EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

AGENDA

7th Meeting, 2003 (Session 2)

Tuesday 18 November 2003

The Committee will meet at 2.00 pm in Committee Room 3.


2. Repatriation of European Regional Development Funding Inquiry: The Committee will review the written evidence received to date and discuss an initial schedule of witnesses.

3. Promotion of Scotland Worldwide Inquiry: The Committee will review the written evidence received to date.

4. 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**
   
   Competitiveness Council, 27 November  
   Justice and Home Affairs Council, 27-28 November  
   Employment, Social Policy, Health and Consumer Affairs Council, 1-2 December  
   Transport, Telecommunications and Energy Council, 4-5 December  
   General Affairs and External Relations Council, 8-9 December

   **Previous Councils**

   Agriculture and Fisheries Council, 29-30 September  
   Agriculture and Fisheries Council, 13-14 October  
   Employment, Social Policy, Health and Consumer Affairs Council, 20 October  
   Environment Council, 27 October
and discuss the correspondence received from the Scottish Executive in response to previous queries.

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

   Monthly report by the Clerk/Chief Executive and External Liaison Unit on the Parliament’s external relations activities.
   Situation as regards expenditure of European Structural Funds in Scotland ('N+2' arrangements)
   Publication of the European Commission’s legislative and non-legislative work programme for 2004
   Letter from the Scottish Executive on the involvement of Scottish ministers on trade and cultural missions
   Scottish Executive’s role as chair of the Conference of Presidents of Regions with Legislative Powers (REGLEG) group

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.

   **Stephen Imrie**
   Clerk to the Committee
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The following papers are attached for this meeting:

**Agenda Item 1**

BRIEFING PAPER: “Options for the consideration of the use of postal voting for the European Parliament elections, June 2004”

**EU/S2/03/7/1**

**Agenda Item 2**

BRIEFING PAPER: “Regional development Inquiry - written evidence received and proposed schedule of witnesses”

**EU/S2/03/7/2**

**Agenda Item 3**

BRIEFING PAPER: “Promotion of Scotland Inquiry – written evidence received to date”

**EU/S2/03/7/3**

**Agenda Item 4**

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

**EU/S2/03/7/4**

BRIEFING PAPER: “Correspondence received from Scottish Executive on pre- and post-Council scrutiny conducted on 7 October”

**EU/S2/03/7/5**

**Agenda Item 5**

Convener’s Report, including:
- Monthly report by the Clerk/Chief Executive and External Liaison Unit on the Parliament’s external relations activities
- Correspondence with the Scottish Executive on the expenditure of European structural funds (‘N+2’)
- European Commission’s work programme for 2004, including copy of the work programme
- Letter from the Scottish Executive on the involvement of Scottish ministers on trade and cultural missions
- Scottish Executive’s role as chair of the Conference of Presidents of Regions with Legislative Powers (REGLEG) group

**EU/S2/03/7/6**

**Agenda Item 6**

Sift of EC/EU documents and draft legislative proposals

**EU/S2/03/7/7**
EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

BRIEFING PAPER

“Options for the consideration of the use of postal voting for the European Parliament elections, June 2004”

Introduction

1 At its previous meeting, the Committee took evidence from a cross party selection of Scotland’s MEPs and from representatives of the Electoral Commission. Three issues were discussed. First, the number of MEPs for Scotland from June 2004. Second, the availability of finance to increase awareness of the election. Third, the issue of whether Scotland should be proposed as one of the three pilot regions for all postal voting in June 2004.

2 This paper covers the last of these issues, postal voting. It is worth recalling that on the first of these (MEP numbers), the Committee has written to Lord Falconer urging him to reconsider the recommendation made by the Electoral Commission (that Scotland should reduce its share of MEPs from seven to eight) and to retain Scotland’s current allocation of MEPs. No reply has yet been received.

Discussion

3 The evidence taken and the discussion at the previous meeting was mixed. Some submissions were in favour of the use of Scotland as a pilot region and confident that concerns, such as potential fraud, personification, management of voting, could all be overcome. Other submissions took a contrary view and were not in favour of going ahead.

4 A substantially verbatim report of the discussion can be found at:

http://www.scottish.parliament.uk/european/or/eu03-0601.htm

Whilst the written evidence received can be found as part of the Committee’s papers for this meeting at:

http://www.scottish.parliament.uk/european/papers/eup03-06.pdf
5 The key issues the Committee must consider can be summarised as follows:

- Prevention of fraud – personification, houses of multiple occupation etc
- Confidentiality of voting
- Impact on campaigns and campaigning
- Ability of the Royal Mail to facilitate voting and deliver campaigning material
- Costs of piloting Scotland as all-postal voting region
- The use of all-postal voting in only 3 of the electoral regions
- Possible impact of exit polling, tele-canvasing etc on influencing outcome elsewhere in the UK
- Number of delivery points in remote areas for late voting
- Ability to bring forward to tight timetable the necessary Regulations

6 The Electoral Commission will be considering this issue over the coming days and making a recommendation to Lord Falconer, Secretary of State for Constitutional Affairs, by the end of November. It is expected that a decision will follow shortly afterwards. Outwith the UK Government, other parliamentary committees at Westminster are also taking an interest in this area.

Options for the Committee

7 There are a variety of options open to the Committee in relation as to whether to comment on the possible selection of Scotland as a pilot electoral region for all postal voting in the next European Parliament elections. These are:

- Option 1: “do noting” – make no further comment
- Option 2: “discuss and agree” – discuss the evidence received at the previous meeting and seek consensus and agreement on certain issues. Where necessary, if there is no consensus on other issues, agree (perhaps by division) on a final simple recommendation in favour or against the choice of Scotland as an electoral region for postal voting
- Option 3: “consensus” - discuss the evidence received at the previous meeting and seek agreement in the Committee as to the consensus on the key issue, but do not vote on where there is no consensus. Note, this may lead to a situation where no firm view on the key issue is reached.

Recommendation

8 The Convener recommends that option 2 be chosen.
EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

BRIEFING PAPER

“Regional development Inquiry - written evidence received and proposed schedule of witnesses”

Introduction

1. As one of its first inquiries, the new Committee chose to look at the implications of the UK Government’s proposed new framework for regional development and the EU’s structural funds. This was a subject looked at briefly by the previous committee at the end of the first parliamentary session.

2. Annex A sets out the written evidence received to date for this Inquiry from this and the previous call for evidence. It is important also to note that some organisations have requested a short extension to the deadline for submission. The Clerk has indicated that this is possible.

3. The following is a list of those organisations and individuals whose evidence is contained herein.

Table of Contents in Annex A

- Clackmannanshire Council
- Convention of Scottish Local Authorities (CoSLA)
- East Lothian Council
- Edinburgh Council
- East of Scotland European Consortium
- Falkirk Council
- Fife Council
- Glasgow Council
- Professor Michael Keating
- North Ayrshire Council
- Scottish Council for Development and Industry (SCDI)
- Scottish Natural Heritage
- Shetland Islands Council
- South of Scotland Alliance
- West of Scotland Colleges’ Partnership
- West of Scotland European Consortium
Finally, it is also important to note that the Deputy First Minister, in whose portfolio the issue of European Structural Funds lies, has agreed to the Committee’s invitation to give oral evidence. This is being set up for early January 2004. It is hoped that the Committee’s invitation to a UK Minister to do likewise will also be accepted, although no confirmation is yet in place.

Initial schedule of witnesses

In light of the written evidence received, it is suggested that the following be the initial schedule of witnesses called forward to give evidence to the Committee. Members should note that the timetable for this Inquiry is to aim for completion and agreement of a short, final report by the end of January 2004.

December (2 meetings, but likely to take all these witnesses on 16/12/03 if possible)

- Professor John Bachtler
- Professor Michael Keating
- Graham Meadows, Acting Director General, DG Regio, European Commission
- Panel – Clackmannanshire Council, Glasgow Council, Shetland Islands Council

January (2 meetings, the second of which should be used to consider a draft report)

- Deputy First Minister, Scottish Executive
- UK Minister (most probably from the Department of Trade and Industry)

Recommendation

The Convener recommends Members consider the written evidence received to date, agree to the initial schedule of witnesses outlined above and task the Convener and Clerk with making the necessary arrangements. Furthermore, Members are asked to consider whether they would benefit from any further briefing from SPICe or another appropriate expert, prior to the oral evidence sessions (e.g. a private lunchtime seminar).

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1.0 INTRODUCTION

1.1. Clackmannanshire Council is the smallest local authority on the mainland of Scotland, with a population of around 49,000 people. It is situated on the North of the River Forth almost equidistant between Edinburgh and Glasgow and close to the new city of Stirling. Historically, the economy of Clackmannanshire was dependant on traditional industries; coal mining, brewing and textiles dominated the employment opportunities and, consequently, the area has suffered extremely badly in recent years from the decline in these sectors and employment in the manufacturing sector has declined by 20% since 1995. Amongst the most significant closures are that of the last deep-mine in Scotland, Longannet Colliery (about 5 miles from the county town of Alloa), closed in 2002 with the loss of 60 jobs to Clackmannanshire, Carlsberg Tetley’s Alloa Brewery which now provides the largest brownfield site in the area and Paton’s Kilncraigs Mill complex which once housed the world headquarters of the company.

1.2. Given this decline in the traditional sectors and the consequent deprivation associated with unemployment and lack of opportunity, Clackmannanshire easily qualified for Objective 2 status in the current structural fund programming period, with 11 out of 12 wards being fully eligible and the remaining ward being in transition. Partners in local economic development throughout the area have grasped the opportunity afforded by the structural funds and, since the current programme period began, the Council alone has been awarded more than £6.0m in support.

1.3. Projects supported by the structural funds have help to ease the transition from a traditional economic base to a vibrant new one and partners in the area value the support which has been given to assist with this process. However, with unemployment rates still above the national average and the area being consistently within the worst 10 unemployment blackspots in Scotland, there is still much to be done to complete the transformation.

1.4. It is within this context that Clackmannanshire Council welcomes the Consultation on “A Modern Regional Policy for the United Kingdom” currently being undertaken by the Department for Trade and Industry, H.M. Treasury and the Office of The Deputy Prime Minister. The current structural fund programmes close in less than 4 years hence and partners in economic development activities must now be making strategic decisions regarding policy and project implementation in the succeeding period. This Consultation is an important element of that decision-making process inasmuch as it formally opens the debate on the future of the structural funds within the UK. It is, of course, the conclusion of that debate which will ultimately determine how regional policy is implemented in future years and it is important that all options are examined within it.

1.5. It is important to note that the Council considers the title of the Consultation Document to be misleading as it does not describe a future regional policy for the UK as is implied. Indeed, policy itself plays a relatively minor role within the proposals for which views are sought. Instead, the document focuses upon the future of regional policy funding. Nevertheless, this clearly is an important aspect of policy delivery and, with certain criticism being levelled against the bureaucracy associated with the current funding regime, the Consultation allows alternative approaches to be considered. As will be seen, the Council does not wholly agree with the proposals contained in the Consultation Document but it accepts that they have been made with a view to ensure best value is obtained from all regional policy and, as such, the opportunity to comment upon them is welcomed.

2.0 A MODERN REGIONAL POLICY FOR THE UK

2.1. The key proposals for the future of regional policy have to set against a series of objectives contained in paras 4.3 – 4.5 of the document. These:
- Aim to support and add-value to the UK’s existing approach
- Distribute resources more effectively within a simplified implementation regime
- Support the Lisbon agenda of higher employment and growth, greater investment, open markets, protecting the environment and the promotion of sustainable development.
- Concentrate EU support on the less prosperous States

2.2. Clackmannanshire Council agrees that the current review of regional policy should seek to meet these objectives. The first two objectives aim to ensure that regional policy is both efficient and effective and suggest that future policy will draw upon the successes and failures of the existing system; any strategic review should, of course, aim to build on existing best practice and develop new approaches where deemed necessary. Future UK regional policy must also reflect the Lisbon agenda and, with the imminent entry of the new, and less-prosperous, Member States, it is also appreciated that the next rounds of EU funding will be concentrated towards the East. Whilst this will inevitably impact upon the UK in the short run, the Council recognises the longer term benefits to the European economy that will arise as the new Members develop.

2.3. The Council also recognises that the proposals made in the Consultation Document are, in part, seeking to ensure that expected redistribution of the structural funds in favour of the new Member States is offset to some extent in order to protect those areas currently in receipt of support. This objective is welcomed, particularly as Clackmannanshire will undoubtedly suffer from the statistical effect whereby most areas which satisfy existing criteria (defined with reference to the EU 15 average) would fail to satisfy the same qualifying criteria when applied to 25 Member States. As indicated in para 4.6 of the Consultation, the proposals aim to achieve a fair deal for the UK in budgetary terms and to ensure that the overall EU Structural Funds budget achieves maximum value for money. However, the Council is not convinced that the proposals will achieve these objectives.

2.4. To meet these aims, the Government argues that Member States which have the necessary institutional structures and financial strength to pursue their own regional policy, they should be able to do so. (para 4.8) These Member States, defined as those with greater than 90% of the average GNP per capita at purchasing power parity, would fund regional policy domestically (para 4.13).

2.5. Whilst Clackmannanshire Council agrees with the aims and objectives lying behind the DTI proposals, it is less convinced about the proposed Member State funding of regional policy. Unless far more tightly defined, the current DTI proposals could have a far more wide-reaching impact on the delivery of a cohesive European employment policy than may appear at first.

2.6. For common policy frameworks – such as employment or competition - to be implemented effectively, it is necessary for control to lie with the highest strategic level. The Council is concerned at the apparent break between common European policy and its implementation which would occur if the proposal for renationalisation was accepted. Without financial direction from the European Commission and the possibility of sanctions should Member State policy deviate from agreed priorities of common policies, renationalisation will pose a threat to the successful delivery of such policies. Consequently, Clackmannanshire Council believes that it is inappropriate for the funding of regional policy to be returned to the Member State in the way proposed by the DTI.

2.7. The DTI paper suggests that renationalisation would also reduce the level of bureaucracy associated with the current funding regime. Although the Council would welcome any action which reduces the burden of administrative and management costs projects, it points out that existing processes were not developed by the European Commission alone, but in conjunction with the Implementing Authorities. In Scotland, for example, a new, and greatly simplified, application and claims procedure is being implemented over the course of this summer, demonstrating how implementing authorities can simplify the administration of these processes within the current funding regimes.

2.8. Recognition of the strengths of the existing Structural Funds mechanism is made by the Government (para 4.20). The Council agrees that the partnership approach to delivery, the badging of supported projects and the seven-year funding period are keys to the success of the structural fund regime and welcomes any initiative to retain these features in the post-2006 period. However, the Council disputes the Consultative Document’s claim that funding from the domestic budget could be guaranteed for a similar length of time, particularly as the UK government could change during the period (with at least one General Election being held). The Council expects that new Governments and Executives would
wish to reconsider the budget proposals of the previous administrations under a renationalised funding regime. Taken together, this may lead to policy based on political criteria rather than economic need, with consequent uncertainty in programmes. This, in turn, can lead to a focus on short-term gains rather than long-term sustainability and undoubtedly will introduce pressures on local partnerships.

These difficulties are recognised to some extent in para 4.17 of the Consultation Document. Whilst it is claimed in para 4.16 that the UK government would increase spending on regional policy to ensure that the nations and regions would not lose out from structural fund reform, the succeeding paragraph clearly acknowledges that the devolved authorities have the ability the decide upon their own spending priorities and an increase in spending on regional policy within the Westminster budget would not necessarily be reflected within the expenditure on regional initiatives by the Scottish Executive.

Having been closely involved in the preparation of a Block Notification seeking approval for local authority support in property development on behalf of Scottish local authorities, Clackmannanshire Council is well aware of the complexities of competition law and state aids and it therefore supports the DTI call to simplify state aid procedures. However, such simplification should not impact upon the operation of the common market but merely improve the notification process by extending the concept of the block exemption.

State aid rules aim to ensure that individual companies are not disadvantaged - and the market distorted - as a consequence of public sector support to other businesses. Relating the principle of competition and equity to regional funding leads the Council to conclude that the proposal to renationalise regional development funding as currently constructed could distort the market throughout the EU, contrary to these general principles. Concern exists over the adoption of a threshold level of GNP to determine which Member States would retain full control of regional policy as it ignores the distribution of wealth throughout Member States and consequently could result in regions with similar economic profiles being treated differently throughout Member States (or even within them).

Under current arrangements, funding allocations are determined through commonly applied EU criteria based, thereby ensuring that regions with similar economic problems are given equal levels of per capita support. The proposals contained within the Consultation Document provide no such guarantee of equitable treatment thereby potential affecting the competitive position of otherwise similar regions throughout the EU. Furthermore, where Member States have devolved structures of Government with an economic development competence – such as in the UK – there is no guarantee that similarly disadvantaged areas within the Member State would be treated equally.

Leading on from this argument is a concern that renationalisation of policy could result in a “regional aid race” between the richer Member States unless it was clearly limited by competition rules. Rather than achieving the aim of creating a more effective and efficient system, this could result in the opposite, with greater levels of deadweight contrary to the aim of introducing a more efficient policy mechanism. The Council believes that this emphasises the need to have more centralised control over regional policy funding.

Centralised control does not, of course, imply centralised implementation. As previously indicated, the Council welcomes the Consultation Document’s acknowledgement of the strength of partnership working in the delivery of regional policy initiatives from within the current structural fund programmes. It also notes that the system of Programme Management Executives (PMEs) and peer-group appraisal adopted in Scotland has been highlighted as examples of best-practice and consequently the Council would wish to see the PME structure retained. In doing so, it notes that its experience suggests that the geographical coverage of the PMEs should be limited to NUTS II level as the existing Objective 3 PME, with responsibility for delivery throughout the whole of lowland Scotland, has, in the opinion of many local authorities, been proven to be much less efficient than the PME covering the East of Scotland Objective 2 Programme Area.

In terms of partnership, the Consultation Document highlights the anticipated role of the Regional Development Agencies in the implementation of regional policy in England but little is said about the parts to be played by each of the economic development agencies in Scotland. Clackmannanshire Council argues that the local authority sector’s statutory responsibility for the co-ordination of
Community Planning should require it to be seen as a key partner in the distribution of regional development funding, from wherever that funding emanates.

3.0 THE WAY FORWARD

3.1. The two main arguments against the DTI proposals relate to the difficulties in maintaining a consistent and fair treatment for the deprived areas in the existing 15-Member European Union and to a potential uncertainty over the level of funding available throughout the programme period which will also impact upon the delivery of EU-wide regional development strategies. In addition, and despite having alluded to the need to consider the relationship with other EU initiatives, including the Common Fisheries Policy and the Common Agricultural Policy, the Consultation Document says little about the complementarity between these.

3.2. The Council believes that these concerns could be overcome if the Member State is required to operate its regional policy within very strict spending guidelines set within EU regulations. For example, maximum levels of support per capita could be set alongside population ceilings in a similar way to that which the current regulations provide for. However, employing much the same argument used against the DTI proposal in relation to the potential split between policy maker and funder, concerns could then be raised over the lack of control by the (Member State) budget-holder. Nevertheless, the Council urges the UK Government to consider this option, particularly as it would reduce the level of recirculation of funding throughout the existing Member States.

3.3. The Council also believes that the most appropriate approach to encouraging complementarity between the various policies which impact upon economic development activity is to adopt a thematic approach to funding. Spatial targeting creates inequity through the “postcode lottery” whereby persons or firms may be deemed ineligible for support purely as a consequence of a geographical boundary. Thematic programming overcomes this difficulty although it is appreciated that some degree of spatial segmentation may be necessary for rationing purposes. In relation to this, the Council argues that eligibility should not be determined at small area levels such as has been previously.

3.4. A thematic approach to funding would also have the benefit of enabling complete integration of structural funds, with awards made by theme and/or activity. This, in turn, should lead to less bureaucracy and, importantly, greater consistency in terms of the treatment of eligible and ineligible costs which currently vary between programmes.

3.5. Without pre-empting the themes to be adopted, the Council would support any the introduction of a funding stream which aimed to reduce the impact of a sudden and unexpected economic shock on a local economy. In addition, consideration could be given to extending this concept give fiscal assistance to areas where macro monetary policy is having an adverse effect.

