scottish Parliament in relation to the negotiation, transposition and implementation of Community legislation, including that in the transport field.

3. Your committee’s inquiry is far-reaching and we will read with interest its findings, which we hope will be disseminated widely. At this stage, however, we wish to bring two issues to the attention of your Members that we feel are intrinsic to any consideration of EU competences in the transport field. These are particularly relevant to your expressed desire to consider the inter-relationship between transport matters and the single European market, which as a creation should be designed to both result in a level playing field across the EU whilst also recognising, with appropriate safeguards, the differences in transport infrastructure, population density and geographic conditions across the EU.

Euro Vignette

4. At a recent meeting of the Scottish Parliament’s European and External Relations Committee, we discussed a document issued in the EU (EC Reference 12198/03). This referred to transit arrangements for Heavy Goods Vehicles (HGV) in Austria. One of our Members, John Home Robertson MSP (Labour, East Lothian), commented on his personal experience of continental truck journeys, which included having to pay for transit across Austria.

5. He reported that Scottish road hauliers have strong feelings about the increasing number of trucks from other EU member states carrying goods on UK roads without contributing to road costs through UK fuel taxation, because they use diesel purchased at mainland European ferry ports. He highlighted the "vignette" system, which enables Austria to charge such transit traffic for the use of Austrian roads, and in his view, there must be a powerful case for a similar arrangement to address the same problem in the UK.
6. I understand that this matter has been considered in passing by the UK Government who reported to the then House of Commons Select Committee on Environment, Transport and Regional Affairs in March 2000\(^1\) that, “An attempt was made to ensure that foreign vehicles made a contribution more or less equivalent to the VED [Vehicle Excise Duty] contribution which British based vehicles would have to make”, but that, “there are restrictions on what you can do under European law because there are vignettes across Europe and there is a maximum figure. The maximum figure is £760 a year. If you work that out that is nowhere near the top of the range VED”. During these discussions, Mr Donohoe MP suggested that this proposal would at least be a start.

7. At this stage, this Committee would support the calls by Scottish road hauliers, the Road Haulage Association and others for the UK Government to reconsider the principle of a “Brit disc” vignette type proposal, provided it helped to level the playing field between UK and European hauliers and could be set up in a way which was consistent with Community law and cost-effective to administer.

Public Service Obligations and Remote, Lifeline Air Services

8. The second issue that we wish to bring to your attention is that of Public Service Obligations (PSOs) and lifeline Scottish air routes. A study by the Highlands and Islands Strategic Transport Partnership (HITRANS) in May 2002 concluded that there is a compelling case on social and economic grounds for introducing Public Service Obligations to protect lifeline Scottish air routes.

9. This study showed that PSOs are used widely and effectively in many European countries; that they result in cheaper travel for remote communities; and that it is perfectly legal for the UK Government to approve PSOs, both to assist island and rural mainland communities and to secure slots at congested hub air centres, such as the major London airports.

10. The study found clear evidence to suggest that other EU countries have a stronger commitment to air services for remote and island communities than exists within Scotland. It identified a number of routes in Scotland - linking mainland population centres with island communities - which, if the criteria adopted by Governments in other countries were applied, would clearly be eligible for PSO status and public subsidy.

11. France is an example where political pressure applied by regional authorities to establish and sustain air services, has resulted in widespread adoption of the PSO mechanism by the French Government. Portugal, Ireland and Norway are also more active than the UK in obliging carriers to maintain very high minimum levels of frequency; use fast pressurised aircraft; and set affordable maximum fares.

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\(^1\) House of Commons, Select Committee on Environment, Transport and Regional Affairs - Minutes of Evidence, Question 644 ff, 29 March 2000
12. The Governments in France, Italy and Germany reserve slots at their capacity constrained capital city airports for internal air services to their remote regions. Paris Orly, Frankfurt, Berlin, Rome and Milan all have reserved slots. The study suggests that the case is equally strong on socio-economic grounds for reserving slots at Gatwick for the Inverness service, and is entirely in accordance with Article 9 of the EU’s regulations.