4.0 CONCLUSION

4.1. “A Modern Regional Policy for the United Kingdom” provides a useful starting point for the formal debate in the UK over the future of EU regional policy. As such, the Clackmannanshire Council welcomes the opportunity to respond to the proposals contained within it.

4.2. The Council agrees that:

- A future regional policy should be set against the objective laid out in paragraphs 4.3 to 4.5 of the Consultation Document;
- Partnership working, badging of projects and medium term funding programmes are key to the success of regional policy; and that
- State Aid procedures should be simplified.

4.3. However, the Council is not convinced that the proposals as laid out would achieve these objectives nor would they guarantee the continuation of medium term funding programmes. It believes that:
• Renationalisation poses a threat to the successful delivery of EU wide policies as it will create a split between policy-maker and funder;

• Changes in national administrations during a funding period will create uncertainty over allocated budgets for the remainder of the period;

• Renationalisation could lead to inequitable treatment of similarly performing regions in different member states; and,

• A lack of EU control is likely to lead to a “regional policy race” with greater levels of deadweight and consequent inefficiencies.

4.4. The Council wishes to make a full contribution to the debate over the future of the funds. Regardless of whether future regional policy is delivered at the EU level or at the Member State level, the Council proposes that:

• As the bodies responsible for the co-ordination of Community Planning, local authorities should be a key partner in whatever regime is finally adopted;

• Thematic programmes should be adopted to minimise the impact of the “postcode lottery” effect of current eligibility criteria;

• Consideration has to be given to creating a funding stream to provide fiscal support to offset sudden economic shocks and/or the regional impacts of monetary policy.

4.5. Finally, the Council understands that its conclusions and recommendations broadly concur with views previously expressed by the Convention of Scottish Local Authorities, the East of Scotland European Consortium, the European Committee of the Scottish Parliament and the Alliance for Regional Aid.
**Convention of Scottish Local Authorities (CoSLA)**

**Covering letter**

I refer to your email of 31 March 2003, and subsequent telephone conversation with your colleague, David Simpson, regarding COSLA’s response to the consultation paper, “A Modern Regional Policy for the UK” and the possibility of making it available to the European and External Relations Committee.

I attach a paper that summarises COSLA’s response to the consultation paper. As you will be aware, this consultation has taken place over the elections period, which has hampered our ability to consult as fully, or finalise the response as early, as we might have hoped. **This is therefore, at this point, an officer response, albeit the broad principles have been agreed at a meeting of Leaders on 30 May 2003. The final response will not be endorsed by the Convention until 27 June** and I will update you then. However, I would not expect significant change to the principles.

As you will see from the attached, we are intending, over the next few months, to develop and promote our own proposals for the best way forward for regional policy. Accordingly, COSLA is likely to seek a further opportunity to address the Scottish Parliament on this matter over the coming months.

**Response**

**Introduction**

In responding to this consultation, we welcome the opportunity to contribute to the debate on the future of regional policy. To do this, we have attempted to bring together the views of councils and European Consortia within Scotland. By definition therefore this response is framed in relatively broad terms and our individual stakeholders may wish to comment separately in more detail in their responses to the consultation paper on specific issues of significance to them.

The following is a summary of our full response to the consultation paper.

**Detail**

We acknowledge the large amount of funding currently accessed directly and indirectly through European funding and that this will likely be reduced post-2006. We believe therefore that it is crucial to the future socio-economic development of Scotland that it retains an effective regional policy to distribute the available funding as effectively as possible.

In terms of the specific proposal within the consultation paper, Scottish Local Government, similar to many other key Scottish and European organisations, is opposed to, what has commonly become known as, “re-nationalisation” as not being in the best interests of Scotland.

We share the vision expressed in the consultation paper that any future regional policy should:

- distribute resources more simply and effectively;
- support the Lisbon agenda of higher employment and growth, greater investment, open markets, protecting the environment and the promotion of sustainable development;
- recognise the need to support lagging regions of the EU; and
- seek to achieve a fair deal for the UK in budgetary terms and to ensure that the overall EU Structural Funds budget achieves maximum value for money.

However, we do not see a proposal that there be no institutional or financial link between the UK, as a member state, and Europe as the best means to achieve this.

We believe that regional policy must remain relevant on a Europe-wide basis, as this reinforces cohesion, integrated governance and promotes clarity and consistency of policy direction, enhanced by a defined programming period. It has undoubtedly increased the visibility of the EU to citizens, communities and business in Scotland. Regional policy has also provided certainty regarding the availability and level of budgets and we would argue it has encouraged local and innovative economic development. Not only will this be
negated by renationalisation, there is no firm guarantee that regions of Scotland would continue to benefit from regional policy in future should this approach be pursued.

We recognise that an enlarged EU requires the modernisation of regional policy and that radical solutions will be required to promote both policy and budgetary integration, in order to maximise available resources and take better cognisance of a variety of regional needs. We believe that Local Government remains ideally placed to contribute to effective regional policy, both at the level of policy formulation and implementation. Local Government has, after all, a key role in structure planning, community planning and sustainable development. Lessons to date suggest that regional policy is most effective where it is based on good governance, partnership, sustainable development, significant resources and where it is consistent with other policy objectives.

Therefore, as a constructive alternative to the “re-nationalisation” proposal, we are developing a position based around the following:

- that, in broad terms, the existing responsibilities and structures should be retained but built on;
- that the benefits and good practice of a partnership approach, which is founded on the principles of shared programme and strategy development, should not be lost;
- that regional policy at member state level should continue to address varying needs and opportunities and not be based on nationally set political criteria;
- that the procedures must be simplified to allow the more effective implementation of programmes in future;
- that the most logical approach to encourage a reduction in bureaucracy and create a holistic and strategic regional policy would be to bring together the range of existing policies and set up an integrated structural fund;
- that there should be a menu of policy areas, from which member states can, in conjunction with regional and local stakeholders, identify the most appropriate for their own circumstances; and
- that Local Government, with its statutory responsibility for the coordination of Community Planning, should be the senior partner in the delivery of regional policy.

We agree that the provision of any EU funding must continue to be audited, however we believe that this process could be simplified without losing any of its rigour.

We contend that many aspects of the existing partnership arrangements in Scotland provide a good example of subsidiarity working in practice.

We believe that the reform of regional policy should be co-ordinated not only with the reform of the Common Agricultural Policy and the Common Fisheries Policy, but also that it should strongly support employment and enterprise policy, and education, as well as approaches to innovation and research. These should be considered in terms of their relationship and how together, rather than as discrete elements of a hybrid strategy, they can meaningfully intersect.

**Conclusion**

Any future regional policy must be able to address the needs of and opportunities for all regions of Scotland. Local Government has a key role not only as the democratic voice for these regions but also in delivering, in terms of policy formulation and implementation, at a local level.

Accordingly, Scottish Local Government intends to develop the detail of its alternative way forward for regional policy over the next month or so, after this specific consultation ends. In parallel, a lobbying strategy is being developed, and we intend over the coming months to build support for our position with key national bodies and European institutions.
1. Executive Summary

East Lothian welcomes the above consultation and is pleased to present its response. East Lothian combines industrial urban with rural areas and has a population set to grow considerably in the next 10-15 years. It has benefited and currently benefits from European Structural Funding programmes – Objective 2, Objective 3, Pesca, Leader+, Interreg – to add value to economic development activities.

East Lothian Council is of the view that the proposals presented by the Department for Trade and Industry (DTI), namely the re-nationalisation of regional policy, will be to the detriment of local added-value. In other words, the opportunities presented by the European Structural Funds to add value to local project delivery could not be guaranteed.

Also, whilst reducing bureaucracy and administration would be welcomed, the Scottish approach to partnership and partner involvement in European Structural Fund decision-making would be disadvantaged.

A thematic or menu-based approach as well as cognisance of rural issues would be acceptable but note should be taken of regional variations. Subsidiarity would be demonstrated by local authority involvement in programme management.

2. Introduction

East Lothian Council is pleased to respond to the consultation, A Modern Regional Policy for the United Kingdom, issued by the Department for Trade and Industry in March 2003. This response is broadly in line with those from partner organisations – the East of Scotland European Consortium, the Scottish Local Authorities Economic Development Group and the Alliance for Regional Aid.

East Lothian has a growing population of 90,000 and the area stretches from the Edinburgh boundary along the North Sea coast and inland. It contains both small towns and isolated rural communities.

Economically, the NUTS III area of East Lothian and Midlothian has 56% of the UK GDP average characterised by much out-commuting and low paid and part-time employment. Western East Lothian contains a number of former industrial and mining communities designated as disadvantaged – currently benefiting from transitional Objective 2 funding – and the rural area – Leader+ eligible – is characterised by isolation from economic opportunities. Over 95% of companies in East Lothian are micro and small.

3. European Structural Funding and East Lothian

East Lothian has been a beneficiary of European Structural Funds since 1994. Western East Lothian was eligible under the 1994-99 Objective 2 programme including Rechar European Community Initiative monies. It also benefited from the Pesca European Community Initiative during this period. European Objective 3 monies were also secured.

Currently, western East Lothian is eligible for transitional Objective 2 funding and certain wards have been designated as eligible under the Community Economic Development and Strategic Sectors and Locations priorities. Additionally, rural East Lothian is a designated Leader+ European Community Initiative area and the Council is the managing authority for the Tyne/Esk Leader+ programme. Funding has also been awarded from the Lowland Scotland Objective 3 programme to the area.

4. Consultation document

The UK Government has four objectives for the reform of the European Structural Funds, namely to support and add value to current regional policy, to improve administration arrangements for the funds, to endorse the Lisbon agenda of higher productivity and employment, and to concentrate EU budgetary support on the less prosperous Member States.
The DTI consultation document argues for the re-nationalisation of EU regional policy based on all regions within European Member States achieving their full potential and on ensuring best value for money for the UK.

According to the EU Framework for Devolved Regional Policy, subsidiarity, flexibility and accountability will be achieved by this approach. This means that regional assistance for Member States with GNP per capita of 90% or greater of the EU average would be funded domestically.

The document acknowledges the strengths of the current Structural Fund programmes – seven year funding, partnership working and ‘badging’ funded projects – and argues that more support could be targeted on local or regional policies and that the current bureaucratic application process could be addressed.

5. East Lothian Council’s view

East Lothian Council accepts that, post-2006, European funding will be targeted on the ‘new’ Member States whose economic circumstances demand intervention in order to improve performance.

Currently, EU funding adds value to regional policy and under the proposal there is no guarantee that this form of additionality would be retained. The increases in funding for domestic regional programmes would not necessarily be earmarked for activities now supported by European programmes.

East Lothian Council is of the view that seven year funding is incompatible with UK Government, Scottish Parliament and local council political regimes and the regional or local approach would be weakened as a result leading to shorter term regional initiatives. Focusing on short-term initiatives will put pressure on partnership development and projects.

In terms of partnership working, this Council works very closely with other agencies in the voluntary and further/higher education sectors as well as with other local authorities in Scotland, the UK and other European Member States. Partnership working on European programmes allows for partner involvement in project assessment and programme strategic development and Scotland is often held up as a good example of subsidiarity in practice.

Whilst reducing the bureaucracy and administrative burdens of the current European Structural Fund programmes would be welcomed, this should not be to the detriment of quality projects that meet strategic economic development objectives.

Mention is made in the document to co-ordination with agricultural and fisheries support measures. A suggestion that has been put forward is the menu-based or thematic approach - eg. targeting rural communities exemplified by the Leader+ European Community Initiative; focusing on employability measures in line with the Lisbon agenda – and this could bring genuine added-value. East Lothian Council would be in favour of this type of approach. Care would have to be taken in integrating programmes and associated funding, as per a thematic approach, to ensure access to this type of funding where added-value can be demonstrated and divergences within Member States and NUTS II regions should be taken into account – cf. East Lothian’s low GDP. The Leader+ Community Initiative provides considerable added-value to rural communities in East Lothian and Midlothian and demonstrates subsidiarity and a thematic approach.

With regard to rural development measures and the need to provide adequate support for these, the reform of the Common Agricultural Policy is very important for East Lothian both for individual farm businesses and for the impact reform would have on economic development activities in the rural area.
In the document reference is made to strengthening the role of local authorities but this only applies to England. Note should be taken of the key role local authorities play as statutory lead partners for Community Planning and a management role for local authorities in a new regional policy regime would be a good example of subsidiarity in practice.
Edinburgh Council

Introduction

The City of Edinburgh Council welcomes the opportunity to respond to this consultation paper, which focuses specifically on EU Structural Funds and particularly the European Regional Development Fund. The Council has secured access to over £14m in EU Structural Funds since 1996, and the city has gained from further awards such as £5.6m for the Biomedical Research Institute in the South East Wedge. However, to set its response into context, the Council wishes to highlight the need for greater examination of the future relationship between UK regional policy and the wider EU policy framework.

The Council supports the general principles of a strong regional policy to ensure global competitiveness and long term prosperity, and agrees with the statement in the paper that all parts of the country and everyone, no matter where they live, should have the chance to make the most of their potential.

As a capital city and engine of growth, Edinburgh plays a key role in the Scottish economy and in local regional development in terms of its contribution to R&D, tourism, new business development, growth in key sectors such as IT and professional services, exploitation of the new/knowledge economy, and low unemployment rate. However, the city’s interdependence with the Scottish economy, the Lothians, Fife, the Borders and beyond mean that the challenges faced are felt equally elsewhere. Skill shortages, low digital connectivity, falling manufacturing exports and the impact of the equities slump on the city’s financial sector are key issues, together with the urgent need to upgrade our transport infrastructure, lack of affordable housing and continuing economic and social deprivation. Many of these issues are similar to those faced by London and the South East of England and are deep-seated. In addition, in EU comparative terms, there is the challenge of Edinburgh’s peripheral EU location, disparate earnings and growth, and low levels of qualifications and training.

Within this context, the Council welcomes the proposals in the paper calling for:

- recognition that continuing the status quo in terms of EU regional policy and Structural Fund investment is not feasible and that significant reform is required in view of EU enlargement;
- the EU to concentrate resources on less prosperous Member States within the enlarged EU;
- future Structural Fund investment to be driven by the Lisbon agenda’s economic and social objectives for higher EU productivity and employment, to promote a more competitive EU, thus addressing both need and opportunity;
- greater co-ordination of EU policies, eg. greater synergy between EU regional policy, the European Employment Strategy, National Action Plans for Employment and Social Inclusion, and enterprise / R&D development;
- reform of the Common Agricultural Policy and State Aid framework.

An EU Framework for Devolved Regional Policy

The Council disagrees with the paper’s proposal to end EU regional aid in the UK and that regional policy would be a domestic responsibility rather than an EU funded activity, for the following reasons:

- separating aims from means by setting common principles based on broad EU-wide objectives, but allowing Member States to determine the funding mechanisms and scope of investment in national regional policy will lead, at best, to a ‘toothless’ policy, and at worst, to an increase in disparity in regional investment between EU regions and Member States;
- applying EU regional policy to only less prosperous Member States will not achieve the aim of retaining a strong EU dimension to future cohesion policy nor overall EU competitiveness in global terms;
- the savings gained from a UK withdrawal from the EU regional policy budget would be far less significant than genuine reform of the CAP budget.
Whilst supporting the need for simplification of the Structural Funds, the Council does not believe that this would be achieved by devolving funding of regional policy to Member States as much of the bureaucracy associated with the funds also originates from the implementing authorities within the Member State, as well as the European Commission.

**Funding Guarantee**

The Council is not clear how the UK government can promise that no UK region would be left worse off under its proposal for re-nationalised regional policy and that all regions would receive at least what they would have received in EU aid. There is no real guarantee that the UK government can ensure that savings from the UK’s contribution to the EU are transferred back to domestic regional policy. No specific sums are specified and it is difficult to predict what any region /area might receive from the EU after 2006. The UK government is also unlikely to commit funding as far ahead as 2013, in line with EU funding timescales, as any commitment made would be subject to changes in political priorities. Within the context of devolution, it is impossible for UK and Scottish Ministers to provide any guarantee over a long period that Scotland would use its share in the savings to increase regional funding. Any extra financial support for Scotland would go into the devolved administration’s block grant and could not therefore be ring-fenced by the UK government for economic regeneration.

**Reduced Bureaucracy / Simplification**

The Council agrees with the need to simplify the Structural Fund programmes but is not convinced that the proposals will necessarily result in reduced bureaucracy. One of the key benefits of the Structural Funds is the democratic way in which they are awarded by local partnerships, and inevitably there will always be a need for a certain amount of rules and administrative procedures to ensure that all relevant sectors are represented in the selection process. Instead of abolishing the Structural Funds altogether, the problem of disproportionate administrative bureaucracy would be overcome through a rationalisation / greater integration of the funds, alongside programmes of workable size and a greater focus on Value for Money and effectiveness.

Greater flexibility in local targeting via locally led decision making and delivery would reduce the need for the European Commission to be involved in the minutiae of decision making at regional / local levels. This would avoid the setting of overly rigid guidelines and artificial boundaries which have resulted in situations where one side of a street may be eligible for support and not another.

**Partnership and Size of Programmes**

The Council supports the strong local partnership approach that has been promoted in the delivery of the Structural Funds programmes. The East of Scotland Objective 2 Partnership has worked well, securing consensus on funding priorities at local/regional level and enabling cross-sectoral collaboration and targeting of support to meet local needs.

However, Scotland-wide partnerships (e.g. EQUAL) and the Objective 3 Lowland Scotland Partnership have been less effective due to their larger scale of operation. The much larger number of partners and the high volume of project applications associated with the Objective 3 Programme has proved difficult to administer, leading to bureaucratic delays and problems experienced by applicant organisations, and in disproportionate effort being invested in the management of partnership and process issues.

To ensure Value for Money and effectiveness it is important that Structural Fund Programmes are of an optimum size and administered at an appropriate scale, proportionate to the level of resources (e.g. East of Scotland level). Small URBAN type initiatives targeting very small geographical areas carry a disproportionate administrative burden and are ineffective without broader actions to link the targeted areas with areas of opportunity and the wider city region.

**The Benefits of Structural Funds to Edinburgh**

The Consultation Paper underestimates the important contribution made by Structural Funds. These funds have been a vital source of additional resources in assisting the city’s regeneration efforts. They have assisted social inclusion, improved access to employment and opportunities for disadvantaged individuals, and supported enterprise creation, business development, and lifelong learning. Examples are listed in the Appendix.
The Added Value of Structural Funds investment in Edinburgh can be summarised as follows:

- they provide a catalytic role in levering in further investment, forming strategic cross-sectoral partnerships, encouraging new ways of collaborative working and stimulating innovation;
- they represent an alternative or additional source of funding from that of central government (e.g. ESF has funded activities not possible under New Deal or SIP, as well as complementing/enhancing projects assisted by New Deal, SIP and Lottery funds);
- funding for projects is guaranteed over several years - multi-annual funding under the Objective 3 Programme has helped to reduce uncertainty and consolidate established good practice for a number of local projects;
- the longer time frame for planning (7 years) has been more beneficial than many domestic funding programmes and has offered consistency;
- innovative research activity has been supported and time/resource intensive solutions have been developed that would not have been supported under standardised provision or single-year funding streams;
- the branding of the EU logo on local projects has given a European dimension to local activities – enhancing the ‘visibility’ of EU support at a time when the EU is considered politically remote;
- the proposed overarching EU Framework would not be enough to keep an EU dimension to local projects if no funding is attached to this Framework;
- the opportunity to work with other EU cities through the Community Initiatives has offered an opportunity to question the usual approaches, allowing genuine exchange of good practice and raised the sights of local projects and initiatives.

PRIORITIES FOR REGIONAL POLICY SUPPORT: COHESION AND COMPETITIVENESS

Tackling Disadvantage and Social Exclusion

The Council recognises the importance of an effective regional policy in reducing disparities in urban areas and disadvantaged communities. Wide economic and social disparities exist within regions, sub-regions and neighbourhoods and there is a need for continued targeting of assistance to support small areas of profound deprivation. In Edinburgh despite the buoyant economy there remain areas of the city where disproportionately high levels of long-term unemployment and deep-seated problems persist (eg educational failure, 3rd generation of workless households, Craigmillar ranked 4th in the Scottish urban deprivation index).