13. The study also shows that fares are higher on Scottish routes than on comparable routes in other EU countries. For example, Aberdeen to Sumburgh; Glasgow to Benbecula; Inverness to Stornoway; Inverness to Kirkwall; and Edinburgh to Wick have higher fares than comparable Norwegian, Irish French and Spanish routes, where PSOs are in place.

14. As a Committee, we would urge you to support our view that there needs to be a reconsideration of efforts to secure a greater use, over longer periods, of PSOs in Scotland to secure and protect lifeline Scottish air routes.

Yours sincerely,

Richard Lochhead MSP
Convener

9 January 2004
ANNEX C

MONTHLY REPORT ON EXTERNAL RELATIONS ACTIVITIES IN THE PARLIAMENT

Visits and events that have taken place in December 2003

Inward Visits:

Tuesday 02 December - . Presiding Officer hosted a reception with MSPs for Consuls in Scotland, members of the media and other invited guests in the MacDonald Holyrood Hotel. The reception was preceded by a tour of Holyrood.

Thursday 11 December - The Oxford University Foreign Service Programme is specifically designed to provide established and experienced diplomats in the early to middle years of their career with the opportunity to spend a year in Oxford studying their profession in its modern context. The visitors were able to gain first hand experience of how devolution works in Scotland and how the Parliament engages with the wider world.

Monday 15 December - Wednesday 17 December - . Peter Bennison, Deputy Clerk of the House & Secretary of the CPA (Tasmania) Branch visited the Scottish Parliament as part of a wider study tour to examine how the Parliament operates with a specific interest in Committees.

Wednesday 17 December- 50 Delegates from Armenia Azerbaijan and Georgia visited the Scottish Parliament as part of a 2-day summit in Edinburgh to take forward the South Caucasus Parliamentary Initiative (SCPI). The initiative is designed to bring together at parliamentary level representatives from the parliaments of Armenia, Azerbaijan and Georgia to promote peace and co-operation among them. The initiative is supported by the Foreign and Commonwealth Office, Westminster and by the Department for International Development. Each of the 3 Parliaments was represented as follows:

- Mr Tigran Torosyan, Deputy Speaker of the National Assembly of Armenia
- Mr Bahruz Gandilov MP, Head of Delegation of the Azerbaijan Milli Meclis
- Mr Vakhtang Kolbaia, Deputy Speaker of the Parliament of Georgia

Outward Visits:

Thurs 7-Fri 8 Dec- Margaret Ewing attended a meeting with the Nordic Council in Oslo as part of a BIIPB delegation.

Visits events due to take place in January 2004

Wednesday 07 January - Dr Dennis MacShane, UK Minister for Europe will appear before the Europe and External Relations Committee to discuss this year’s Inter Government Conference. (Organised by the EERC Committee team)
**Wednesday 14 January** - The Select Committee of Dutch Parliament will visit the Scottish Parliament and meet with the Education Committee to discuss education issues.

**Wednesday 14 January** – A delegation of Ukrainian officials from the Committee of Voters, Counterpart Creative Programme and the Ukrainian centre for Political Studies will visit.

**Wednesday 14 January** – A delegation from Azerbaijan will meet the Convener of the Enterprise and Culture Committee and have a tour Parliament complex and the new parliament building.

**Wednesday 28 January** – HRH Prince Turki Al Faisal, Saidi Ambassadsor will visit the Scottish Parliament as part of wider visit to Scotland. The ambasasdor will pay a courtesy call on Presiding Officer and meet with Members of the Cross Party Group On Oil And Gas.

**Friday 30 January** – The Scottish Parliament will host a one day seminar to bring together parliamentary officials from across Scandinavia to compare and discuss Committee practice in Scotland and Scandinavia.