Although registered unemployment has fallen to historically low levels, there remains a larger number of hidden unemployed and excluded. Within the city the number of working age benefit dependants total approximately 53,000, only 12,000 of whom are eligible for New Deal programmes. Within this are the most excluded groups – the homeless, drug and alcohol abusers, ex-prisoners, and people with a range of disabilities. At the same time employers are experiencing increasing difficulties in recruiting and report both specific skill shortages within many of the city’s key growth sectors and a lack of basic skills in potential recruits.

‘Joined up for Jobs’, Edinburgh’s Employability Agreement, is the joint strategy of the key agencies concerned with access to employment, including the City of Edinburgh Council. It addresses both the challenges of economic inclusion and the needs of employers for new sources of recruitment and skills. It aims to develop a responsive labour market within the city through the development of demand-led and client focused interventions that link unemployed individuals to real jobs with career progression.

ESF and ERDF funding has played a key role in supporting these objectives.
Promoting Competitiveness/Opportunity Based Approach

The Council agrees with the statement in the document that regional policy is not just about the poorest areas, but that it is essential that every region performs to its full economic potential by tackling diverse market and social barriers/challenges and promoting opportunities for all.

The Lisbon agenda is aiming to make Europe the most competitive economy in the world. This requires a stronger focus on opportunities and for areas in need to be linked with the opportunities offered by the wider area. An excellent example is the ERDF award for the development of the Medipark development. This will exploit Scotland’s world class research capability, further enhance the research and manufacturing corridor based in Edinburgh and Midlothian and build employment and economic capacity in knowledge based growth sectors in the new economy.

The government consultation paper highlights the need to tackle the market and social failures that are holding back the 5 key drivers of productivity. The importance of cities as drivers of economic growth has been recognised in the Scottish Executive’s recently published Cities Review and in the draft regional economic strategy for Edinburgh and the Lothians ‘Delivering Our Potential’ produced by the Lothian Local Economic Forum. The new economic strategy has, accordingly, identified the following related objectives:

- to develop the best education system in the UK;
- to become a magnet drawing world-class research, innovation and knowledge businesses to Scotland;
- to maximise creativity, quality of place and community in our region;
- to act as Scotland’s capital city gateway.

However, the strategy has identified a number of weaknesses and threats which need to be addressed including: the region’s peripheral location in Europe, low digital connectivity, transport congestion which acts as an economic constraint, affecting business location decisions, poor transport connectivity and high housing costs contributing to continued skills shortages.

European Commissioner Barnier has suggested a menu of priority themes that could potentially receive support under the revised Structural Funds programmes post 2006. These include: employment/training, social inclusion, sustainability/environment, innovation/R&D and accessibility. Each of these themes clearly fits with the aims of the draft economic strategy and would be of direct benefit to Edinburgh.

Reform of State Aid Regime

The Council welcomes the proposal to reform the state aid regime. Generally the current state aid rules have been confusing and subject to varying interpretations and application. There is a lack of clear guidance and the complexity of the rules places an onerous burden on economic development partner organisations seeking to determine whether or not proposed regeneration and business support schemes are exempt from state aid restrictions.

EU State Aid policy imposes restrictions on the scale and location of domestic regional assistance (Regional Selective Assistance) and Assisted Area status geography is often in conflict with regional policy objectives. For example Assisted Area status was awarded to only 2 wards in the city (Queensferry and Kirkliston). The Council and Scottish Enterprise Edinburgh and Lothians had, however, submitted a case for the wards of Pilton, Muirhouse and Granton, which form part of the major Edinburgh Waterfront Development project in North Edinburgh, to be given Assisted Area status. The Waterfront Edinburgh project aims to integrate currently excluded communities in one of the areas of greatest economic disadvantage in the East of Scotland into the creation of a world class waterfront development, accommodating significant new economic activity, as well as transforming the environment and residential base of the area. The Council regrets the lack of Assisted Area status for the Waterfront area. This would have enabled assistance to be concentrated where it could have the greatest impact on addressing need and realising economic opportunities by assisting the transformation of an area of disadvantage into a competitive asset for the local, regional and national economy.

The Council is concerned about the overly restrictive and detailed nature of EU controls on regeneration aid which appears inappropriate for local and regional measures and social economy organisations with little impact on the wider EU economy. State aid can be defined as any public assistance given to public or private
‘undertakings’, which could mean that organisations such as charities, trusts and housing associations could be adversely affected by state aid rules. Given that rules are designed to ensure that aid granted by one Member State does not distort trade or competition throughout the rest of the EU, it is suggested that efforts should be concentrated on the most economically significant state aid and that consideration be given to introducing higher thresholds. The application of state aid regulations does not appear to be applied evenly across Member States and there may be scope to learn from more effective methods of dealing with state aid elsewhere in the EU.

**Reform of EIB Financing**

The Council supports the suggestion in the paper that there is a need for EIB financing to be reviewed as a key instrument for promoting regional policy objectives. From the Council’s perspective EIB loans are less attractive and less flexible than other funding sources. The nature of EIB documentation and the reluctance to provide quotes makes it difficult to compare EIB rates with other lenders. However, the EIB has played a role in Edinburgh’s development through part-financing for the schools Public Private Partnership ‘Investing in Education’ project. In this case EIB loans were more advantageous for a non-public-sector organisation. Greater flexibility from the EIB in helping to bridge the affordability gap on specific projects would be welcome.

**The Role of Cities and City Regions in Local, National and EU Policy Frameworks**

The Council has been an active member of the Eurocities network for many years, lobbying for greater recognition of the importance of cities in the EU as engines of economic growth and opportunity. While acknowledging that it is often in the cities that the challenges of social inclusion are most obviously demonstrated, the Council welcomes the Commission’s recognition of the special needs of urban areas. It supports their identification as a possible priority theme for support under the post-2006 Structural Funds programmes.

Further, the recent acknowledgement by the Scottish Executive of the economic and social importance of cities through the Cities Review, has been warmly welcomed by the Council and there is now a genuine opportunity to consider urban policymaking within local, national and EU policy frameworks.

Within this context, the Council urges further consideration of:

- the subsidiarity principle, the special status of local authorities with statutory responsibility for Community Planning, and recognition as senior partners in the distribution of Structural Funds;
- the need for cities and city regions to have a stronger voice in future regional policy, including the implementation of tripartite agreements, not just for future Structural Funds implementation, but formalising new roles for the European Commission, the Scottish Executive and local authorities in all matters of regional policy;
- the role of the city in its wider region, from the European Spatial Development Perspective of Edinburgh’s context in terms of the North Sea, to the region-wide Local Economic Forum and strategy and the local Social Inclusion Partnerships;
- the importance of Community Planning in securing greater co-ordination of national, regional and local policies;
- the most appropriate sphere of governance for the implementation of programming and fund management, including decisions on territorial and thematic allocation.

The Council proposes that Structural Fund programmes and Single Programming Documents continue to be developed in consultation with all partners at the regional level (e.g., in Edinburgh’s case, the East of Scotland). The Single Programming Document would act as a driver, contributing added value at this regional level. More strategic direction would be given to the local dimension through the Local Economic Forum which covers the city and neighbouring authorities. The role of the LEF would be to consider bids for EU Structural Funds on a strategic basis for the area, moving away from artificially imposed geographical boundaries such as those existing for Objective 2 at present, and ensuring that both needs and opportunities are addressed.
The Benefits of Structural Funds to Edinburgh

In Edinburgh the East of Scotland Objective 2 ERDF and ESF programmes have contributed over £8.5m into the redevelopment of Craigmillar and the South East Wedge. The funds allowed the establishment of the Craigmillar European Programme, an overarching, programme-based approach to EU funding investment into the area. This avoided piecemeal applications for EU funding support, and ensured synergy with the local Social Inclusion Programme (SIP) and other local investments and partnerships. Many of the EU supported projects have survived as the key drivers in the area for employment, business creation and local capacity building.

The Worktrack project, for example, has received assistance from both ERDF and ESF to provide an integrated employment access service aimed at making it easier for employers to fill their vacancies with socially excluded Craigmillar residents. It works successfully with employers to identify skills gaps and provides computer based job matching facilities. The Adult Student Link project, also ERDF funded, provides guidance to help adult students take advantage of educational and job opportunities, and provides flexible childcare and study facilities. The Craigmillar Capacity Building Project, set up with ERDF assistance, has helped to develop the skills of local groups and individuals by providing community based learning programmes, a volunteer exchange database, seminars and workshops, community grants scheme, and a centre for social and economic activity in the community.

ERDF funding has supported the establishment by the Lothian Economic Forum (LEF) partners of the Lothian Labour Market Information Unit. The LMIU aims to reduce overlap and address gaps in the provision of labour market intelligence and co-ordinate data collection and analysis to help inform the skills and employment policies of the LEF partners.

The European Social Fund Objective 3 Programme has supported Edinburgh’s employment objectives and delivered £8.4m to local initiatives supported by the Council and partner organisations in the city. With the help of ESF grants, the Council and its partners have supported a wide range of training and employment initiatives which have:

- helped groups furthest from work to acquire core employability skills;
- tackled barriers to accessing existing work opportunities;
- encouraged employers to co-operate in helping individuals get a start in entry-level jobs;
- provided support to those placed in work to stay there and progress;
- ‘upskilled’ existing employees to address key skill shortages and promote lifelong learning;
- encouraged enterprise creation.

The Deal Me In project, developed in partnership with Jobcentre Plus, aims to address the factors of disadvantage which prevent harder to help unemployed people from taking up and sustaining work. It provides an individually tailored package of assistance to long-term unemployed individuals suffering multiple disadvantage from the SIP areas of the city. This includes client-centred personal development and training, supportive unwaged work placements, paid work experience and guaranteed interview for relevant vacancies within the Council. ESF support has enabled delivery of a longer course and additional and more intensive support than would have been possible under New Deal, including a personal and social development programme, which has been the key to breaking vicious cycles and achieving lasting life changes. The model has proven to be successful in enabling significant change in the lives of those who have been out of work for long periods of time or who have other factors disadvantaging their progress towards employability. It is also recognised as successful in achieving higher job outcomes and more sustained job outcomes than basic New Deal programmes.

Garvald Community Enterprises (The Engine Shed) was set up in 1989 with ESF support to help people with learning disabilities to make the move from day care services and further education into the world of paid employment. It provides training and work experience in production units in an integrated environment, based within a converted Engine Shed, including a bakery, vegetarian café, outside catering and whole food shop. As the units are open to the public, they provide an inclusive, dynamic training environment. The project aims to raise awareness of, and address, the lack of employment opportunities for people with special needs and received the Scottish Equality Award by the European Commission in recognition of equal opportunities work for people with disabilities.
The Edinburgh Women’s Training Centre (now known as NISUS) has helped unemployed women, including many single parents, to increase their employability, develop their self-confidence and acquire a range of computer skills which has helped them to find work and develop successful careers.

ESF funding has also supported initiatives aimed at developing the skills of the city’s workforce in key sectors such as ICT, cultural and media industries, financial services and construction. This includes support for customised training for available jobs in key sectors, aimed at addressing the skills mismatch in the city, by addressing the needs of both employers and unemployed clients.

The Council is using ESF to run the only project in Scotland, Men in Childcare, which creates tailored certificated courses in childcare for men, supplemented by substantial work experience, peer support and other measures to help improve the gender balance in the childcare workforce. It is also addressing the skills shortage in Edinburgh’s childcare workforce by increasing the number of men working in childcare.

ESF support has made a vital contribution to supporting ‘Edinwork’, Edinburgh’s Local Labour Agreement which helps local people to get jobs in major developments near or in Social Inclusion Partnership (SIP) areas, by using Job and Training Agreements with employers to ensure better access to job opportunities for residents of disadvantaged areas in the city. The ESF project targets employees of small and medium sized enterprises in the construction sector and aims to improve their job prospects by raising their skill levels, updating their skills and filling gaps in their accreditation.

The ESF funded Edinburgh Enterprise Awareness Campaign aims to challenge negative attitudes to enterprise and help excluded individuals in the North and South Edinburgh SIP areas of the city to fulfill their potential and establish new enterprises, by employing a local enterprise guide in each area and providing business planning and skills development surgeries to help people develop their business ideas.

The Community Initiatives (Integra, Konver, Interreg, Equal, Horizon) have brought £2.7m of investment into the city which has been matched by a range of organisations and partnerships seeking to exchange international best practice and innovation in dealing with the demise of the defence industry, homelessness, unemployment, spatial planning and digital connectivity. Funding from these programmes has enabled the Council to benefit from transnational exchange of experience allowing the development of pilot approaches that have informed best practice and influenced the development of services.

The Council is a core partner in the EQUAL funded Scotland-wide Equal Access Development Partnership which aims to find new ways of helping disadvantaged individuals to integrate/re-integrate into the labour market and secure sustainable employment. It is also looking at ways of changing employers’ perceptions and practices to make jobs more accessible for disadvantaged groups. In Edinburgh the Equal Access initiative is contributing towards supporting the work of the city’s Joined up For Jobs strategy, including support for research to develop a best practice tool kit for practitioners looking at methods of delivering services to client groups, particularly the hardest to reach, as well as ways to increase participation by key stakeholders such as employers.

KONVER ERDF funding assisted more than 300 Edinburgh companies to develop their products and skills and diversify into new markets following the decline in defence procurement. KONVER supported the ‘Quest’ programme of business grants and training initiatives including grants to develop new technology, product and process innovation, and contributed to the creation of over 400 jobs.

The Datashare project, funded by the EU’s Interreg IIC Community Initiative developed an innovative GIS-based data management tool, to enable key agencies in the city to share data more effectively, a vital prerequisite for effective integrated city planning. The project developed and tested geo-referenced data-sharing intranets with customised spatial visualisation techniques for joint use by key actors in city governance when making decisions on policy formulation and service delivery. It has proved effective in breaking down barriers between organisational cultures and encouraging collaborative activity.

The Edinburgh Homeless Project, funded by the Integra Community Initiative, allowed the Council and its partners to trial a more integrated approach towards service delivery for the homeless. It piloted a number of one-stop access points and developed a database of job opportunities to help homeless people overcome barriers
to employment. One of the outcomes has been a new integrated assessment model, which was subsequently used in the Housing Department’s Access Point for vulnerable people.
East of Scotland European Consortium

INTRODUCTION

Within the East of Scotland European Consortium (ESEC), the post 2006 structural funds position has, understandably, been an important topic for discussion in recent months. In April 2002, ESEC submitted a paper to the European Committee of the Scottish Parliament, setting out its position at the time. This paper was referred to in the Committee’s findings published in its 3rd report of 2002. In January of 2003 ESEC produced a paper outlining its latest thinking and we now welcome the opportunity to articulate our thoughts on the UK Government’s draft position paper.

THE UK GOVERNMENT POSITION

The Consultation Paper proposes 6 key principles that are of note to ESEC:

- Devolution of regional policy, including the funding thereof, to member state level for those countries with a per capita GNP of 90% or above, of EU average.
- Operation of that policy within a EU framework based on the Lisbon strategy.
- Continuation of Community support to regions within less well off member states.
- Reform of the State Aids regime to promote more effective delivery of regional policy.
- Reform of the European Investment Bank (EIB) to ensure greater utilisation of its funds.
- Reform of the Common Agricultural Policy (CAP).

Underpinning these proposals is a stated desire for greater integration of policy instruments; simplification of bureaucracy and increased subsidiarity and local flexibility.

Furthermore, the document recognises the role and responsibility of the devolved administrations in the area of economic development and, whilst it asserts that funding available for regional policy would be greater under these proposals than the pre 2006 position, acknowledges that the devolved administrations may choose not to use any increased resources for that purpose.

The paper also recognises the strengths of the current implementation tools such as multi-annual programming, particularly the 7-year programme period and the value of the partnership approach.

Finally, the Government envisages a substantive role for the Regional Development Agencies (RDAs) in England, which, whilst not affecting Scotland directly, will doubtless give rise to an interesting debate as mirror models are considered.

THE ESEC RESPONSE

ESEC can understand the direction in which the UK Government is seeking to move and in many instances, strongly agree with the position. This is particularly the case in regard to the need for a regional policy framework at the EU level; the reform of State Aids and the CAP; the benefits of the 7-year programme and the partnership approach, which has been a very positive experience in Scotland. Additionally, a drive towards simplification and greater local flexibility is also welcomed.

However, it is the principle of “re-nationalisation” of regional policy and its deliverability as framed by the document that causes significant concern among ESEC members.

ESEC have doubts regarding the benefits of distancing the common policy framework from the instrument of implementation. With no influence over the funding mechanisms or programmes, there can be little control to ensure that policy direction is followed or that funding distribution is undertaken in a justifiable and transparent manner.

The proposal seeks greater local flexibility in the delivery of regional policy but in achieving that objective, it will allow wealthier member states to invest more heavily in regional development thus undermining the principles of cohesion leading to a position where less well off regions could suffer further comparative disadvantage.
The paper suggests that the new regime would bring additional income for regional development without providing any firm basis for that claim. There is also no guarantee that the devolved administrations will use any additional resource for that purpose.

The 7 year programme seems an unlikely product of this regime given that the UK has a 5 year parliamentary cycle and budgets subject to alteration particularly in the advent of a change in administration. It is not only the budgets that are vulnerable as the commitment to regional policy itself, as a tool for economic development, may wane under these circumstances.

This potential for changes in approach highlights the fragility of the policy in the face of political priorities and with this, questions arise with regard to how the funding would be allocated. Currently, the eligibility criteria are transparent at the EU level and are reasonably resistant to political influence. The paper does not, at this point in time, advocate the need for such a robust system. A further concern would be that in the absence of clear guidelines and criteria, the process could become initiative driven leading to wasted efforts and resources and whilst seriously undermining the principles of partnership.

ESEC’S APPROACH

ESEC believes that regional policy should remain relevant on a Europe wide basis as this reinforces integrated governance and promotes clarity and consistency of policy direction, enhanced by a definitive programming period. It also provides certainty regarding the availability and level of budgets. Total re-nationalisation of regional policy may result in its application becoming discretionary with the likelihood that different priorities at member state level will militate against the principles of cohesion, discriminate against, or indeed, favour areas which otherwise would have been assisted in equitable terms under shared and objective criteria. The outcome could be a multi-speed Europe. Additionally, this approach could undermine structural fund investment already made in areas that continue to require positive structural change.

Priorities and Targeting

While ESEC is in favour of a continuation of a strong European context for regional policy, it recognises that several permutations for policy selection and management exist. ESEC would support a policy framework developed at the European level within which regions would initiate activities under identified themes as per the Commission’s menu approach. This would provide flexibility to respond to particular needs and opportunities, promote coherence with national policies while ensuring a strong European presence in setting the agenda. To ensure that the menu is relevant to clear European policy objectives, it should, as proposed by the UK Government paper, reflect the new strategic goal outlined at the Lisbon European Council in March 2000:

In supporting the principle of subsidiarity below the member state level, ESEC would propose that the selection of themes identified from the menu, is undertaken with significant consultation at the regional and sub-regional levels; e.g. Scotland and the current East of Scotland Objective 2 area. Additionally, the concept of indirect zoning, should be utilised to achieve greater accountability and sensitivity towards local need and opportunity. This approach would be in contrast to the current system of micro-geographical targeting and would obviate problems associated with focussing assistance within current statistical units that may not reflect the actual geography of decline. In many cases a thematic approach may help to focus on the areas of actual need resulting in a greater concentration of resources. It must be ensured that the allocation of funds in based on sound and objective criteria such as pre-approved deprivation indices or other appropriate measurements depending on the policy objective.