N. B: Information about the work of the External Liaison Unit and full ELU-organised visits programme and reports of outward delegations are available on

- **SPEIR** at [http://intranet/speir/services/elu/elu.html](http://intranet/speir/services/elu/elu.html)

Further background notes on international issues are available on

- **SCAN** at [http://intranet/speir/services/scan/sub-in.htm#cm](http://intranet/speir/services/scan/sub-in.htm#cm)

**Status of outward visit reports this session:**


External Liaison Unit

January 2004
Introduction

1 One of the core scrutiny tasks that the European and External Relations Committee conducts is the analysis of information received from the Scottish Executive on meetings of the various Council of the EU formations (formerly known as the Council of Ministers).

2 Two types of information are shared with the Committee under the agreement between the previous Committee and the Executive. First, a few weeks in advance of a Council meeting, the Committee is provided with an annotated agenda of the Council. This sets out the nature of the agenda and the Executive’s views on the items in question where it has a competence. *The Executive’s views tend to be italicised so as to stand out for the reader.* Members should be aware that often the agenda is a ‘best guess’ and second, the views provided are designed not to prejudice the UK’s negotiating position whilst still providing sufficient information for Members to have an understanding of the subject.

3 Second, following the meeting of the Council, within a few weeks, the Executive provides the Committee with a post-Council report, detailing attendance and the discussions that took place.

4 These two types of information give rise to the shorthand terminology of ‘pre- and post-Council scrutiny’ for this particular task of the Committee. In scrutinising the material, the Committee has a range of options:

- note the material having placed it into the public domain for others to use
- ask for more written information from the Executive
- invite the relevant minister to attend the next committee meeting for further discussions

5 The nature of the scrutiny to be undertaken by Members should be focusing on two distinct areas. As a first priority, the Committee should aim to focus on the Council agenda items that make reference to early,
formative discussions (e.g. on Green Papers, White Papers, Commission Communications, orientation debates etc.) in the Council. This is an indication that the decision-making process for these agenda items in the Council is at an early stage. It is here that the Committee might best influence the minister’s thinking early on.

6 As a second priority, to be used perhaps only occasionally, the Committee may choose to focus upon agenda items nearing final decisions. The December Fisheries Council is a good example of this. It is here that the Committee may wish to have a final engagement with a minister prior to critical decisions being taken. It must be recognised that with QMV, it is not always a simply case of the UK delegation objecting to a final proposal that can prevent decisions being taken.

7 In a new development for session two of the Parliament, the relevant sectoral information is being sent directly by the relevant minister to other subject committees. This means, for example, that in addition to this Committee receiving fisheries information, the Environment and Rural Development Committee is simultaneously in receipt of the same information.

8 What this means for this Committee is that any further dialogue with the Executive is best done in co-ordination and co-operation with the dialogue that another committee may choose to undertake. Members should note that such as system does not preclude the European and External Relations Committee from engaging with all the material and information received. On occasions, it may be that an issue is pressing, but a subject committee has no time in which to deal with it and therefore this Committee may tackle the issue. This system requires good communication between conveners and between clerks, and close co-operation between the clerks and officials in the Executive.

This paper

9 Based on experience from session one of the Parliament, these papers are best sub-divided into two sections. Annex A contains a summary table, with the Convener’s recommendation(s) for each Council agenda/report. Annex B contains the full information provided by the Executive for each of the Councils being considered at today’s meeting.

Action requested

10 Members are requested to consider the recommendations set out in the table in Annex A in light of the information provided by the Executive, set out in Annex B.

Richard Lochhead MSP
Convener
Tel: 0131 348 5234
Email: europe@scottish.parliament.uk
## ANNEX A

### SUMMARY TABLE OF CONVENER’S RECOMMENDATIONS

<table>
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<tr>
<th>Council</th>
<th>Did Executive meet deadline for sending information?</th>
<th>Notes and recommendation</th>
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</thead>
<tbody>
<tr>
<td><strong>Pre-Council scrutiny</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture and Fisheries Council, 26-27 January 2004 (1)</td>
<td>Yes</td>
<td>To note the information provided and to ask the Department to ensure in its post-Council report that it provides more detail on the areas of the agreement reached at the December Council that it considered needed to be clarified, why and what the resulting discussions at this January Council agreed to. Furthermore, in relation to the animal welfare legislation, to ask for more detail the Executive’s plans to ensure the more remote parts of Scotland are not unduly disadvantaged by the Commission’s proposals and what the Council discussed and agreed to.</td>
</tr>
<tr>
<td><strong>Post-Council scrutiny</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment, Social Policy, Health and Consumer Affairs Council, 1-2 December 2003</td>
<td>Yes</td>
<td>To welcome the comprehensive and useful information supplied by the Department.</td>
</tr>
<tr>
<td>Transport Council, 5 December 2003</td>
<td>Yes</td>
<td>To welcome the information supplied, note that eventual discussions on the location of the European Maritime Safety Agency resulted in an agreement to locate this in Lisbon and ask the Executive to liaise with the UK Cabinet Office and supply details to the Committee of new EU agencies whose locations have not yet been agreed to.</td>
</tr>
<tr>
<td>General Affairs and External Relations Council, 8-9 December 2003</td>
<td>Yes</td>
<td>To welcome the information provided and note in particular that the Council discussed the long term strategic policy agenda and work programme of EU covering the Irish and Dutch Presidency and also the programme for 2004-2006. The Committee may wish to ask the Executive for an analysis of the implications to Scotland of both these Council documents as they provide a longer term analysis of the EU agenda beyond the current Presidency.</td>
</tr>
<tr>
<td>Energy Council, 15 December 2003</td>
<td>Yes</td>
<td>To welcome the information supplied.</td>
</tr>
</tbody>
</table>

(1) This Council may have been cancelled. The clerks will confirm.
ANNEX B

ANNOTATED AGENDAS/REPORTS

Agriculture and Fisheries Council, 26-27 January 2004 (if it goes ahead)

NB – The agenda for this Council is not yet available. The following has been prepared on the basis of what we consider might feature on the agenda.

This looks to be potentially a light agenda for both agriculture and fisheries items but at the time of preparation of this note there has been no indication from the Irish Presidency as to what their priorities might be for the coming six months.

Fisheries

Discussion on TACs and Quotas for 2004. The Commission will bring forward regulations allocating TACs and Quotas to Member States for discussion and adoption. This will be an opportunity to clarify any confusion remaining over the agreement reached at the December Council.

Agriculture

Continuing discussion on Commission proposals to improve the welfare of animals during transport carried forward from December Council.

The Executive supports high standards of animal welfare in all circumstances but is keen to ensure that producers in the more remote parts of Scotland are not unduly disadvantaged by the Commission’s proposals. Will continue to seek an agreement which both protects animal welfare and assists commercial operations.

Continuing further discussion on reform of the CAP regimes applying to tobacco, olive oil and cotton.

No Scottish producer interests but wider interest in seeing the June 2003 CAP Reform principles applied to these commodities, health issues re tobacco and manufacturing input costs.

Summary

Broad support for Employment Taskforce report and the need for effective follow up. Council reaches partial political agreement on the substance of a new Regulation on social security co-ordination. Orientation debate held on a Regulation for Administrative Co-operation in Consumer Protection laws. Health Council adopts separate Conclusions on healthy lifestyles and medical devices; a Resolution on pharmaceuticals and public health; a Recommendation on cancer screening; a Decision authorising the Commission to open negotiations on the revision of the WHO International Health Regulations; and a general approach on the European Centre for Prevention and control. Lunch time discussions on the tissues and cells Directive, herbal medicines and the pharmaceuticals review.