Policy Integration

In ESEC’s April 2002 paper, we referred to the fact that regional policy was intertwined with other policy areas such as Employment, Social Justice and Rural Development. That list could be expanded to include Enterprise, Technology and Innovation, Competition, Environment, Fisheries, Education and so on. It would be unreasonable to expect that total integration would be possible or perhaps, even desirable. However, certain policy areas have distinctive impacts on others and the Commission should seek to identify these in order to reduce potential conflict and to optimise policy efficiency. The pooling of energies and resources may become an important tool when seeking to balance competing needs in the future.
**Competition Policy/State Aids** contributes to cohesion by limiting the ability for wealthier regions to increase their competitive advantage through incentives and subsidy. However, this instrument could become a more positive mechanism by which to support regional policy through recognition of the need for public intervention to combat exclusion, deprivation and to remove barriers to employment. Currently, there appears to be tensions between policy objectives that result in confusion and frustration among practitioners and target groups alike. ESEC feel that greater sensitivity needs to be built in to the competition policy framework to account for regional disparities.

The reform of the Common Agricultural Policy is an understandably sensitive issue for a number of member states. Nevertheless, change is inevitable at some point in the future. A strengthening of the second pillar of CAP placing greater emphasis on rural development would be welcomed by ESEC. Agriculture is the lynchpin of rural areas but other influences also play their part. Minor impacts on rural communities, in many cases can have severe implications for their sustainability. These changes can be a result of a lack of employment opportunities within given Travel To Work Areas, poor accessibility and transport infrastructure, imperfect housing markets or incompatible retail development within the wider economic region by way of example. Measures to tackle these problems, in addition to those associated with agricultural restructuring are essential to prevent intra regional instability and imbalances. These issues clearly begin to fall within the ambit of regional policy and ESEC are of the opinion that in order to promote greater policy coherence, the Commission should seriously consider a transfer of this area of responsibility.

**Other Policy Areas**

Paradoxically, labour shortages in certain industries within certain areas can exist alongside high unemployment. The mismatch between supply and demand could be tackled by cross-policy discussion and coordination between public, private and voluntary training providers supported by robust labour market intelligence. There is a need to examine how the reform of regional policy may be the catalyst in bringing together Education, Employment and Enterprise with Regional policy to tackle this. Similarly, the low rate of new enterprise development is a crosscutting issue. There are examples where the teaching of entrepreneurial skills has been assimilated into school curricula. This type of approach demonstrates collaboration at project level and provides a model that could be further supported by greater policy integration.

Additionally, Member States could consider how their own initiatives such as Social Inclusion Partnerships, New Deal and Modern Apprenticeships could be better integrated with the objectives of future cohesion policy through explicit linkages.

- *Both the Commission and Member States should map out areas of policy intersection and consider how to develop positive horizontal as well as vertical integration.*

**Budgetary Issues**

It is recognised that the enlargement process could result in lower global sums available for non Objective 1 areas under the current administrative and budgetary arrangements. However, opportunities clearly exist to maximise that which is available, and thus the impact achieved, by the pooling of resources as a complementary activity to the integration of policy.

A strong case remains for the continued support of regions that are still adversely affected by structural change. Moreover it should also be recognised that the process of industrial restructuring is more dynamic and complex than ever before. So areas that may have partially recovered from the decline in primary industries and traditional manufacturing might now be vulnerable to further global economic change and shifts in technology. The new regional policy framework needs the flexibility to respond to global change and its impact on regions and localities.

Any residual or replacement Objective 2, which could be allocated to continue that support, should be augmented by the rationalisation and amalgamation of other funds. There has been a clear and stated desire to achieve greater complementarity between Objective 2 and Objective 3. This could be effectively delivered by the creation of a single programme that integrates the Objectives and budgets. It is recognised that this notion will require some expansive thinking and meaningful collaboration by both DG Regio and DG Employment and Social Affairs. However, we believe that this would be possible, given a will to do so. Practitioners have
demonstrated that collaborative, crosscutting activity provides an holistic and effective approach to the challenges of restructuring and adapting to rapid economic change, and are encouraged to do so by the Commission. ESEC feels that this watershed period provides a significant opportunity for the Commission to demonstrate its commitment to this approach within its own working arrangements.

The **Integrated Fund** should logically embrace all sources of funding which share policy objectives. Thus, Community Initiatives (CIs) such as EQUAL, URBAN and LEADER+ could also be incorporated into the Fund given their overlap with existing Objective 2 and 3 measures. The transnational dimension of these need not be lost, but could be an eligible activity under a new programme, employed where it was logical and appropriate to do so rather than a mandatory requirement. A further rationale for this would be the simplification of the current administrative processes governing the CIs, which are often criticised as excessively bureaucratic.

The fund would also reflect the discussion that pillar II of the CAP is beginning to address issues of rural development and as such, is consistent with the current Objective 2 Programme and LEADER+. It follows, therefore, that CAP should also be included.

National government, having prime responsibility for the correction of socio-economic regional imbalances within its own boundaries, could also harmonize policy and budgets with any new programme to optimise breadth of intervention and resultant impacts. A more programmed approach to central government initiatives would also assist the implementing agencies plan their own expenditure.

While ESEC recommends the absorption of Community Initiatives into an integrated fund, it is recognised that INTERREG is likely to remain to be seen as an important instrument in the promotion of cross-border cooperation given its spatial development context and the enthusiastic engagement of mainland European regions in the previous and current programme. From the East of Scotland perspective, the North Sea Programme, which is pertinent to our area, has been well managed and good communications exist with the PME. However, opportunities to benefit from the initiative are minimal. The historic and continuing low uptake of INTERREG funding in Scotland is not a result of any lack of need or desire to utilise the programme, but reflects the limiting effect of not having land borders with any other member state. This significantly narrows opportunities to develop meaningful and concrete projects or satisfy the transnationality criterion. In the approach to the next programming period, consideration should be given to the widening of the criteria and reconfiguration of the Initiative to remove barriers that militate against effective usage.

Finally, a crisis management fund should be established to combat the effects of asymmetric economic shocks as a result of global market conditions, although this need not form part of an integrated fund. It is recognised that the Structural Funds are instruments of strategic planning and that such a fund could be considered to be a reactive tool. However, global economic conditions should be factored in during the planning process and preparations should be made to cover certain eventualities. In this respect, any such fund could be seen as a legitimate strategic planning device. Furthermore, regional economies can be severely tested as a result of rapid structural change, the impact of which is likely to undermine the objectives of existing strategic plans. It must also be recognised that the use of broad brush fiscal measures such as interest rate adjustments to respond to macro-economic dynamics are often not sensitive or appropriate for regionally based economies that may be out of kilter. This crisis fund would help to mitigate these effects.

- **An Integrated Development Fund should replace the compartmentalised budgetary system that currently exists.**
- **The Fund should be developed by the amalgamation of residual/replacement Objective 2, Objective 3, CAP pillar II, LEADER+, URBAN, EQUAL and national budgets.**
- **A crisis management fund should be established as a strategic planning tool developed to underpin and protect the positive impacts of regional policy.**

**Delivery Mechanisms and Programming**

The "Partnership approach" is seen to be an example of good practice born out of the need to administer the structural funds. Thus it clearly demonstrates an achievement of significant added value, and as such, it should not be lost as a result of future policy/administrative changes. ESEC also believes that the current sub-regional
administrative areas could remain a strong option for the management and distribution of the Integrated Development Fund, which, as a consolidated financial tool, has the potential for providing an appropriate scale of funding for management at that geographic level.

A second point is that historic engagement in this process has fostered familiarity with the geographic area and partner organisations within the East of Scotland European Partnership administrative area, which helps to provide a shared understanding of the needs and challenges that exist within the area. Fundamental changes to this model could result in a slow down in the learning process created by this experience and the development of these relationships. Furthermore, the current geographies would appear to be the most appropriate and effective level for administrative purposes. Management of a Scotland-wide or lowland Scotland fund would distance stakeholders from the process and could result in bureaucratic challenges.

Excessive bureaucracy is a complaint easily laid at the door of the Commission. However, the Implementing Authorities have a shared responsibility in the development of these systems. The level of bureaucracy is a common concern not only for intermediary organisations, but also for programme administrators. A rational approach is required which will satisfy the principles of probity within public funding while recognising the potential for overburdening applicants with process. The process of developing programmes is complex and lengthy resulting in delays in implementation, often up to and beyond 12 months. The requirement for a mid-term review is logical, however in practical terms, the timing of this coupled with the delay in commencement of the programme renders assessment of policy and programme impact difficult to judge which undermines the value of the review. Consideration should be given to how this and other elements of the structural funding process can be simplified. Unfortunately, there is a prevailing view that previous attempts at simplification have resulted in further intensification of bureaucracy. The development of an integrated fund, in reducing the number of programmes, could assist by the streamlining processes.

- The current Objective 2 Partnership arrangements should remain in place to build upon the added value developed over previous programming periods.
- The Partnership should manage the Integrated Development Fund.
- A genuine attempt should be made at simplification of the administrative systems as they apply to all users.

Conclusions

ESEC recognises that the enlargement of the European Union represents a significant milestone that will give rise to a range of economic, social and cultural benefits. The process also provides us with a range of challenges, unique in scope and scale, which require lateral and radical thinking in order to meet these and to satisfy, in so far as possible, the various competing interests.

ESEC also appreciates the UK Government’s attempt to meet those challenges with innovative thinking, but have little confidence that the proposal, as framed in the Consultation Paper, provides sufficient guarantees regarding the allocation of funds, nor constancy within the context of potential for a change in administration.

We do remain convinced that there will be a requirement for continued support outwith Objective 1 areas for regions that have not yet successfully completed structural change and strongly advocate the retention of regional policy as a European instrument that provides a framework that each region can identify with. As suggested by the Commission, the framework could translate into a menu of measures from which appropriate interventions can be selected at a more local level.

ESEC proposes that in order to minimise the impacts of redirected budgets, policy is better co-ordinated through the European Commission and at Member State/regional level. Through commitment to co-operation, integrated funds can be developed to allow policy objectives to be effectively pursued but there is recognition that altering established practices is a significant challenge in itself.

Finally, the Scottish experience and model of Partnership has provided valuable administrative and relationship lessons, developed a wider understanding of the role and function of the European Union and promoted the discussion of cross-sectoral issues. Thus, significant added value has been achieved. These assets should be built

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upon and provide the basis for the administration of any post 2006 approach to the implementation of regional policy.
**Falkirk Council**

1. **Proposed Response**

1.1 Falkirk Council welcomes the opportunity to comment on the Department for Trade & Industry/Scottish Executive consultation document, “A Modern Regional Policy for the United Kingdom” and considers this important document to be a starting point from which further discussion and negotiation will take place in the lead up to 2006.

1.2 This response has been based upon comments received from a range of Council Services, particularly those with direct experience of accessing Structural Fund support and whose work may be impacted upon through any proposals for change.

1.3 Falkirk Council welcomes the prospect of enlargement of the EU and acknowledges that this will require effective and efficient accompanying measures to promote the economic and social cohesion of new Member States. However, Falkirk Council considers that this objective will have to be balanced against a need to continue to recognise and provide support for those regions within existing Member States, which will continue to require positive support post 2006.

1.4 We agree overall that there is a need to simplify procedures both within the European Structural Funds and the complementary State Aid regime and consider this to be a main priority for more effective implementation of regional policy post 2006.

1.5 Falkirk Council acknowledges that the proposed “EU Framework for Devolved Regional Policy” does identify opportunities for simplification, as through this, devolved administrations would have greater flexibility in allocating resources in support of their own national priorities. This could lead to savings in the administrative costs and bureaucracy associated with managing the Structural Funds.

1.6 However, we would welcome further clarification on how the Framework would be integrated with and measured against common EU-wide objectives not only in relation to regional policy but also other policy areas such as Employment, Social Justice and Education. We would also seek further detail on how the primacy of the EU-dimension would be retained through the proposed Framework? We consider this to be an important aspect for further consideration, which if overlooked, could lead to a situation where national policy is not integrated with and indeed over-rides EU regional policy.

1.7 The consultation document states that the strengths of the current Structural Funds, for example, seven year funding, partnership working and the ability to “badge” projects to reflect their special status should be retained post 2006. Falkirk Council would like to stress the importance of these strengths and we seek further clarification on how these could be taken forward and developed within the proposed Framework.

1.8 Falkirk Council considers that the principles of concentration, partnership, programming and additionality should remain the guiding principles for Structural Funds post 2006. It is vital to avoid a future situation where funding is initiative driven, focusing on short-term gains rather than long-term sustainability.

1.9 The “menu approach” currently being suggested by the European Commission, has relative merits particularly in terms of retaining the EU-dimension. This approach could also provide an opportunity to improve the integration between different Structural Fund programmes. For example, future regional funding (ERDF) could include human resources measures currently funded by the European Social Fund (ESF).

1.10 However, under the “menu approach” it is not clear how funding would be allocated between and within Member States and whether there should be a mechanism to ensure that resources were not spread too thinly. Falkirk Council would seek further clarification on these issues.

1.11 The future management of the funds is also raised within the consultation and as previously stated, Falkirk Council consider simplification to be a key priority post 2006. We consider that the future
bureaucracy and administration of the Structural Funds should reflect the level of resources allocated. We fully support and advocate the benefits of partnership working and consider this aspect of good practice to continue beyond 2006.

1.12 Falkirk Council also acknowledge the benefits brought through partnership working between Member States, particularly through cross-border initiatives such as the INTERREG programme. If, as proposed within the “EU Framework for Devolved Regional Policy” such an initiative was to continue post 2006, we consider that the historic and continuing low uptake of INTERREG funding within Scotland is an issue that needs to be addressed.

1.13 The consultation document highlights the role of Regional Development Agencies (RDAs) in the future implementation of regional policy in England. However, Falkirk Council considers that the document does not contain enough detail about the role to be played by local authorities, the Enterprise network and other key partners within the Scottish context. Falkirk Council’s view is that the local authority sector, with its statutory responsibility for the co-ordination of Community Planning, should be seen as a key partner in the distribution of future regional policy funding. This would enable the sectors’ experience and expertise of the Structural Funds to be fully utilised.

1.14 With reference to the reform of state aid, Falkirk Council supports any move to clarify and simplify state aid procedures and approval. We consider that the process of European Structural Funds reform could enable state aid to become a more positive mechanism to support regional policy.
**Fife Council**

**Introduction**

Fife Council welcomes the opportunity to respond to the consultation issued by the Department of Trade and Industry on a "Modern Regional Policy for the UK". The Council is a key player in the development and implementation of regional policy at the local level through the pursuit of its economic development objectives, as set out in the Fife Community Plan.

One of the key themes of the Fife Community Plan is to develop a stronger, more flexible and diverse economy. The Fife partners will progress the objectives of this theme through the new Fife Local Economic Development Strategy by:

- focusing resources and improving support for new and growing local businesses, in particular those with potential for bringing innovation into the local economy;
- reducing barriers to participation in economic activity, particularly in relation to childcare and transport, and to ensure wider access to job opportunities for our most disadvantaged communities;
- ensuring sufficient land for future development and in particular developing and servicing key sites for local expansion and inward investment;
- improving access to training and employment advice and services;
- supporting the development of company and organisational clusters for a range of sectors in the economy in particular for electronics and tourism;
- promoting greater volume for freight transport by rail and sea;
- improving strategic road links
- implementing a strategy for regeneration of town centres in Fife targeting in particular Dunfermline and Kirkcaldy town centres as well as a number of smaller town centres;
- ensuring that Fife has the knowledge, awareness, training and infrastructure to achieve the opportunities presented by information and communications technologies.

The activities outlined are in line with current regional policy priorities at both the EU and national level and the Fife partners welcomes the opportunity to continue to feed into the process of developing and implementing regional policy at these levels.

There is no doubt that the enlargement of the EU to include 25 Member States presents an unprecedented challenge for both existing and new members and is a determining factor in the need to reform the Cohesion and Regional Policies as well as other EU policies which have a significant impact on cohesion. Such reform is needed to meet the vision agreed at the Lisbon summit of the European Union becoming, by 2010, "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."

The DTI consultation paper sets out the Government’s position with regard to rising to this challenge and there are many aspects of the proposal which are supported by Fife Council. In particular the recognition of the need for a regional policy framework at the EU level is welcomed and, when combined with the many positive characteristics of the current approach to implementing such a framework, will support the achievement of the Lisbon vision.

However, the principle of “re-nationalisation” of the funds to implement regional policy and how this will be delivered causes significant concern. The Council believes that regional policy should remain relevant on a Europe wide basis as it reinforces integrated governance and promotes clarity and consistency of policy direction, enhanced by a definitive programming period. It also provides certainty regarding the availability and level of budgets. The following sets out the concerns of Fife Council in a number of areas.

**Separation of Policy and Funding**

The Government's proposals, as they currently stand, would essentially bring about a divorce between the policy direction set at the EU level and the funding and implementation decisions made within Member States. Although Member States would be expected to implement the policy there would be no financial directive from Europe to do so. We can only assume that the resources allocated to regional policy from domestic sources would be used to meet the objectives and targets set at the EU level. There is however no mention of how such a
process would be monitored or what would happen if a Member State deviated from the policy direction. Without some form of penalties for non-compliance the renationalisation of monies to support regional policy may never be used to meet the EU policy framework.

The proposals state that the suggested regime would bring additional income for regional development to the devolved administrations, but does not provide any firm basis for that claim. There is no guarantee that additional funding will be made available and we can only trust that any additional resources will be used for that purpose.

According to the proposals the spending will be more effective under this allocation as there will be greater flexibility than under the current EU Led arrangements. This can only be the case if the local partnerships are involved in policy development as they currently are in the EU Programmes. There is no clarity on how the allocations to the devolved administrations would be made and as with many aspects of the Governments proposals, little guarantee that this element can and will be met in full.

Added to this is the fact that a change in policy priorities at the national or regional level could alter the direction of regional policy. The policy is therefore fragile in the face of political priorities and with this, questions again arise with regard to how the funding would be allocated. Currently, the eligibility criteria are transparent and are substantively resistant to political influence. The proposals do not, at this point in time, advocate for such a robust system. A further concern is that in the absence of clear guidelines and criteria, the process could become initiative driven leading to wasted efforts and resources and could undermine the principles of partnership.

Fife Council remains convinced that there is a requirement for continued support outwith Objective 1 areas for regions that have not yet successfully completed structural change and strongly advocates for the retention of regional policy as a European instrument. A strong case remains for the continued support of regions that are adversely affected by structural change and, as an alternative to the current programmes, the Council would support a policy framework developed at the European level within which regions would initiate activities under identified themes as per the Commission's menu approach.

This would enable resources to be targeted at specific types of area (industrial, rural etc) and/or at certain themes. Appropriate priorities could be selected at the local level, providing the flexibility to respond to particular needs and opportunities as they arise, and it is important to ensure that local and regional authorities are closely involved in setting these priorities. It would also promote coherence with national policies while ensuring a strong European presence in setting the agenda.

In many cases a thematic approach such as this may help to focus on the areas of actual need resulting in a greater concentration of resources. It must be ensured that the allocation of funds is based on sound and objective criteria such as pre-approved deprivation indices or other appropriate measurements depending on the policy objective. To date the menu approach debate has focused on the geographical approaches as seen previously in Objective 1 and 2, but this should be balanced with a similar discussion on Objective 3 type thematic activity.

**Implementation**

The proposals put forward by the Government criticise the current system of Structural Funding and argue against the status quo. While all involved in the Structural Funds would agree that the system is too bureaucratic, there are also many aspects of the current system that are successful and should be built upon for the future. Elements such as 7-year programming, a partnership approach and the development of programmes at a sub-regional level, have brought a distinct local nature to policies and programmes.

The 7-year programming which is success of the existing system is an unlikely product of the Government’s proposals given that the UK has a 5 year parliamentary cycle and budgets that are subject to alteration particularly in the advent of a change in administration. While it may be possible for the Government to make commitments beyond the normal 3-year programming, these will only be commitments and there can be no guarantee of funding through to 2013. In addition, it is not only the budgets that are vulnerable but the commitment to regional policy itself as a tool for economic development. Such commitment may wane during the longer programming period.
The partnership approach is an example of good practice borne out of the need to administer the structural funds at the local level. Engagement in the process has fostered familiarity with the geographic area and between partner organisations and develops a shared understanding of the needs and challenges that exist within a Programme area. The current sub-regional administrative areas are a strong option for the management and distribution of any future funding mechanism. Management of a Scotland-wide or lowland Scotland fund would distance stakeholders from the process and could result in bureaucratic challenges.