EMPLOYMENT & SOCIAL POLICY

Employment Taskforce and Growth Initiative

Following a presentation by Wim Kok (chairman of the Taskforce) Ministers discussed the report and the Growth Initiative over lunch. It was welcomed by all Ministers with the exception of one. In discussion a number of Ministers referred to the tension between flexibility and security.

Social Security Co-ordination

Council unanimously reached a partial agreement on the articles of a new Regulation to replace Reg. 1408/71 which co-ordinates social security systems for people moving from one Member State to another. Council invited Perm. Reps. Committee to continue work on the Annexes with a view to reaching full political agreement on the draft Regulation before the end of the year.

Immigration, Integration and Employment

Council adopted Conclusions on Immigration, Integration and Employment, stressing the importance of regular debate on such themes and that the work should be coordinated with work in the field of Justice and Home Affairs.

Structural Indicators

Council took note of opinions of the Employment Committee and Social Protection Committee on the structural indicators and invited the General Affairs and External relations Council to find a solution on the basis of the draft Conclusions which were submitted to the ECOFIN Council, while noting the issues raised by the Environment Council.
Social Protection Committee

Council reached agreement on a general approach with a view to establishing the future Social Protection Committee.

Other Social Affairs

Council adopted conclusions on Disability (the follow up to the European Year of People with Disabilities) and Gender Equality concerning female representation in decision-making processes in the public and private sectors (follow-up to the UN’s Beijing Platform for Action 1995).

CONSUMER AFFAIRS

Consumer Protection Cooperation

Council held a policy debate on the proposed Regulation on cooperation between national enforcement authorities, the Office of Fair Trading and their counterparts, responsible for enforcement of consumer protection laws. Several delegations expressed concerns about potential interference between national judiciary systems and the European network as proposed by the Commission. Commissioner Byrne noted the comments and concerns of the delegations and stressed that the current proposal would create a dynamic economic climate by restoring consumer confidence.

The following were all adopted without comment: Council Resolution on the Safety of Services; Presidency Conclusions on the Ministerial Informal on Consumer Policies held (20-21 Nov.); Commission Report on the implementation of the Consumer Policy Strategy 2002-06.

HEALTH

European Centre for Disease Prevention and Control

The proposal aims at creating a European Centre, able to provide a structured and systematic approach to the control of communicable diseases and other serious health threats, which affect European Union citizens. Council held an extensive debate on the proposal and reached a common general approach on the main content of the proposal. The Presidency took note of the general agreement of delegations regarding the need for such a centre and concluded that the issues of data protection and funding would be further examined but the text of document 15025/03 was agreed in general. Council agreed that the mission and tasks of the Centre would be limited to communicable diseases and health threats whose origins are as yet unknown, and that the need for a possible extension would have to be envisaged in the context of a later review.

Cancer Screening

Council adopted a Recommendation on cancer screening (15026/03) without change. It calls on Member States to implement effective screening programmes for breast, colon and cervical cancer and outlines best practice guidelines in early detection.
**Healthy Lifestyles**

Council adopted “Conclusions on Healthy lifestyles: education, information and communication”. The content of the conclusions is in line with the overall approach of the Public Health Action Programme for 2003-2008.

**International Health Regulations**

Council approved an initial mandate to allow the Commission to negotiate the revision of the WHO International Health Regulations. The Decision was adopted without debate.

**Public Health and Pharmaceuticals**

Council adopted the Resolution without change. The key issues in the Resolution are information to patients, relative effectiveness, promotion of scientific and technological research on medicines, an EU system of data on medicines marketed in the EU and the balance between industrial and public health policies in the field of pharmaceuticals.

**Medical Devices**

Conclusions adopted. The Commission welcomed the conclusions stating they show consensus on the fact that the current legal framework is appropriate.

The Council noted other AOB items without comment.

Summary

Alistair Darling, Secretary of State for Transport represented the UK interest. The Council reached agreement on maritime security, the transfer of ships between registers, Trans-European Transport Networks, the allocation of air slots, and the interoperability of electronic road toll systems.