Simplification is an area which all those involved in funding regimes would welcome. Excessive bureaucracy is a problem with the current arrangements, but is not necessarily wholly attributed to the European Commission. The Implementing Authorities have a shared responsibility in the development of these systems and the level of bureaucracy is a common concern not only for intermediary organisations, but also for programme and project administrators. A rational approach is required which will satisfy the principles of probity within public funding while recognising the potential for overburdening applicants with process, and could be achieved at the EU level as easily as within the Member State. Re-nationalisation does not necessarily mean that the bureaucracy will disappear or even reduce.

Consideration should therefore be given to how many elements of the EU structural funding process can be simplified through reform rather than through abolition. Unfortunately, there is a prevailing view that previous attempts at simplification have resulted in further intensification of bureaucracy.

Links to Other Policies

Competition Policy and the current State Aid regime contribute to cohesion by limiting the ability for wealthier regions to increase their competitive advantage through incentives and subsidy. This instrument could become a more positive mechanism by which to support regional policy through recognition of the need for public intervention to combat exclusion, deprivation and to remove barriers to employment. It should therefore be linked less to the areas eligible for structural fund support and more towards redressing regional and sub-regional imbalances. What is important for the post 2006 period is that the differential between the rates of assistance available on the EU’s poorest areas and those applicable to assisted areas elsewhere should not automatically widen, but that due consideration be given to the impact these policies have on economic development and regeneration.

The reform of the Common Agricultural Policy is an understandably sensitive issue for a number of Member States. Nevertheless, change is inevitable at some point in the future and must ensure a market orientated and sustainable policy with greater emphasis on rural development.

There is little of no mention in the current proposals for links to be established to the European Employment Strategy, which is a key component of existing policies. As mentioned elsewhere in this response the debate must be extended to include the type of activities supported through the Objective 3 programme which currently supports the European Employment Strategy.

National government, having prime responsibility for the correction of socio-economic regional imbalances within its own boundaries, could also harmonise its own policy and budgets with any new funding programme to optimise breadth of intervention and resultant impacts. A more programmed approach to central government initiatives would assist implementing agencies plan their own expenditure.

Conclusion

It is recognised that the enlargement of the European Union represents a significant milestone that will give rise to a range of economic, social and cultural benefits. The process also provides a range of challenges, unique in scope and scale, which require lateral and radical thinking in order to meet these and to satisfy, in so far as possible, the various competing interests.

The UK Government has attempted to meet those challenges with innovative thinking, but Fife Council has little confidence that the proposal provides sufficient guarantees regarding the allocation of funds, or consistency within the context of potential for a change in administration. It is disappointing that the proposals concentrate on the financial aspects and do not make the link effectively to the need to continue to develop a cohesive Europe.
In particular, the Government must provide the answers to a number of questions before the current proposal can be seriously considered. These include:

- how much money will be allocated to regional policy under the re-nationalisation approach?
- will the support for regional policy be guaranteed through to 2013?
- how will the funding be targeted within the UK?
- will the funding be ringfenced for appropriate activities to ensure compliance with the regional policy agenda?

The answers to these questions must be provided in order for the renationalisation debate to be further considered.
Glasgow Council

1. Introduction.

1.1. This report sets out the response of Glasgow City Council to the consultation paper A Modern Regional Policy For The United Kingdom, published in March 2003. It coincides with a period of policy development regarding the future of the European Structural Funds (European Social Fund and European Regional Development Fund) in the context of the forthcoming European Union enlargement.

2. Background.

2.1. A Modern Regional Policy For The United Kingdom has been issued jointly by the Departments concerned, reflecting the unusually broad range of issues relating to regional policy. However, it may be significant that although the Foreword to the document is jointly signed by the Deputy Prime Minister (with responsibility for the English regions), and the Secretary of State for Trade and Industry (with responsibility for their economic performance), the third co-signatory – the Chancellor of the Exchequer - was responsible for its launch.

2.2. The issues addressed in the consultation paper are as:-
- UK regional policy; i.e., Regional Selective Assistance; Assisted Areas
- State Aids.
- European regional policy: i.e., post-enlargement, Cohesion Policy, the future of the Structural Funds;
- Operational issues, regarding spend of the Structural Funds, i.e., simplification and flexibility.

3. UK Regional Policy

3.1. A Modern Regional Policy For The United Kingdom states the government’s conviction that regional policy must not be a zero-sum game. Rather than moving existing economic growth from one (thriving) part of the UK to another (less prosperous) part, there should be a “levelling-up” of regional growth and prosperity. The means of achieving this end should be regional policy interventions to stimulate and nurture regional economies.

3.2. However, as things stand, there is a danger of many parts of Scotland facing a “double-hit” after 2006, namely a combination of loss of access to Structural Funds (as outlined below) and loss of qualification for “domestic” sources of regional assistance, above all is the risk to Assisted Areas.

Assisted Areas.

3.3. Assisted areas are those areas of the UK where regional aid may be granted under EC law. Regional Selective Assistance (RSA) and Invest for Growth are currently the main forms of such aid in Great Britain. Currently, around 70% of Glasgow benefits from Assisted Area status. Assisted Areas also attract maximum levels of grant under the State Aid rules “aid intensity ceilings”. In Glasgow, all wards are subject to 20% maximum intervention towards total project costs. In some circumstances an additional 10% may be awarded.

3.4. The information available so far suggests that there may be a reduction in the Assisted Area map. Aid intensity levels – currently standing at 10-30% of total project costs – are also likely to be lowered. There is no indication that the range of eligible activity fundable by the state is going to reduce.

3.5. During the 1998-2000 review of the Assisted Area map, the overall eligible population in Scotland was significantly reduced from 64% to 48%. Eligibility is assessed through two variables – GDP per head and unemployment at the “NUTS 3” geographical level. In the context of an enlarged EU, the application of the existing formula to determine overall population coverage would almost certainly result in a further and significant reduction in UK coverage arising from the lowering of overall per capita EU GDP. In turn, this would impose severe constraints on the capacity of the UK government and Scottish Executive to deliver regional policy. Any reduction in Assisted Area coverage would have a negative effect by limiting both the level of RSA and by reducing the amount of support public authorities can give to undertakings.
3.6. In addition, the 2000-06 regime also cut the permissible intensities of assistance for all types of Assisted Area. It is important in the coming period that the differential between the maximum rates of assistance available in the EU’s poorest areas and those applicable to Assisted Areas elsewhere should not be allowed to widen. Any further reduction in the aid intensity ceilings would result in public support to undertakings being reduced to levels that may discourage private investment. The likely result would that Public/Private Partnership working would decrease with the reduction in available funds.

Regional Selective Assistance (RSA)

3.7. RSA is granted to secure employment opportunities and increase regional competitiveness and prosperity, particularly in areas of deprivation. Manufacturing businesses, and to a lesser extent the service sector, are eligible for RSA. It is a discretionary grant for fixed investment projects aimed at creating or safeguarding direct employment in the Assisted Areas.

3.8. All projects must have good prospects of viability and contribute to the national and local economy and the greater part of the funding package should be met by the applicant or other sources in the private sector. Since it must be demonstrated that RSA is necessary to enable the project to proceed, there must be no commitment to the project before the Scottish Executive – which administers the grant in Scotland – has completed its appraisal. Companies apply directly for RSA; therefore there is no direct local authority involvement. Nonetheless, RSA plays a significant role in promoting economic development and seeking to improve competitive advantage within local authority boundaries. Since 2000 over 640 offers of RSA have been accepted by businesses in Scotland. This amounts to £435m helping to create over 41,000 new jobs. Last year, 84% of offers were made to indigenous companies.

3.9. In 2001 there was a major review of RSA in Scotland. Currently there is state aid cover until 2006. The external review group recognised RSA’s vital and continuing role but recommended:
- More focus on growing Scottish firms
- More focus on, and support for, quality projects.

A Modern Regional Policy For The United Kingdom proposes that this review should now be implemented.

4. State Aids Policy

4.1. State Aid can be any assistance from a public body or publicly-funded body, which has the potential to distort competition and affect trade between member states of the European Union. State Aid rules apply to organisations involved in economic activity (“undertakings”). The organisation does not have to be profit-making if the activity carried out is one which has commercial competitors. In some instances, public and voluntary sector organisations such as universities and charities, including credit unions, could be classed as undertakings in this sense.

4.2. There are special rules which apply to the following: -
- certain sectors (e.g. coal, shipbuilding);
- size of firm (e.g. SMEs);
- location (regional aid); or
- purpose (e.g. environmental improvement).

All state aid is unlawful unless it has been approved by the European Commission or falls under an exemption.

4.3. Scottish local authorities have “block exemption” which allows funding to be given for training, investment, R&D, environmental investment, and soft aids. Within this, maximum aid intensity levels and other criteria apply. Property development can be supported via a specific scheme, approved in April 2002. The European Commission has also introduced block exemption regulations relating to aid given to SMEs, training and within de minimis levels – these are intended to make it easier to grant aid without having to go through the formal notification process.

4.4. The proposals in A Modern Regional Policy For The United Kingdom are to ‘strengthen the economic foundations of the state aid rules [to] ensure [that they] more closely complement the wider objectives of
regional policy’. Such an outcome would be welcome, as, of the current 15 European Union countries (EU15), the UK provides the least state aid as a percentage of GDP. However, such a reform would be of little, if any value, if the means of such aid, i.e., RSA and EU structural funds were to be reduced or eliminated in the “double-hit” described above (para 3.2).

5. European Regional Policy

Enlargement

5.1. At the European Union Heads of Government meeting in January 2003, the EU15 decided to permit accession for the following 10 further countries from 1 May 2004:-
- Cyprus (subject to conditions)
- Czech Republic
- Estonia
- Hungary
- Latvia
- Lithuania
- Malta
- Poland
- Slovakia
- Slovenia

5.2. This growth will have a number of dramatic effects on the European Union. The population of the EU will increase by some 24 million people, in countries which in many cases were part of the former Soviet Bloc in eastern and central Europe. They will bring with them not only the potential of their markets and the skills of their peoples, but also a number of economic challenges to the existing EU.

Cohesion Policy

5.3. Not least of these will be the future of Cohesion Policy, which is broadly committed to the economic and social cohesion throughout the EU. Its main tools are the Structural Funds -European Social Fund (ESF) and European Regional Development Fund (ERDF), which are applied according to three objectives:-
- Objective 1 - for regions where GDP per head is less than 75% of the EU average
- Objective 2 - for economic and social conversion in areas facing structural difficulties
- Objective 3 - for adaptation of training and employment policies.

5.4. Eligibility for these funds will need to be changed drastically to meet the challenge of enlargement. The underlying position is that the new member states (except Cyprus) have considerably lower GDP than the EU average. In two cases (Lithuania and Latvia) GDP stands at under 40% of the current average. The implication is that the Structural Funds will “migrate eastwards”, i.e., be focussed almost exclusively on the new accession countries when the current programme expires in 2006. Most obviously for Glasgow (and other areas in the existing EU which have benefited from Structural Fund support), this would mean a considerable loss of resources, as the City and the West of Scotland would lose access to Objectives 2 and 3, leaving only limited access to much smaller Community Initiative programmes such as Interreg and EQUAL. This would have considerable detriment to vital areas in the local and, by extension, regional and national economies.

Future Of Structural Funds.

5.5. A Modern Regional Policy For The United Kingdom incorporates an approach designed to deal with this issue, based on the “renationalisation” of the Structural Funds. This would mean the repatriation of the contributions currently sent from member states to the EU. Following an EU “Framework for Devolved Regional Policy”, this would be consolidated into their domestic regional policy, to be implemented through devolved institutions. As far as is known, this policy may be supported by the Netherlands, and by the most prosperous German Bundesländer, i.e., Hamburg, Bavaria and Baden-Württemberg. It is opposed by some of the current EU member states which would be most adversely affected, notably Spain.
5.6. *A Modern Regional Policy For The United Kingdom* also states the intention of maintaining the strengths of the current Structural Funds regime, but eliminating its weaknesses. In pursuit of these aims, it sets out the advantages of “renationalisation” as including:-

- **common principles** to meet EU objectives (e.g., sustainable economic development, job creation, combating social exclusion)
- **flexibility for devolved domestic policies**, under subsidiarity principles
- “Separation of aims from means”, i.e., regional policy from regional funding, in that even wealthier member states would be required to follow the framework
- **community solidarity** in the form of the EU Framework approach, and of the Commission evolving a more positive role in: state aid approvals; exchange of best practice; cross-border co-operation; and capacity building for devolved institutions.
- **compatibility with Commission thinking** to be supported explicitly in the Framework (e.g., themes such as urban areas, rural areas, areas undergoing restructuring, more and better jobs etc.)

5.7. The case against the “renationalisation” of the Structural Funds is based on four main factors:

- **Duration** of programmes
- **Partnership** arrangements
- **Visibility of European Union benefits**
- **Overall effectiveness**.

5.8. The **duration** of Structural Fund programmes is one of their key advantages, as they are set for a 7 year period. In contrast, many UK government funding programmes are much more tightly time-limited. For example, the Scottish Executive SIP Fund can be committed no more than three years in advance, with the final two years being indicative allocations only. It is therefore difficult to see how a renationalised system could secure funding for an extended period. As the purpose of the Structural Funds is to address long-term disparities between regions and to support responses to major structural economic dislocation, it is essential to maintain concerted programmes over the longer period.

5.9. **Partnership** arrangements have also been an important feature of the current and former Structural Fund programmes. The incentive of European Union funding has encouraged extensive and formal partnership working. In Glasgow’s case, Strathclyde European Partnership has managed the West of Scotland Programme, combining and developing expertise in joint programme and project management. There is no guarantee that these arrangements would be as imperative, and therefore as effective, under the government’s plans. In addition, the development of the programmes has been the responsibility of these regional partnerships. Under renationalisation, there would be the risk that this process would be consolidated centrally at the Scottish Executive, reducing the influence of councils and other local actors such as local enterprise companies.

5.10. One of the biggest successes of the management of the Structural Funds has been that of raising the **visibility of the European Union** in the areas which have benefited. Through the mandatory “badging” of ERDF and ESF projects, local communities have seen the real and tangible contributions which the EU has made to facilities and other resources in their areas. The renationalisation proposal would eliminate this invaluable tool to show the inclusive nature of the EU. This is especially manifested in less advantaged communities.

5.11. Perhaps the most critical area where the renationalisation proposal falls down is that of maintaining the effectiveness of the Structural Funds. The consultation paper cites the EU’s overall objectives as those set out in Lisbon in January 2000: to create a Europe which would be “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.” However, these aims are extremely ambitious for many lagging regions and economies undertaking transition, and the risk in renationalisation is that they are diluted. **It is difficult to see how a framework can define the indeterminate line between local flexibility and diversion of funds for local purposes which may not contribute to the Lisbon objectives.**

**“Urban-Rural” Model.**

5.12. An alternative proposal has been developed to address the above issues, which appear to offer a more effective way forward: an “Urban-Rural” model of EU regional policy. This has been expounded by
cities including Leipzig (Germany) and Birmingham, and is based on the understanding of cities as the central driving forces for regional economies. At the time that the Lisbon objectives were set, it was appreciated that enlargement would require a complete transformation of the Structural Funds. The Urban-Rural approach would achieve this step-change, by reflecting a modern reality, where the historical concerns behind the EU’s past funding structure – food shortages and catastrophic slumps in key industries - has been overcome. Instead of concentrating on agriculture and industry, a better approach is to support rural development on the one hand, and urban policy on the other.

5.13. The main primary effect would be to create a system under which the Structural Funds – and the Common Agricultural Policy – would be redrawn to focus on urban and rural development, rather than on industrial or agricultural subsidies, within an overall integrated regional policy.

5.14. The focus of the Objective 1 programme would move east; however, Objectives 2 and 3 would be directed towards fulfilling the Lisbon agenda. Objective 2 would be geographically concentrated; Objective 3 would be available across the Union outside Objective 1 areas. For Objective 2, ESF and ERDF should be integrated into a single programme. Three of the Community Initiatives (EQUAL, URBAN and LEADER) would be integrated into the mainstream programmes, whereas INTERREG could be retained as a separate programme.

5.15. In adopting this Urban-Rural model, care would need to be taken to set down appropriate criteria to establish what is “urban.” Simple criteria (such as size of population and percentage of regional output) should apply, but the opportunity could also be taken to undertake a significant modernisation of the funds. Moving away from the current blunt instrument of GDP, for example, such a definition could take into account the following factors, which would in turn be the broad headings subject of grant funding:

- Social inclusion: deprivation; unemployment and economic inactivity; minorities and asylum seekers; take up levels of benefits, especially incapacity benefit and income support;
- Sustainable development: derelict and riparian land, infrastructure.
- Economic: education attainment levels; percentage of regional output; Gross Added Value; inward investment, business birth and survival rate.

6. Spend, simplification and flexibility.

Spend levels

6.1. There are two main Structural Fund programmes currently operating in Western Scotland:

- Western Scotland Objective 2 Programme 2000-06 (ERDF and ESF)
- Scottish Objective 3 Partnership 2000-06 (ESF only)

6.2. At this time (spring 2003), the Objective 3 Programme is spending comparatively on target. However the Objective 2 Programme is currently under spending. This chiefly affects the ERDF component of the programme which comprises £253m of the total £290m Objective 2 allocation. The ESF component is more or less spending to target. There are a number of reasons for the underspend within ERDF, but one key issue is the impact of the new financial regulations that were implemented in 2000 and which are collectively known as N+2.

6.3. N+2 is a European Commission regulation relating to the 2000-06 Programmes. It will result in the value of each Programme being reduced by £1 for every £1 of the spend target that is not met. Previous Programmes were not subject to this regulation and any underspend was transferred into subsequent years’ allocations. Unfortunately this often translated into a major, aggregated underspend at the end of each Programme at a time when it was too late to reallocate the monies, so N+2 was brought in to encourage a more accurate profiling of expenditure.

6.4. When assessing the level of spend at Programme level in order to assess the implications of N+2, “commitment” is defined as expenditure that has been approved to projects and paid out by the Scottish Executive. In the past, “commitment” meant simply that the funds had been approved. The requirement for funds to have left the Scottish Executive’s bank account will be a further major impact on the Programme budgets once N+2 comes into play, because of the substantial interval between projects being
approved and the Scottish Executive paying out on claims. This would represent yet another diminution of funds available, in addition to the “double hit” described above (paras 3.2, and 4.4.)

Simplification and Flexibility.

6.5. Simplification of the current procedure would require the removal of the N+2 regulations, and it is increasingly accepted throughout the UK that N+2 was a good idea in theory but less so in practice. However, the main problem for member states is that N+2 was not a European Commission-driven regulation – but one that was propelled by individual countries – and the UK was a leading force in this. The Western Scotland Programme Executive clearly sees this as a major issue which effectively rules out the total withdrawal of N+2.

6.6. Instead, preferable solutions appear to be the pursuance of potential European Commission process improvements, and ways in which to increase spend. These might include:
- Redefinition of “commitment” to spend
- Identification of new sources of co-finance
- Creation of Regeneration Funds (where ERDF is paid up front)
- Retrospective payment of ERDF
- Simplifying project appraisal systems

It should be noted that none of these require renationalisation of the funds (as proposed by the UK government).

6.7. There are a number of ways in which the system could become more flexible. However, such restructuring, midway through the Programme period, is unlikely to garner much support. Local partner organisations may have to accept that in order to maximise EU funding opportunities, ways must be found to increase spend within the existing parameters.

7. Networks

7.1. The West of Scotland European Consortium (WOSEC) has worked with its East of Scotland counterpart (ESEC) and COSLA to develop a position on behalf of Scottish local authorities. This position acknowledges the superficial appeal of renationalisation, but points out its shortcomings in much the same terms as argued above. In response, it proposes consideration be given a more flexible Europe-wide “menu” approach. This would enable structural fund resources to be targeted at specific types area (urban, rural, industrial etc.) and/or at certain themes, for example those identified at the Lisbon summit (e.g., the knowledge economy).

7.2. Eurocities supports the Urban-Rural principle. The network has worked for a number of years to press the case for large cities with Member States as well as the European Commission, taking into account the challenges they face in levels of social exclusion, crime, low educational attainment levels, poor housing and poor health. Eurocities also stresses the role which large cities play in the economic performance and vitality of their regions – especially as the engines of economic development and the nurturers of high skills and training. Eurocities wants to see these challenges and opportunities reflected in the future scope of a reformed Cohesion Policy and the shape of the reformed Structural Funds, which would wish to see applied to increasing the competitiveness of European cities.

7.3. The UK Eurocities have also met to consider a response in the light of the publication of A Modern Regional Policy For The United Kingdom. There is broad agreement that any replacement for the current Structural Fund regime should have a strong urban element, and a charter was endorsed by each of the cities concerned to this effect. A copy of this charter, and of the list of supporting cities is appended to this report. In addition, these cities have been joined by the Greater London Authority, whose Mayor, presented an earlier declaration along the same lines to M. Michel Barnier (European Commissioner for Regional Policy.)

7.4. It is useful to note that this analysis and that of WOSEC fit well with the principle set out in A Modern Regional Policy For The United Kingdom that regional policy should be based on “levelling-up.” The underlying idea is that regional growth should be stimulated on an exogenous basis (an underlying theme of the Treasury’s macro-economic policy). This is in contrast to the predominant earlier model of regional
policy, whereby key industries were located or relocated in lagging regions, either through direct government investment or through subsidies to relocating companies. In contrast, investment channelled through cities will stimulate and support sustainable growth, which will in turn be reflected in their surrounding regions, as described in para 7.2. In short, competitive cities are the key to increased regional prosperity.


8.1. In order to gauge the opinion on this issue amongst other major users of EU Structural Funds in Glasgow, a range of the Council’s partners were canvassed. These included: Scottish Enterprise Glasgow; voluntary sector (Glasgow Council for Voluntary Sector and Community Enterprise in Strathclyde); Strathclyde European Partnership and the Glasgow Alliance. However as this report was written (April 2003) these had either made no reply or had indicated that their own development of a response to A Modern Regional Policy For The United Kingdom was still being incomplete.

8.2. Amongst Glasgow’s higher and further education institutions, the colleges were in a similar position; their collective response is being co-ordinated through the West of Scotland Colleges Partnership (WoSCoP), and will be available nearer to the closing date for responses. Of the universities, the University of Strathclyde has passed on to the Council the views of its Principal, Professor Andrew Hamnett, who has a keen interest in the development of strong links between universities and industry, particularly with regard to regional re-generation. He is committed to developing entrepreneurial education in Scotland and in the UK more broadly, and has interacted strongly with Government Offices and Regional Development Agencies in placing universities at the heart of regional economic strategy. His response is sceptical, concluding that there to be a danger that “… the heavy hand of Brussels [could be] replaced by the even heavier and possibly more malign hand of Whitehall” and that in this case, he could detect little advantage in the renationalisation proposal.


9.1. The main question asked in A Modern Regional Policy For The United Kingdom is: “What are your views on the proposed approach: that, in principle, the EU Framework for Devolved Regional Policy should form the basis for Structural Funds post 2006?” (p. In putting this question, the consultation paper marks important watershed in the development of the European Union and of regional policy. It is to be welcomed that UK government is seeking to see beyond EU enlargement and to the consequent reconstruction of SFs. It is likewise welcome that the government is committed to regional policy, and sees the way forward to be through strong regional growth to level up lagging areas with their more prosperous counterparts elsewhere in Europe.

9.2. Regional policy is therefore to be seen in terms of growth rather than regarding the UK economy as a zero-sum game. However, the crucial factor in this approach is that positive action needs to be made to ensure that regional economies can and do grow. Therefore to achieve the aims set out at both levels - UK regional policy and EU cohesion policy level - it is vital that Glasgow and the West of Scotland continue to be subject to a supportive and effective regional policy. The reform of the structural funds offers a rare opportunity to ensure that these objectives are met in future.

9.3. Renationalisation as proposed in A Modern Regional Policy For The United Kingdom is superficially attractive, but it remains unclear how the following could be guaranteed: -
- long term programmes
- continuing effective partnerships; or
- European Union visibility and evidence of solidarity.

9.4. There is no doubt that there are a number of grounds for seeking simplification of the Structural Funds. At the same time, there are equally a number of ways in which simplification could be achieved. As the proposals in A Modern Regional Policy For The United Kingdom currently stand, it is unclear how it is proposed that simplification will be achieved. Moreover, none of the suggestions set out in this report require renationalisation of the Funds.
9.5. Therefore, Glasgow City Council does not accept that the case for renationalisation of the EU Structural Funds has been made conclusively, and therefore does not endorse the UK government’s approach in terms of the consultation question.

9.6. However, Glasgow City Council acknowledges that the Structural Funds must be reformed, and proposes that the UK government should adopt a position which will serve the objectives of regional policy most effectively in the contexts of both EU enlargement and the Lisbon agenda. The most effective way would be – as set out above - to adopt the model which serves urban policy interest most effectively, i.e., which best serves the aims of creating greater competitiveness in the European cities. This could, for example, be through a substantial programme to address the issues raised in para 5.5., i.e.: -
- social inclusion
- sustainable development, and
- economic development.

9.7. As a compromise alternative, the “menu” approach recommended by WOSEC would also allow for the required focus on these urban policy issues, and is therefore also commended.
Professor Michael Keating

1. The Scottish Parliament has a valuable opportunity to influence the development of European regional policy in the funding period from 2007. To maximise its influence, it should focus on the policy as a whole and not just on the funding implications for Scotland.

2. European regional policy has two main instruments, the Structural Funds and the state aids regime limiting national regional spending. There is also the European Spatial Development Perspective, intended to guide national regional planning policies and give them an all-Europe focus. The objectives are:
   (a) to enhance integration in the single market by aiding weak regions;
   (b) to secure a measure of social solidarity and redistribution in the face of European single market measures that risk increasing inequalities. The EU does not have instruments to overcome individual inequalities, but it does have a mandate in territorial inequality and this is a significant contribution to the creation of a ‘social Europe’;
   (c) to secure support for Europe from regions that might otherwise be alienated;
   (d) to diffuse good practice on local and regional development policy and to help regions frame and carry out their own development programmes.
These are critical objectives and it is vital that the EU continue to pursue them.

3. On the other hand, there are real problems with the present regime.
   (a) The Structural Funds often recycle money back to the donor countries, rather than simply transferring it from the rich to the poor. This appears wasteful but it may be the best way to secure universal support for the policy, in the way that universal social programmes secure the support of the middle classes for the welfare state.
   (b) Programmes are often complex, fragmented, bureaucratically over-regulated and wasteful. The various funds have their own regulations, making integration difficult. There is a lack of subsidiarity. These are real problems.
   (c) Structural Fund programmes are not linked to other spending and regulatory programmes of the EU. Research policy has an important role in regional development but is not well linked to EU regional policy. There is a gradual move of agricultural policy from a sectoral to a spatial focus, as rural development policy, or rural policy more generally. This involves potentially huge sums of money, which should be integrated into local and regional development policy more generally.

4. The UK government proposals seek to address some of these issues. The general idea, of simplifying the policy and providing more subsidiarity, is sound. The proposal for renationalization, however, raises problems. There is a lack of detail about some of the other proposals, and these details are often critical. The UK government proposes an overall EU framework for regional policy. There would be a redistribution mechanism in favour of the poorest countries. Other states would repatriate the policy, within the EU framework. There would be a more flexible regime on state aids. There would be limited provision for continuing EU own-initiative programmes like INTERREG.
   (a) The proposal for an EU framework is difficult to judge on its own. There is no detail on the content, or the mechanisms to enforce it. If wealthier countries were not to receive EU funding, it is not clear why they should respect the framework. Recipient countries would resent being subject to detailed regulation that did not apply to the donor countries, reinforcing suspicions in accession states that they are being treated as second class.
   (b) If the wealthy countries do not receive funding, they will find difficulty in justifying the policy to their electors. Instead of a mechanism for solidarity among regions, it will look like overseas aid to eastern and southern European countries.
   (c) The document betrays a strong intergovernmentalist bias, being concerned with the flow of money between states. There is nothing on the need for regions themselves to link to the EU.
   (d) The proposals say almost nothing about the need to link regional policy with European sectoral policy at the regional level, although they do provide for a better link with other domestic policies.
   (e) The proposals on state aids are too vague. It is suggested that the regime should be more flexible but the issue is not analysed properly. Restrictions on state aids to business are, in fact, in the interest of regions, protecting them from wasteful bidding wars. Many German Länder are keen to get rid of these restrictions so as to increase their ability to give incentives to firms. This is not in the interests of Scotland, or of
vulnerable regions. On the other hand, there is a case for revising the state aids regime so that it does no
prevent governments subsidizing or cross-subsidizing important public services, or aiding cultural
activities. This calls for greater clarification, rather than a general ‘flexibility’.

5. Principles for a reformed Structural Funds regime should be these.
   (a) It not be aimed at ‘renationalizing’ to the Member State level. It should, rather, have a continued regional
       focus and be based on a single European map of need. Some funding should go to regions in wealthy states,
       although there will rightly be a bias to the new Member States.
   (b) There should be a simplification of funding mechanisms and programmes. The Commission should not, in
       general, be involved in the detailed design of programmes, but should support programmes that are
       consistent with overall EU objectives.
   (c) There should be a variety of administrative and funding mechanisms at the regional level. Regions should
       be able to take on enhanced responsibilities for programme design and administration where they are able.
       This could be based on the Lamassoure proposals for regions as partners of the Union, although this has
       since been diluted to the formula of tripartite contracts. In the accession countries, weak regional
       administrative structures make this difficult and there may be a larger role for the Commission and national
governments. For the funding period 2004-6 the Commission, having earlier encouraged accession
       countries to adopt decentralized mechanisms for policy and administration, is now encouraging them to
       centralize, precisely because their regional administration is so weak. EU policy in the longer run should be
to help these countries strengthen the regional level.
   (d) Regional policy should be integrated better with sectoral policy, at the European level and at the regional
       level. Regions should be able, again using the ‘partner of the Union’ formula, to assume greater
       responsibility for European sectoral programmes. The scope for variation presently available at Member
       State level should be available to these regions, which may generally coincide with the ‘legislative regions’,
of which Scotland is one.

6. The question of whether Scotland will gain or lose from the UK government proposals is a diversion from
the main issue. It is well known that Structural Funds are part of the Scottish block, governed by the Barnett
Formula. This in turn depends on changes in functional programmes in England across a range of services.
Whether parts of Scotland are designated by the EU as eligible for Structural Funds makes no difference
whatever. It would be a serious mistake for the Committee to get bogged down once again on this question.
On the other hand, the assertion in the DTI paper (4.17) that regional spending will be higher is puzzling
since the paper elsewhere suggests merely that they will not lose. If regional policy is ‘renationalized’ to the
UK, it will be up to the Scottish Executive and Parliament to decide whether to continue, to increase, or to
cut it.

7. The treatment of this question in general in the paper is confusing, reflecting the UK governments
ambivalent role in this field. If regional policy is at present both devolved and regionalized, then the UK
government has no role. Is it, then, seeking to reinvent one for itself? If so, what is this, within England, and
in other parts of the United Kingdom? I do not see in the paper a well-thought out analysis of the
relationship between Europe and the devolved territories of the UK.
North Ayrshire Council

As you are aware, in March 2003 the Department of HM Treasury and the Department of Trade and Industry issued a consultation document: “A Modern Regional Policy for the United Kingdom.” The associated consultation exercise, which runs until 4 July 2003, is a welcome opportunity to review the operation of regional policy in a domestic and European context. It is important to address the widening of economic disparities which has been evidenced in the UK, and also to ensure that the relocation of the geographic centre of the European Union further to the East does not result in the marginalisation of the peripheral regional economies.

This letter, forwarded by email as requested in Chapter A6, constitutes North Ayrshire Council’s formal response.

Background

In North Ayrshire we have to address a diverse combination of regional development challenges, from the industrial restructuring issues faced by a number of our mainland communities through to the geographic and natural barriers to development faced by our island communities. Our area is currently subject to five separate European Structural Funding Programmes: the Highlands & Islands Special Transitional Objective 1 Programme; the West of Scotland Objective 2 Programme (core and transition); the Scottish Objective 3 Programme; the Scottish EQUAL Community Initiative; and the Scottish LEADER+ Community Initiative.

European regional development and social funds have helped to support a range of business development programmes, skills & training programmes, and community development projects as well as a number of high profile projects such as the Big Idea, Vikingar, Riverside Business Park, Kyleshill Centre, North Ayrshire College, and community learning centres on the mainland and islands. In the period 1999-2002 alone, around £20 million of European Structural Funds grant was approved for the communities and businesses of North Ayrshire. The result of this debate on the future of EU regional policy will, therefore, have serious consequences for North Ayrshire's future economic and social development.

In considering its response to this consultation, the Council has worked in close liaison with partners in the West of Scotland European Consortium, the Highlands & Islands European Partnership, the Convention of Scottish Local Authorities and the Scottish Local Authorities Economic Development Group. Through the regional consortia it has also worked with local government associations at an EU level. In addition Council representatives, at senior Member and Officer level, have engaged in discussion with Scottish Executive and UK Government Ministers.

Key points of response from North Ayrshire Council

It is in the context of the complexity detailed above, coupled with the need to maximise development resources at a local level, that North Ayrshire Council has examined the UK Government’s consultation document. The paper raises many important questions concerning the future of regional development at both UK and EU levels, but further specific detail is required before a fully considered assessment can be given. As a preliminary response, North Ayrshire Council:

1. Welcomes this consultation as a means of stimulating a comprehensive debate about regional economic development policy, extending beyond the future of the EU Structural Funds
2. Is convinced of the need for a regional economic development policy at EU, UK and Scottish levels
3. Urges the UK Government to participate fully in any debate about how possible structural fund support outwith Cohesion Fund countries and Objective One regions might be allocated in terms of both budget and activities
4. Accepts that, largely as a consequence of EU Enlargement, it is not credible to argue for the status quo in relation to structural fund receipts at UK and Scottish levels
5. Argues that availability of reduced funding, whether directly from the European Commission or by virtue of the UK’s proposed approach, makes it imperative that there should be a mechanism for ensuring that resources are not spread too thinly
6. Believes that regional policy throughout the EU should be based on simple, comparable and transparent criteria, which should be established in conjunction with the regional interests involved.

7. Is concerned that the level of discretion afforded to the devolved nations of the UK under the Government proposals, may undermine the existence of a framework or strategy that could have credibility at a European level.

8. Sees merit in further examination of proposals for the development of a menu of policy areas from which Member States, in conjunction with regional and local stakeholders, can identify the most appropriate for their own circumstances; a more decentralised policy should facilitate development of a more sophisticated approach to identifying target areas for regional economic development assistance, taking account of factors such as demographic change, deprivation and accessibility in addition to other socio-economic criteria such as employment and business formation.

9. Argues that procedures must be radically simplified and minimised in terms of administrative and auditing requirements to allow the more effective implementation of programmes in future.

10. Commends the benefits and good practice of a partnership approach, which is founded on the principles of a shared programme and strategy development both in Scotland and within the wider EU, and urges that this should continue to be the most suitable mechanism for delivering regional economic regeneration at a sub-Scotland spatial level.

11. Recommends that local government, with its statutory responsibility for the coordination of Community Planning, should be a senior partner in the delivery of regional policy.

12. Is concerned that further information is required on the Government’s “guarantees” on increased domestic expenditure on regional policy to compensate for structural funds foregone under the UK Government’s proposed framework; fuller detail is required to allow for a thorough assessment of the robustness of this proposal.

13. Urges that further consideration is given to the future funding of training and related activities currently funded by the European Social Fund in the Scottish Structural Fund Programmes.

14. Supports a reorientation of CAP from price/income support to rural development; any new regional policy regime requires to have the capacity to address any adverse territorial consequences of CAP reform or indeed any other EU or UK policy changes.

15. Recommends that any future Community Initiatives, in particular INTERREG, should have a greater emphasis on transnational and interregional co-operation rather than cross border activities.

16. Supports the proposals made in the Government’s paper for a more flexible application of EU State Aids and Competition policy. This is desirable irrespective of the outcome of the debate on the future of the Structural Funds.

North Ayrshire Council would welcome the opportunity to develop in discussion some of the points raised above, should this be thought appropriate. We look forward to further opportunities for involvement in the debate on the development of effective and efficient regional policy in domestic and European arenas.
Scottish Council for Development and Industry (SCDI)

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.

1. SCDI has consistently and actively supported the use of EU Regional Policy and associated funding programmes in Scotland and believes the additional funding and partnership working have added considerable value to domestic efforts to reduce regional disparities for Scottish regions in comparison to other UK and EU regions.

2. SCDI receives no core (or currently any additional) funding through these programmes but recognises the considerable benefits achieved for communities across Scotland by many of our member organisations which are often closely involved as participants and leading Programme partners and managers. These include members in the private sector, public agencies, Local Authorities, FE and HE institutions, some voluntary sector organisations and the Programme Partnerships themselves.

3. This response therefore reflects some of the thinking that these SCDI members are currently drawing together but also provides a further element of thinking from an organisation regularly observing and commenting on Scottish economic development and related UK and European issues, but not itself currently receiving or active in administrating EU Regional Policy funds.

4. SCDI has reviewed the consultation paper – “A modern regional policy for the United Kingdom” – published jointly by HM Treasury, the Department for Trade and Industry and the Office of the Deputy Prime Minister.

5. It is clear from the 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.

6. The UK Government also views the weaknesses in the current system as including -
   - Less freedom to focus on regionally or locally determined priorities.
   - Complex implementation procedures with considerable red tape and regulation.

7. However, the UK Government would expect that, if their Framework proposal were accepted, the total amount the UK contributes to the EU Budget from 2007-13 would be significantly lower. Savings for the UK Treasury could then be redirected through to the UK nations and regions via the block formula for use in more locally determined Regional Policy activity.

8. In Scotland there is support for the spirit, but concern with elements of the possible implementation of the UK Government proposals on an EU scale. Broadly speaking, most organisations support more devolved decision making, the stress on Regional Policy funds targeting Accession countries, simplification, reducing red tape in administration and the continuation of regional policy based funding in Scotland. But there are significant concerns.

SCDI has the following comments on the potential impacts for Scotland, the feasibility of the UK Government proposal, and its possible adoption as the new “model” for EU Regional Policy:

A) The Devolution Paradox and continuity of policy / funding –

9. There is a strong concern with the continuity of the internal UK political and budgetary choice aspects of the 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. Questions which the “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?

10. 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). 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.

11. 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.

B) Continuity of Regional Policy Funding in Existing Receipt Areas –

12. Like the UK Government, SCDI believes that the “statistical effect” of Enlargement should not lead automatically to the end of Regional Policy funding in areas currently considered in need of such support. SCDI believes that current Objective 1 Transition areas should move automatically into Objective 2 (or its replacement) status and those areas currently at Objective 2 and 3 status should remain the subject of Regional Policy until their relative prosperity is confirmed in real terms by adequate statistical indicators.

C) Basis of Regional Policy Funding Allocation and Flexibility –

13. 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.

14. 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.

15. SCDI is also minded to support the end of allocation on the basis of geographical zoning (based on the 75% criteria) and instead support a shift to allowing any EU region to utilise Regional Policy if need can be clearly defined (via a common set of EU wide criteria). Further, the flexibility offered by the theme or menu approach seems better suited to empowering regions and communities which is at the heart of the subsidiarity concept.

16. However, there remains the issue of improving targeting and concentration of the funds - a direction which SCDI supports. This could be seen to be at odds with allowing flexibility and adopting the menu or theme approach throughout all Scottish, UK and EU regions which could well lead to resources being spread more thinly across the regions. SCDI strongly recommends therefore that the final EU-level funding reforms allow individual Member States and Implementing Authorities the flexibility to introduce a significant proportion of geographical zoning in their funds allocation. This flexibility would ensure allocation remains linked to Lisbon Agenda themes but help to reconcile that desire with acknowledgement of national and sub national subsidiarity concept.