Maritime Transport

European Maritime Safety Agency

The Council agreed a general approach concerning the proposal for a Regulation aimed at providing the European Maritime Safety Agency with new tasks in the field of maritime security.

Transfer of Ships Register

The Council agreed unanimously on a general approach concerning the proposal for a Regulation on the transfer of cargo and passenger ships between registers within the Community.

Trans-European Transport Networks

The Council reached political agreement on the common position on the draft Decision amending the guidelines for the Trans-European Transport Networks, adapting them to the dimensions of an enlarged European Union. The agreement includes the following main points:

- The concept of ‘motorways of the sea’ aimed at concentrating freight transport on sea-based logistic routes and the creation of maritime lines for the transport of goods; and
- The introduction of the concept of ‘projects of European interest’ which provides priority treatment as far as financing and authorisation procedures are concerned.

Aviation

Allocation of Slots at Community Airports

The Council reached political agreement (with the abstention of the Belgian delegation) on the proposal for a Regulation amending common rules for the allocation of slots at Community airports. The text agreed is intended to be a technical update of the present Regulation, seeking to clarify the application of the existing regime on a number of points, including the independent status of coordinators and the functioning of slot allocation procedures.
**Land Transport**

*Electronic Road Toll Systems*

The Council agreed on a general approach on the proposal for a Directive aimed at ensuring interoperability among the various systems of electronic toll collection operating in the EU Member States.

*Road Charging Infrastructure*

The Council agreed that quick progress was needed towards the establishment of a new and updated Community-wide framework for infrastructure charging.

*Weekend Bans*

The Council were unable to reach political agreement on the proposal for a Directive establishing a transparent system of harmonised rules for restrictions on heavy goods vehicles involved in international transport on the Trans-European road network. The issue will be discussed again at a later stage.
Post-Council Report – General Affairs and External Relations Council, 8-9 December 2003

The Foreign Secretary and Dr MacShane, Minister for Europe, represented the UK at the General Affairs and External Relations Council (GAERC) in Brussels on 8-9 December 2003. Conclusions were agreed on the Western Balkans; non-proliferation of WMD; Iran; the Presidency Report on ESDP; Iraq; Georgia; and Terrorism; Rwanda; ; Sanctions Guidelines and EU-UN relations. This GAERC was split over two days and included an EU-Western Balkans Ministerial forum on Tuesday (which Dr MacShane attended).

GENERAL AFFAIRS SESSION

PROGRESS OF WORK IN OTHER COUNCIL CONFIGURATIONS

The Presidency gave a standard progress report on work in other Councils: Transport, Telecommunications and Energy; Justice and Home Affairs; ECOFIN. There was no discussion.

PREPARATION OF EUROPEAN COUNCIL (BRUSSELS, 12-13 December)

The Council approved the Presidency’s annotated draft agenda for the 12-13 December European Council. The main issues are:

- Economic Growth
- Strengthening the EU’s area of freedom, security and justice
- EU enlargement
- Cyprus
- External Relations, Common Foreign and Security Policy and European Security and Defence Policy.

OPERATIONAL PROGRAMME OF COUNCIL ACTIVITIES FOR 2004

The Council took note of the presentation by the future Irish and Dutch Presidencies (who will both take office in 2004) on a joint operational programme for organisation of the Council’s work for next year. This programme is helpful, ensuring coherence between the two Presidencies.

MULTIANNUAL STRATEGIC PROGRAMME FOR 2004-2006

The GAERC examined a draft of this programme, which has been drawn up by all presidencies taking office in the next three years (Ireland, Netherlands, Luxembourg, United Kingdom, Austria and Finland). The GAERC agreed to submit the programme to the European Council for approval.