17. The UK proposal suggests that Member States would retain sole responsibility for regional policy spending if that state had a GDP per capita of 90% of the EU average or higher. If adopted, the UK Framework proposal does however risk the possibility of different Member States (and devolved administrations within those states) applying different criteria and regions being involved in “subsidy races” or even missing out on expected allocations if states (or even devolved administrations within states) apply the funding criteria differently. In contrast, allocations of funding by commonly applied EU criteria (and overseen at EU level) ensures that variations in support would be minimised.
18. From the two previous paragraphs it is clear that there remains a necessary balance to be struck between achieving the strategic EU level aims of Regional Policy and respecting and achieving the development needs and desires of local and regional communities. Perhaps the debate can move forward by agreeing at EU level the proportion of flexibility which can be utilised at regional level.

19. SCDI believes that subsidiarity and flexibility can be better achieved (and more equitably so) through reform of the allocation criteria and a shift away from pure geographical zoning towards a combined thematic and subsidiarity-driven zoning approach. (Themes from the top-down, Zoning from the bottom-up to combine both strategic EU aims and local and regional priorities for action.)

D) Simplification –
20. There is a strong sense of opinion in Scotland that the number and variety of Structural Funds and Initiatives is in need of simplification. SCDI would suggest further investigation on how the various instruments could be integrated into one fund with a common application procedure – or at least a common core application where applicants would log their details only once to a common database for all future applications.

21. The integrated fund could maintain elements of proportionality on spending themes to allow for continued focus and priority of allocation - but there should be considerable porosity between themes to ensure that popular programmes could be overspent and less popular programmes could transfer their underspend in any single year – as long as the whole integrated fund balanced. Each Member State would receive an allocation or be allowed certain spending levels from the EU as is current practice and be locally responsible for budget discipline with any national annual overspend leading to a consequent reduction in the next years allocation.

22. To maintain innovative practice, a significant proportion of the integrated fund (circa 15-20%) would be available on a “Challenge Funding” basis as a competition for new, innovative projects. With year-on-year funding reductions, over time these “challenge funded” projects would shift away from relying on this source of EU income as core funding and the source funds could be recycled for new, innovative projects.

E) Procedures, Operation and Management -
23. The renationalisation of regional policy as suggested by the UK Government would not necessarily lead to greater effectiveness or less red tape and administration as the current bureaucratic processes for implementation are developed differently across the EU by both the Commission and the Member States and implementing authorities. In Scotland there has been considerable work on simplifying administration processes and new application and claims processes are about to be introduced in summer 2003. Instead, further work on setting simplified, common, cross-EU standards would however be useful and beneficial in improving transparency and exchanging best practice.

24. The use of Programme Management Executives in Scotland is also considered a success and SCDI would suggest that all future Regional Policy could be day-to-day managed by four Scottish PMEs covering all funding programmes / initiatives for each area of the Highlands and Islands; West; East; and South of Scotland. (Bringing even more cohesion to existing arrangements.)

25. It is worth mentioning that the partnership approach utilised by the Scottish PMEs adds further value to the overall outcomes of regional policy. Working together to achieve both increased funding and greater synergy has been a hallmark of EU Regional Policy in Scotland and has led to the achievement of increased investment leverage, more ambitious projects and the realisation of projects that single organisations could not bring forward alone. This model could prove particularly advantageous in the Accession countries which are, to a certain extent, still undergoing a process of state and institutional building.

26. It is also accepted by the European Commission, and supported by SCDI, that a continued and growing involvement for the private sector in planning would help to generate sustainable and successful delivery of projects.

F) Strategic response? –
27. As a response to the EU wide debate on Regional Policy reform the UK paper is less concerned with discussing the strategic aims and objectives of Regional Policy than with the mechanism for controlling funding and managing policy decisions. This is unfortunate in that it appears to close-off important questions in the debate including - What do we want Regional Policy to achieve? What is the role of Regional Policy? Where should focus and priority lie? What to retain or drop from existing EU Regional Policy practice? How can we improve transparency and accountability?
28. SCDI will endeavour to provide its view on these wider issues to the wider European Commission consultation but will also copy them to the DTI / Treasury / ODPM consultation staff. We hope that this wider debate on the European level can also be mirrored by a national debate of stakeholders in Scotland on what Regional Policy for Scotland should aim to achieve. At the most strategic level, SCDI want Regional Policy to act as an aid to improving Scotland’s economic competitiveness.

G) Overall EU Budget for Regional Policy –

29. The UK paper states an objective that “the overall budget for structural funds is constrained and focussed on where it will provide maximum value for money”. Whilst agreeing with the principle of obtaining value for money, SCDI questions the plausibility of holding the budget to 0.45% of EU GDP when EU Enlargement is such a massive undertaking and realignment in EU affairs. In addition, several Member States (and certainly Scottish organisations) generally seem to prefer the continuation of some form of Regional Policy in existing EU regions. It might be more realistic to work on reforming and reducing other large commitments in the EU Budget (such as CAP) in a timescale that offers the possibility of transferring funds to Regional Policy in the 2007-13 and 2013-2019 periods and then reducing the Regional Policy budget to or below 0.45% at a future date. SCDI cannot offer a guide to the required budget level but other organisations have suggested 0.55% and up to 0.65%. Given the scale of Enlargement, it is unrealistic to expect existing budget allocations to cover the costs.

H) Scottish Peripherality is further increased by Enlargement –

30. SCDI is concerned that neither the UK paper or current EU debate is adequately taking into account the “peripherality effect” of EU Enlargement on Scotland. Whilst supportive of the Enlargement process, it shifts the geographic, population and economic centres of the EU Single Market significantly further away from Scotland towards the east of Europe.

31. This increases the peripherality of Scotland in EU terms which has negative consequences on issues as varied as transportation, market access, labour mobility and cultural interchange. SCDI believes that such issues must be considered more actively by both the UK Government and our EU partners as reform of the current Regional Policy progresses. For example, it will be necessary to include peripherality criteria in any new basket of statistical indicators for eligibility and to take peripherality into account in the final outcome of the reform of EU Regional Policy.

Our recommendations are listed below -

SCDI Recommendations –

On the UK Government Paper-:

1) 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.

2) The UK Government should work with EU partners towards identifying and adopting a broader set of statistical indicators that can be used to identify need for Regional Policy allocations across the EU and in the UK.

3) SCDI supports the maintenance and extension of the Scottish Partnership model for sub-national level decisions regarding Regional Policy.

4) SCDI supports the UK Government on ending fund allocations based purely on geographical zoning but supports instead a combined thematic and subsidiarity-driven zoning approach.

5) SCDI supports the UK Government on Simplification.

6) SCDI suggests an “integrated fund” which embraces all sources of EU Regional Policy funding which share policy objectives to replace the current wide number of funds and instruments. A significant proportion of funding should be available for “challenge funding” for innovative actions.

For the UK Government and European Commission on the wider EU Regional Policy Reform Debate –

1) There should be continuity of Regional Policy funding in existing receipt areas until their relative prosperity is confirmed in real terms by adequate statistical indicators.

2) Continuity of multi-annual programmes should be retained as it helps generate longer term, more sustainable projects and reduces strain on partnership working.
3) Priority should be given to advancing reform of other spending areas such as CAP to re-allocate and increase funds available for Regional Policy.

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

5) More work is 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.

6) 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. 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.
Scottish Natural Heritage

A MODERN REGIONAL POLICY FOR THE UNITED KINGDOM

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 work1, 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

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1 See http://www.snh.org.uk/strategy/nhzones/pd03.htm
programmes. However, we are concerned that CAP measures should be closely linked with regional 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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<th>Economic Growth</th>
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<td><strong>H1</strong> Economic output</td>
<td><strong>H2</strong> Investment</td>
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<th><strong>H4</strong> Poverty and social exclusion</th>
<th><strong>H5</strong> Education</th>
<th><strong>H6</strong> Health</th>
<th><strong>H7</strong> Housing</th>
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<td><strong>H9</strong> Climate change</td>
<td><strong>H10</strong> Air quality</td>
<td><strong>H11</strong> Road traffic</td>
<td><strong>H12</strong> River water quality</td>
<td><strong>H13</strong> Wildlife</td>
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On behalf of Shetland Islands Council, I would like to make a contribution to the Committee’s inquiry.

As stated in the Council’s Response to the DTI consultation (a copy of which is attached), Shetland Islands Council would argue that it is necessary to have a strong European regional policy with a mix of regionally targeted and horizontal measures in order to ensure a fair and equitable approach across Europe. The link to other policies such as fisheries and competition is also crucial. For example the loss of regional policy status is likely to lead to a cut in state aid limits to SMEs which will seriously effect efforts to develop a fragile high cost economy such as in Shetland. The Council therefore has difficulty with the “repatriation” of regional development funds and development status.

The questions posed in the Inquiry Remit highlight the problems involved in “repatriating” regional policy, for example, the issue of guaranteeing funding from domestic sources over a 7 year period, which is a political impossibility within the UK political system.

The Council is so concerned about this issue it would very much welcome the opportunity of submitting verbal evidence to the Committee and trusts that as a representative of a fragile, peripheral island community that could be seriously disadvantaged, we will be invited to explain our concerns.

Yours faithfully

Convener
Shetland Islands Council

Introduction

This report sets out in the first instance to summarise the key points and proposals in the paper presented by the DTI, HM Treasury and the Office of the Deputy Prime Minister, before putting forward a response from a Shetland perspective.

The UK Government launched its consultation on the future of UK regional policy in March 2003 and is seeking a response by 4th July 2003. However a number of other bodies are looking for a response well before that date e.g. CoSLA, Scottish Parliament and Scottish Executive. It is therefore necessary to have a response prepared, approved and sent off before the end of June.

Policy Context

This consultation exercise will feed into the wider debate within the EU on the future of Cohesion Policy after 2006. The next key stage in that process will be the publication of a Third Progress Report on Economic and Social Cohesion in November 2003. It is expected that this document will contain broad proposals for the future direction of EU Cohesion and Regional Policy as well as updating the socio economic analysis of the regions of Europe.

It is generally accepted that the continuation of the current system is not likely given the enlargement of the EU and the needs of the 10 new members that will join in May 2004. These countries are significantly poorer than the current EU15 therefore there is likely to be a substantial transfer of structural and cohesion funds to these new member states.

The debate on the future of the EU regional policy revolves around several options laid out in the 2nd Cohesion Progress Report in January 2003. There is general agreement that Objective 1 criteria should remain and be based on GDP (Gross Domestic Product). This could mean only 1 UK region retaining Objective 1 status ie. Cornwall and Devon. For the remaining areas two broad options are being considered:-
a) A menu driven approach that advocates the continuation of an EU wide spatial planning approach with areas defined on the basis of different criteria such as sparsity of population, insularity and mountainous terrain among others.

b) A horizontal theme approach (i.e. available to all areas) based on promoting the Lisbon Council priorities such as the knowledge economy, increased productivity and employment, and more investment in physical and human capital. This would mean no specifically area based programmes.

Summary of UK Government Proposals

The Government accepts the rationale for cohesion policy at EU level but argues that following enlargement it would be wasteful for the richer members states to “recycle” resources among themselves. Instead it puts forward what it terms as “An EU Framework for devolved Regional Policy” the elements of which are as follows:

- Member states whose GNP (Gross National Product) per head is less than 90% of the EU average (the current threshold for the Cohesion Fund) would continue to receive structural funds;
- The remaining, more prosperous, Member States would fund regional policy measures and Objective 3 style activities (training measures) from domestic sources of finance. The only structural funds that might remain available could be INTERREG and EQUAL type support (inter-regional cooperation and promotion of equal opportunities in employment);
- Linked to this there would have to be comprehensive modernisation of EU Competition and State Aids policy, together with Common Agricultural Policy (CAP) and Common Fisheries Policy (CFP) reform.

In the UK context the Government states that “by increasing UK Government spending on regional policy, UK nations and regions will receive a level of resources which ensures they do not lose out from the UK’s proposals on structural fund reform” (para 4.17). In England this would presumably be achieved through increased funding for the Regional Development Agencies and for Scotland, Wales and Northern Ireland through increases in the budgets available to the devolved administrations.

This effectively means the renationalisation of regional policy within a broad EU framework, with the UK Government and regions deciding on the nature of regional development initiatives. The UK would be free to pursue its own regional priorities.

The main emphasis in the document is on devolution and decentralisation of decision making to the regions with little interference from the centre and a guarantee that the regions would get at least the same level of funding as they previously received under the structural funds. It is also argued that, the current system is failing to deliver, and if continued, the ability of locally led policy would continue to be constrained, the bureaucracy associated with the structural funds would remain, and the inefficient recycling of money between more prosperous Member States would continue.

Assessment of and Comments on UK Government Proposal

Basis for Government Approach

A basic premise in the paper (para 1.6) is that productivity differences cause regional disparities and that the approach required to address market failure at a national level should be capable of addressing regional problems as well.

The assumption that the main causes of disparities between regions is due to differences in productivity is very simplistic and clearly inaccurate. It is one factor but there is good evidence from several studies of the aquaculture and fish catching industries (eg by Sea Fish) that Shetland businesses have higher levels of productivity compared to other areas. Yet even with this difference they are still not able to compete in the market place. This is due to other factors which make Shetland a high cost environment for business. These factors, such as transport and labour costs and tax levels, need to be addressed as well as productivity.

**Shetland Islands Council would therefore suggest that the fundamental premise of the paper is flawed and needs to be readdressed.**

*EU Framework for Devolved Regional Policy*
Although the document asserts that this approach differs from the “cohesion” approach advocated by the Dutch government (summarised in paragraph A4.4 of the paper) it is difficult to identify any substantive difference, beyond the exchange of experience, on the basis of what is contained in the document. There would need to be a fuller explanation of what is meant here. The concept of European regional policy put forward in the paper is based on “common principles which are based on EU wide outcome-focussed objectives and founded on the Lisbon priorities to achieve Treaty obligations”. There is no reference or acknowledgement of the need for different policies in different regions to address disparities, or tackling the problems of congestion of activities and markets in central areas (e.g. transport, housing).

The European Commission on the other hand is considering a range of priorities as well as the Lisbon Agenda in its 2nd Cohesion report. These priorities include 6 geographical ones such as areas with severe geographic or natural handicaps, and 4 thematic such as social inclusion and knowledge economy.

*Shetland Islands Council would argue that it is necessary to have a strong European regional Policy with a mix of regionally targeted and horizontal measures in order to ensure a fair and equitable approach across Europe.*

Regional Devolution/Regional Economic Development

Significant space in the document is devoted to institutional changes that have taken or may take place in the UK. There is a distinction to be drawn between regional devolution and regional economic development. To put it simply regional economic development is about putting into place policies and funding streams that are not uniformly available across the country. Decentralised and devolved structures can play a positive role in promoting regional economic development but these should not be seen as a substitute for a coherent and properly resourced regional policy within the UK.

*Shetland Islands Council welcomes the emphasis on decentralisation and devolved structures, however, the fact that this appears to stop at the NUTS*1 areas level, i.e. Scotland as a whole, is of concern. The same principles need to be applied at a much lower level, particularly NUTS II(e.g. Highlands & Islands) and NUTS III (e.g. Shetland).*

(* NUTS – Nomenclature of Territorial Units for Statistics – is a classification of administrative areas used across the EU.)

Financial Guarantees

This is undoubtedly the key part of the paper but the one for which virtually no details are provided. It is important to appreciate that the framework is proposed for the EU as a whole. So, if implemented there would be no successor to Objective 2 and 3 in the EU and hence it would be impossible to have a “benchmark” by which to assess the amount of compensatory funding required. This is especially relevant in the Scottish context in that no part of Scotland currently has Objective 1 status.

At a broader level it would be difficult to disaggregate the impact of “repatriation” of cohesion policy from the many other factors that will influence the UK’s net contribution to the overall EU budget for the post 2006 period.

Within the UK any additional resources that the Treasury chose to make available for regional development would be apportioned according to the Barnett formula. In the Scottish context, once this calculation has been done, it would of course be the responsibility of the Scottish Executive to determine how this should be spent. There is no automatic reason to suppose that any such additional monies would be either:

a) allocated to rural economic development, or  
b) spent in the economically weaker parts of Scotland; or  
c) passed on to local authorities and local partnerships.

In addition it should be noted that no commitment of funding of the kind made in the document is “election proof”.
Shetland Islands Council would question the feasibility of delivering the promises made in the paper regarding funding over a 7 year period and notes with some concern that there is no guarantee that local partnerships and remote rural areas will continue to receive funding support.

Targeted Areas

The document indicates (para 4.16) that increased domestic regional spending on regional policy should be “targeted on those areas of high unemployment and low GDP”.

It is true that these indicators have been used in the past by the European Commission but this is largely due to the fact that these are the only indicators for which comparable data is available across the EU and even then only at “NUTS II” level.

In their evidence to the House of Commons Office of Deputy Prime Minister Select Committee on 1st April 2003, senior staff from the Office for National Statistics referred to the shortcomings of using GDP at smaller area level (for example distortions arising from commuting patterns) and indicated that household income was a better measure.

The emphasis on unemployment appears to “go against the grain” of the Lisbon process which is about boosting EMPLOYMENT rates. There is now widespread recognition that the conventional measures of unemployment do not accurately reflect the extent of “joblessness” within a given area.

With a more decentralised policy it should be possible to develop a more sophisticated approach to identifying areas that justify regional economic development assistance. Unemployment and GDP by themselves are too blunt to address the situation in fragile rural areas where there is relatively low unemployment, underemployment and seasonal employment, dependence on low wage sectors, and higher operating and capital investment costs.

Shetland Islands Council would ask for a more sophisticated analysis to be undertaken of regional development and a wider range of indicators considered before there is a radical shake up of the system.

Conclusions

It would appear that arguing for a continuation of the status quo is not likely to be a realistic option given the enlargement of the EU, and it is unlikely that the UK will have access to the same level of funds from the EU as before. However, it should be stressed that there are still regional development issues in the UK and Western Europe and that there is still a strong case for the continuation of a regional policy with an EU dimension.

Unfortunately the paper appears to focus on decentralisation and the decision making processes, which may be okay in themselves, and skates over the fundamental case for co-ordinated regional policies within the UK. It appears to fail to understand the rationale and appropriate level for regional development. It treats Scotland like one of the new English Regional Development Agencies and does not recognise that Scotland is different or that there is any rural dimension to regional policy.

The paper suggests there will be guarantees that domestic spending will increase to compensate for any loss of UK money. This seems a little disingenuous as it is politically impossible to guarantee funding for a 6-7 year period within the UK political system.

It is of some concern that there is no reference to the link with rural development under the CAP reform or of tackling the structural problems in fish dependent areas. Indeed there is no reference or acknowledgement that regional policy would have a regional dimension.

The regions’ involvement in partnerships in Scotland with the EU and UK/Scottish Governments has created a productive and positive role for the regions in both drawing up regional development programmes and delivering them. Without the EU input the partnership could become very one-sided with priorities predetermined by the centre. The relative independence gained by the regions will be lost.
Peripheral and island areas have benefited considerably over the last 10-15 years under the EU structural fund programmes. Shetland has been in receipt of well over £30m during the 1990’s. Many of these projects and investments that have been of real benefit to Shetland have not always had full government support.

It is therefore felt that it is necessary to argue strongly for the continuation of an EU framework dimension to regional policy outside the Objective 1 regions.

The proposals from the European Commission for a new Objective 2 based on a mix of horizontal and area-specific criteria is welcomed and should be adopted by the UK. This could provide the framework for the development of new programmes based on the specific local needs in each area. As a result the UK should argue for the continuation of partnership areas in Scotland like the Highlands & Islands and seek to draw down EU resources to top up national and local funds.

There is a need for closer integration between regional policy and state aids. If the two are detached with a renationalisation process then there is a danger of a double blow to many regions with a fall in the level of public support permitted as well as a loss of funds.