The first programme of its kind, this is intended to steer the Council’s work by setting up a controlled timeframe for implementing commonly agreed priorities. The programme covers three main areas of activity: evolving the constitutional, geographical and financial shape of the European Union; policy modernisation and development; and engaging the EU in the wider world. The Government welcomes it as a means to ensure coherence and consistency between Presidency and help the EU achieve its longer term goals.

EXTERNAL RELATIONS SESSION

This section refers to reserved issues.
IRAN

The Council discussed developments in the Iranian nuclear programme (chiefly the International Atomic Energy Agency Board resolution of November 26) and EU-Iran relations. This included mandating Solana to visit in the New Year and a commitment for the GAERC to review progress in all areas of concern in light of his visit and El-Baradei’s (Director General of IAEA) February report. Conclusions were adopted.

GEORGIA

This was added to the agenda in the light of the result the recent elections and their aftermath. Conclusions were adopted that expressed support for the interim leadership and called for calm from all parties in the region. The Council also declared its readiness to help Georgia in its present difficult situation.

WESTERN BALKANS

High Representative Solana and Commissioner Patten gave their customary read-out of events in the region. This was followed by the adoption of Conclusions on Bosnia and Herzegovina (Commission report into the country’s readiness to negotiate a Stabilisation and Association Agreement [SAA] with the EU) and Croatia (welcoming recent parliamentary elections and restating the necessity of full co-operation with ICTY). There were also Conclusions on Albania; Serbia and Montenegro; Kosovo; and Macedonia.

The first meeting of Foreign Ministers of the EU-Balkans forum was held on Tuesday 9 December. The Thessaloniki European Council committed the EU to holding regular meetings with the Western Balkan countries at ministerial level. The candidate countries and EU Special Representatives in the region were also invited. Dr MacShane, Minister for Europe represented the UK.

MIDDLE EAST PEACE PROCESS

The Council debated the situation in the Middle East in light of ongoing developments. This included a discussion on the meeting of major international donors to the Palestinians, known as the Ad-Hoc Liaison Committee (AHLC), which would take place immediately after the GAERC in Rome on 10 December. There was also mention of the Geneva Initiative, launched on 1 December. Partners thought that the ‘Geneva effect’ had contributed to a more optimistic atmosphere in recent weeks.

IRAQ

There was a short discussion on the security situation and the importance of implementing Madrid Donor Conference pledges quickly and effectively. Short Council Conclusions were adopted expressing condolences to the families of the Spanish victims killed in the recent terrorist attacks in Iraq.

EUROPEAN SECURITY STRATEGY

The Council endorsed the European Security Strategy contained in the paper “A Secure Europe in a Better World”. It forwarded the strategy to the European Council for adoption. But there was no substantive debate.

NON-PROLIFERATION OF WMD

Partners described the WMD Strategy paper as an important first step towards European Security Strategy implementation. Conclusions were adopted which welcomed the fact that the strategy paper
incorporates (and bases itself on) the Basic Principles adopted by the European Council at Thessaloniki.

The strategy was forwarded to the European Council for endorsement.

PRESIDENCY REPORT ON ESDP

The Council noted the Italian Presidency Report on ESDP without discussion and forwarded it to the European Council.

AOB: SRI LANKA

Commissioner Patten gave a report of his recent visit to Sri Lanka, where he saw all the major political actors. This was a useful reaffirmation of EU commitment to the Sri Lankan political process.

Summary

1. Anne Lambert, Deputy Permanent Representative, represented the UK interest. The proposed directive on energy efficiency standards for energy using products was generally welcomed by member states, although concerns over costs to industry were raised. General approach agreed on the text of a directive on gas security of supply. Council conclusions regarding energy in a wider Europe were adopted.

Eco-design requirements for energy-using products

2. A proposal for common EU energy efficiency standards for Energy Using Products was introduced by the Presidency. The Commission rejected the suggestion of a priority product list, the Member States welcomed this and detailed product selection was left to a Regulatory Committee. The UK suggested that a consultation strategy should be developed by the Commission to identify the product categories to be covered by the directive. The Member States expressed concerns over the directive’s impact on competitiveness and the adverse impact on SMEs. The Commission and all Member States supported Article 95 EC as the legal base for the directive.

Gas Security Of Supply Directive

3. The Presidency proposed a directive setting minimum European security of supply standards. The directive requires Member States to publish transparent national security of supply policies which are compatible with the internal market. It outlines a step-by-step approach to dealing with major supply disruptions, and establishes a Gas Coordination Group. Reporting and monitoring requirements are also detailed by the directive. A general approach was agreed with Article 100 EC as the Treaty base.

Energy In A Wider Europe

4. Council conclusions on Energy in a wider Europe were adopted. The Council concluded that an integrated European internal market for electricity and gas should be created to enhance security of supply and competitiveness in the European Union. The Council also expressed the need for further harmonisation of rules and technical standards within the Member States.
Sift of EC/EU legislative proposals and other documents

Background
This document contains the list of EC/EU documents received by the European and External Relations Committee for this meeting, classified according to which committee(s) the particular document is most relevant too. The document is sent by the European and External Relations Committee to each of the Scottish Parliament’s committees for their attention.

Table of Contents

Note
As a new feature, this list of recent legislative proposals and developments in the EU contains a preface to the Committee Relevancy lists. This preface highlights certain documents considered of ‘Special Importance’ by the European and External Relations Committee, along with a short explanatory note of why they have been highlighted as such.

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<td>Local Government and Transport</td>
<td>6</td>
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<td>Other</td>
<td>7-10</td>
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## Documents of Special Importance

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<tr>
<th>Subject Committee</th>
<th>SP Ref</th>
<th>EU Ref</th>
<th>Document Title</th>
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<tr>
<td>Environment and Rural Development</td>
<td>657</td>
<td>COM (2003) 782 final</td>
<td>Communication from the Commission to the Council and the European Parliament – Reports from Member States on behaviours which seriously infringed the rules of the Common Fisheries Policy in 2002</td>
<td>May be of interest to this Committee and worth noting. The document outlines all reported serious infringements of the CFP on a Member State by Member State basis. The report also includes detailed data and a conclusion. Explanatory Memoranda to follow</td>
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<td>European and External Relations Committee</td>
<td>659</td>
<td>COM (2003) 770 final</td>
<td>Report from the Commission “Better Lawmaking 2003” pursuant to Article 9 of the Protocol on the application of the principles of subsidiarity and proportionality (11th report)</td>
<td>Of interest to this Committee, with its monitoring of subsidiarity and proportionality, and the proposed “early warning mechanism” outlined in the draft Constitution. Document focuses on the application of the principles of subsidiarity and proportionality. It offers an overview of the legal and institutional framework and provides an assessment</td>
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of how the Commission applies these principles in executing its right of initiative, and how the European Parliament and the Council apply them when amending proposals. Document also focuses on the improved regulation, and in particular the quality and accessibility of Union legislation. Explanatory Memorandum to follow
Sift of EC/EU legislative proposals and other documents

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<td>Proposal for amending the financial reference amount - within the meaning of the interinstitutional agreement of 6 May 1999, Article 24(3) - of the sixth framework programme of the European atomic energy community (euratom), in order to take account of enlargement</td>
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<td>Relations with Ukraine: - Council Report to the European Council on the implementation of the Common Strategy of the European Union on Ukraine - Extension of the Common Strategy</td>
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<td>Amending letter No 3 to the preliminary draft budget for 2004 - Volume I General Statement of Revenue - Statement of Revenue and Expenditure by Section: Section I - Parliament; Section II - Council; Section III - Commission; Section IV - Court of Justice; Section V - Court of Auditors; Section VI - Economic and Social Committee; Section VII - Committee of the Regions; Section VIII - Part A - European Ombudsman; Section VIII - Part A - Ombudsman; Section VIII - Part B - European Data-protection Supervisor</td>
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14 January 2004