*Finally regional policy is one area where the EU is seen to have a visible and positive link to people at the local level. Without the EU dimension this would be lost as well as any feeling of solidarity with the underlying principles of the EU.*
South of Scotland Alliance

1 Background

1.1 The European Commission is currently reviewing the future of European Regional Policy. The Department for Trade and Industry (DTI), which is the main negotiating lead Department for the UK Government with the European Union (EU) issued its consultation document in March 2003 on the future of Regional Policy Beyond 2006. Comments are required by 4 July 2003. The Scottish Executive is currently formulating its position on this document and has established a stakeholder officer group to support this work. This includes a representative from the South of Scotland Alliance i.e. Mr Tony Fitzpatrick of Dumfries and Galloway Council.

1.2 The purpose of this paper is to provide input from the Alliance into the work of the Scottish Executive’s stakeholder group and to respond to the DTI’s consultation document. The paper:

- Discusses the contribution European Regional Policy to economic development the South of Scotland
- Outlines the case for maintaining an effective European Regional Policy
- Sets out proposals for integrating European and National Regional Policies into a Regional Policy for Scotland

2. Regional Policy and the South of Scotland

2.1 In the period between 1982 – 94 the South of Scotland had very limited access to assistance from either national or European Regional Policy. This was because the UK Government was very influential in guiding both forms of support and its policy focus was on city and urban problems and the development of the Highlands and Islands.

2.2 During this period it was very difficult to raise the profile of economic issues and challenges in the South of Scotland. This was because the Government’s key indicator of economic need was unemployment. Unemployment rates in the South of Scotland have always been relatively low because of out-migration particularly of young people because the lack of job opportunities. No account was taken of this indicator by the Government nor of economic fragility as evidenced by limited industrial development and diversification, low wages and low levels of business investment in the towns and villages of the South of Scotland. This lack of understanding remains as evidenced by the Scottish Executive’s Scottish Indices of Deprivation 2003, which extends the range of socio-economic indicators need but ignores indicators associated with population change and economic fragility.

2.3 The European Commission developed policies for rural development in the early 1990s that took account of the wider problems of economic development in rural areas such as the South Scotland as evidenced by population change and economic fragility. This led to The South of Scotland gaining access to significant resources from the European Structural Funds from 1994 onwards through:

- The Borders and Dumfries and Galloway Objective 5b Programmes 1994 – 1999
- Community Initiatives 1994-1999 such as the Leader 11, Retex, Rechar and Pesca Programmes

2.5 Under the most recent Reform of the EU Structural Funds that was implemented for the period 2000 –2006 the South of Scotland has access to:

- The South of Scotland Objective 2 Programme 2000 – 2006
- The Lowland Scotland Objective 3 Programme 2000 – 2006, and
- The Dumfries and Galloway and Scottish Borders Leader + Programmes
- Inter-reg Transnational Initiatives

2.6 National Regional Policy lagged behind these designations and it was only in 2000 that wider areas of the South of Scotland were made eligible for Regional Selective Assistance as a result of significant industrial closures. However large parts of the South of Scotland are still not recognised for the purpose of National Regional Policy.

3. European Regional Policy and the South of Scotland

3.1 The benefits of European Regional Policy for the South of Scotland are that they have:
Given strong recognition to the need to address the economic problems and challenges of rural areas. This has considerably raised the profile of rural development issues. In particular they have recognised the importance of taking a holistic approach to rural economic development through supporting programmes related to community development and the environment as well as business development.

Taken a robust view of the factors that cause structural economic difficulties in rural areas. Recognition has been given to the problem of economic fragility and that this factor is not just measured by unemployment but also covers indicators such as an out-migration of young people, sparsity of population, population loss, low wages, a relatively low Gross Domestic Product per head, and a narrow range of industries.

Involved the promotion and implementation of ‘an evidence based’ medium term programme approach to development based on robust monitoring and evaluation systems. Partnership, inclusion and sustainability have been at the ‘heart’ of this approach. This approach has considerably strengthened economic development mechanisms in rural areas such as the South of Scotland.

Provided Additional Resources. EU Structural funds have provided the critical funding element in a portfolio of funds for particular development projects, without which the projects would not have happened, or would have happened at a reduced scale.

Raised the profile of the European Union in the South of Scotland. The publicity associated with the European funding of local development projects has in a positive way raised the profile of the European Union amongst local people and communities in the South of Scotland.

3.2 These benefits have outweighed the relatively ‘heavy’ bureaucratic procedures required to implement the programmes in terms of monitoring audit requirements. It is considered that these monitoring and audit requirements should be greatly reduced in any future programmes.

3.3 The nature of support from the European Commission has changed over the European programme periods with much less support now available for infrastructure. This has adversely affected the South of Scotland where infrastructure associated with town and village centres; roads, rail and other transportation services; and information and communications technologies are of crucial importance to economic development.

4. The Position of the UK Government on the Future of Regional Policy

4.1 As mentioned above, the Department for Trade and Industry issued a consultation document on the future of Regional Policy Beyond 2006 in March 2003 and puts forward the proposal that:

‘The devolved administrations in Scotland, Wales and Northern Ireland 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’. (P28). An example of the type of additional funding is described as that which would support transitional arrangements for areas that would lose designation for support from European Regional Policy.

4.2 The Government then goes on to state in its consultation paper that:
‘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’.

The South of Scotland and EU Regional Policy

5.1 The South of Scotland could be adversely affected by the DTI’s proposals because of the significance of EU Structural Funds as a contribution to its economic development programmes. These Funds account for significant proportions of the economic development budgets of agencies such as the Enterprise Companies, Councils and Tourist Boards.

5.2 The South of Scotland requires substantial development assistance in the long term because of the fragility of its local economies. This fragility is evidenced by the:

- Limited industrial development and diversification in many of its towns and villages
5.3 The changes in EU Regional Policy are also coinciding with a number of other EU and national policy changes which would have a detrimental impact on local economies and the support for economic development in the South of Scotland. These include:

- Possible changes in national regional aid for businesses, which could reduce the coverage of Assisted Areas and/or reduce the rate of support available.
- Changes to the Common Agricultural Policy, which could adversely impact on upstream and downstream industries, which are dependent on agriculture.
- Changes to the Common Fisheries Policy, which is having an adverse effect on fishing ports.
- Changes to World Trade rules which will give further emphasis to globalisation and could result in the increased vulnerability of its manufacturing and industries from competition from countries such as China.

5.4 It is considered that as it stands the guarantee given by Government under the DTI's proposals is not sufficient for a robust, and well funded (ring fenced) regional policy that will benefit South of Scotland and that there remains a need for an effective European Regional Policy. The reasons for this are as follows:

- The European Commission has a legal requirement under its Treaties to support a cohesion or regional policy to support areas where there are structural economic difficulties or are failing to benefit from the Single European Market. This gives an assurance of legal continuity of regional policy which cannot be guaranteed if regional policy was nationalised as suggested under the DTI proposals.
- There is a need to link the future Regional Policy to connected policies such as rural development, agriculture, fishing and competition. As the European Commission has a direct responsibility in the areas in makes sense to have a European Regional Policy that relates to these connected policy areas.
- There is a need for long-term (6-7 years) regional development programmes with security of resources by ring fenced financial allocations to enable improvements to local economies to be implemented. This can be achieved by a European Regional Policy but cannot be achieved by a national regional policy, as the Government’s financial planning periods are limited to three years. Also the UK Government or Scottish Executive cannot guarantee security of long-term funding for a national regional policy because of possible changes to policy resulting from UK and Scottish election cycles.

6 The Way Forward for Regional Policy

6.1 From the perspective of the South of Scotland Alliance it is considered that the DTI’s proposals are too extreme. There is a need for the continuation of a strong European Regional Policy that would support a regional development framework in Scotland.

6.2 This regional development framework (see Appendix 1 for more details) would build on the economic development plans that have been put together by the local enterprise network, Councils and other local partners for Local Economic Fora and as part of the overarching Community Planning process.

6.3 The Scottish Executive would have a major input into these plans by supporting infrastructure projects and through the provision of Regional Selective Assistance. This contribution would be agreed with local partners as part of the planning process.

6.4 It is envisaged that European Regional Policy would support the regional development plans by providing additional financial assistance linked to:

- Its policies on Cohesiveness, Competitiveness, Research and Development, the Environment, Urban and Rural Development
- The impact of on particular areas of its policies such as changes to the Common Agricultural Policy and Common Fisheries Policy.
Compared with the current regional development plans required by the European Commission, the new plans would be based on a simplification of delivery mechanisms with greater flexibility of input by local partners.

Appendix 1

A REGIONAL POLICY IN SCOTLAND

Introduction

1. This Appendix sets out proposals for the establishment of a Regional Policy in Scotland. For these to work, they will need the full co-ordination of partners involved in the regional development process at the European, national and local levels.

2. The Appendix covers:
   - The Aim, Outputs and Scope of a Regional Policy for Scotland
   - The development of a Regional Policy for Scotland, and
   - Resourcing a Regional Policy for Scotland

Aim, Outputs and Scope of a Regional Policy for Scotland

3. In socio-economic and geographical terms Scotland comprises a diversity of regions with different strengths, weaknesses, opportunities and threats. The aim of a Regional Policy for Scotland should be to maximise the development potential of all of Scotland’s Regions.

4. The outputs of a Regional Policy for Scotland should be that the inhabitants of each region should have a standard of living as close to the Scottish average as possible and that the regions make an effective as possible contribution to the development of Scottish economy. These outputs would be achieved in a sustainable way taking account of the needs of social justice and the environment.

5. The scope of a Regional Policy for Scotland would comprise the various elements of the development process required to meet these outputs. The links between these elements would require an integrated approach. The elements would involve interventions related to businesses, people, communities, place and natural resources. This would translate into development instruments involving business development, education and training, community development, regeneration and infrastructure, and strong linkages to the developments in agriculture, fishing, mining and the harnessing of other environmental resources.

The Development of a Regional Policy for Scotland

6. A Regional Policy for Scotland will need to operate in the context European, national and global economic and policy influences. Scotland must play a strong and dynamic role in the global economy.

7. It is considered that every part of Scotland should be covered by a regional development plan. The reason for this is that development is an issue for all areas of Scotland and each of these areas has different needs and challenges.

8. The planning and methodology used for Objective 1 and 2 European Programmes could be the basis for the development of regional economic development programmes in Scotland but removing much of the bureaucracy involved in the negotiation stages. These procedures have been developed over the last decade and a half and key aspects that should be adopted for the regional development programmes could be as follows:
   - The preparation of a long term development plan, currently a seven year planning horizon with a mid term review
   - The development of the plan by local partners and stakeholders with the involvement of the Scottish Executive, and European Commission
The adoption of a programmed approach to the plan based on priorities and measures with sets of quantitative and qualitative outputs that is used for monitoring and evaluative purposes

The adoption of a reasonable application and audit process that is linked to effective project planning procedures

The involvement of partners in the implementation of the programme

9. Much of the above work builds on the economic development plans that have been put together by the local enterprise network, Councils and other local partners for Local Economic Fora and as part of the overarching Community Planning process

10. It is recognised that both the Scottish Executive and European Commission will have particular policy priorities that might relate particular spatial areas, industries, social groups, infrastructure, rural development (linked to agriculture and fishing), and the environment and these should be reflected in the appropriate regional development plans.

11. To establish an effective Regional Policy for Scotland within which these regional economic development programmes would operate, an economic framework needs to be put together with the involvement of all the main stakeholders in Scotland. This framework would articulate national economic priorities and projects necessary to develop the Scottish economy and set out a national economic development context for the preparation of the regional plans.

12. A Scottish Economic Development Framework was unveiled in 2000 by the Scottish Executive. This Framework mentioned the need for a Scottish Regional Policy but did not go into any detail. It is considered that the Scottish National Economic Development Framework should be revisited and revamped with much greater stakeholder involvement and ownership and extended to provide guidelines for the preparation of regional economic development plans for the whole of Scotland. This approach could also be based on a better understanding of the relationship between rural and urban economies.

Resourcing a Regional Policy for Scotland

13. It is envisaged that funding for a Scottish Regional Policy would be provided by, European, national and local partners, in the same way as the current European Objective 1 and 2 programmes. As part of the regional planning process partners would be expected to commit resources over a long term time horizon to allow for the development process to work. This could be over 7 years with a review after three years. It would however be assumed that exceptional changes in financial circumstances of partners and to local economies might affect these commitments.

14. The European Commission could choose which, if any, priorities or measures it wished to part fund in the various regional development plans. The audit requirements of the European Union would only apply to European funds within the regional development plans and changes to plans would be flexible without the detailed procedures required such as Mid Term Reviews required by the current European Programmes.

Conclusion

15. A Regional Policy for Scotland should be based on regional development plans for the whole of Scotland. This policy would adopt an integrated approach to regional development and would involve European, national and local partners. The regional development plans would be long term and would be based on the strengths of the current European Objective 1 and 2 programmes.
West of Scotland Colleges’ Partnership

Executive Summary

WoSCoP welcomes the opportunity to participate in this consultative exercise as it opens up the debate on the future of regional policy across the EU at all levels of interest.

The Partnership acknowledges that the “status quo” with regard to EU regional policy and its funding arrangements cannot be maintained in a European Union of twenty five Member States.

As the negotiations at EU level are likely to be complex, WoSCoP urges the UK government to disseminate information on key developments, and to seek the views of stakeholders at the appropriate regional and national parliament levels.

The exploration of new and innovative models for the structure and delivery of regional policy to accommodate the enlargement of the EU is welcomed, as is the government’s commitment to address regional disparities within the UK in a manner which will compensate for the potential loss of direct EU funding.

The aim of linking the aims of future EU regional policy and support funding to the conclusions of the Lisbon summit is wholeheartedly endorsed.

WoSCoP agrees that regional policy development should be locally inspired and regionally led, but must also link in terms of priorities to the overarching goals identified at EU level and endorsed by Member States.

With regard to the commitment to fund future regional development domestically, WoSCoP would wish to see the structure of the arrangement clarified nationwide, and within Scotland would also seek to be further consulted together with all other stakeholders as to the mechanisms for such funding.

The intention expressed by the UK government to allocate additional resources for regional development in Scotland to the block formula arrangements is considered by WoSCoP to be ill-advised and premature. Such funding should be visible and ring-fenced to promote locally developed policies by the Scottish Parliament and possibly provide further match for any continuing Structural Funds support.

WoSCoP would wish to maintain and exploit the successful local partnerships developed under past and current Structural Funds programmes in order to assert local ownership with the Parliament of regional policy priorities.

WoSCoP acknowledges that EU thinking may not be sufficiently radical to accommodate fully the current UK EU Framework proposals, but further and more explicit guarantees that will exploit the legacy of the Structural Funds and ensure the progress of sustainable economic development in the Scottish regions is required from the UK government.
West of Scotland European Consortium

Summary

The Consortium:

- Welcomes this consultation as a means of stimulating a comprehensive debate about regional economic development policy, extending beyond the future of the EU Structural Funds.

- Emphasises the need for a regional economic development policy at EU, UK and Scottish levels. In this connection it points out that regional economic disparities in the UK have actually widened in recent years.

- Agrees that, largely as a consequence of EU Enlargement, it is not credible to argue for the status quo in relation to structural fund receipts at UK and Scottish levels.

- Believes that the current geographical partnerships for European programmes might form a suitable mechanism for delivering regional economic regeneration at a sub-Scotland level.

- Regrets the lack of attention given in the document to the future funding of training and related activities currently funded by the Objective Three Programme.

- Is concerned that the “guarantees” in relation to increased domestic expenditure on regional policy to compensate for structural funds foregone under the UK Government’s proposed framework, are not articulated in sufficient detail for a detailed assessment of their robustness to be made.

- Supports the proposals made in the Government’s paper for a more flexible application of EU State Aids and Competition policy. This is desirable irrespective of the outcome of the debate on the future of the Structural Funds.

- Recommends that any future INTERREG Community Initiative should have a greater emphasis on trans national and interregional co-operation rather than cross border activities.

- Urges the UK Government to participate fully in any debate about how possible structural fund support outwith Cohesion Fund countries and Objective One regions might be allocated in terms of both budget and activities.
EUROPEAN AND EXTERNAL RELATIONS
COMMITTEE

BRIEFING PAPER

“Promotion of Scotland Inquiry – written evidence received to date”

Introduction

1 As one of its first inquiries, the new Committee chose to look at the Executive’s strategy and efforts to promote Scotland worldwide.

2 Annex A sets out the written evidence received to date for this Inquiry. It is important also to note that a significant number of organisations have requested a short extension to the deadline for submission. The Clerk has indicated that this is possible. These include: Scottish Arts Council, Scottish Natural Heritage, CoSLA, VisitBritain, British Council, Scottish Council for Development and Industry, Bank of Scotland, Royal Society of Edinburgh, UK Foreign and Commonwealth Office, Welsh Assembly Government, Scottish Chambers of Commerce etc.

3 The following is a list of organisations and individuals who have submitted written evidence to date:

Table of contents for written evidence

Dr Alex Wright, Dundee University
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
Highland Sales, USA
Jill Scharrf, United States
The Lord Sempill
Professor Michael Keating
Dr Michael Newton
Standard Life
Struan Stevenson MEP
Universities Scotland
It is expected that the Committee will discuss an initial schedule of witnesses to be called forward at one of its meetings in December/January. Oral evidence taking will start from January/February 2004. The Inquiry is due to be completed by June 2004.

**Recommendation**

The Convener recommends Members consider the written evidence received to date and urge those organisations that have not yet submitted evidence to do so.

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

Dr Alex Wright, Dundee University

Rather than respond on a point-by-point basis to the questions raised in the consultation paper, this response focuses primarily on three of the five key areas of the committee’s inquiry.

1. Strategy

The Executive has adopted a consistent approach to foreign affairs since 1999, albeit that it has faced something of a conundrum. On the one hand it has set out to raise Scotland’s profile internationally through its own efforts. On the other, its room for manoeuvre is potentially constrained because formally, ‘foreign affairs’ is reserved to Westminster. The net effect has been that the Executive has cultivated its own distinctive foreign policy since 1999 but this been concerned primarily with issues of low politics (e.g. collaboration with other territories with legislative powers in functional areas of policy), as opposed to high politics (e.g. securing the entitlement for the Executive to take the lead in the Council of the EU on those issues which affect Scotland primarily rather than the rest of the UK).

From 1999 it was evident that the Executive would focus on developing relations with territories with legislative powers both collectively (e.g. the so-called Flanders group) and bilaterally (e.g. the protocol of co-operation with Catalonia). Where it participated jointly with entities such as the Flanders group, an underlying intention was to secure greater influence over the EU’s policy making process, particularly at the pre-legislative stage. This was primarily because EU legislative proposals could on occasion be disproportional in terms of cost versus outcome in relation to areas of policy which fell within the Executive’s competence. In essence the Executive, along with the other territories with legislative power, sought to ensure that the Commission, especially, would respect the principle of subsidiarity. So, far as bilateral links were concerned there were a number of aims. These included fostering deeper trading links, collaboration in key areas of policy such as agriculture and rural affairs, the promotion of a regional agenda within the EU and the exchange of best practice. At all times, with the possible exception of the latter part of Mr McLeish’s period in office, Scottish ministers have publicly stressed that activities such as these should not be regarded as an ‘alternate foreign policy’ to that of the UK Government.

The Committee of the Regions (CoR) has formed another element of the Executive’s foreign affairs agenda, with the First Minister playing a leading role in assisting the CoR to formulate its response to the work of the Convention on the future of Europe. Here too the activities of the Executive have not come into conflict with the UK’s position on the Convention.

With regard to external affairs more generally (i.e. beyond the EU), the Executive has over time developed its own distinctive agenda. It has promoted Scotland’s links with the Scottish diaspora – especially in the USA (Tartan day). Senior ministers such as McConnell have participated in global events such as the World Summit on the Environment in South Africa. In so doing Scotland’s overseas profile has been greater than was the case prior to 1999.

In sum, therefore, given the constitutional constraints confronting the Executive and the political complexities of the parties involved, it is difficult to discern whether they could have done much more over the previous four years. Equally, the Executive’s strategy has been coloured by the following considerations. Firstly, potentially, the prosecution of a foreign affairs agenda can be both time consuming and costly. Thus, where possible the prosecution of their foreign affairs agenda should where possible yield tangible economic and social benefits. Secondly, that for electoral reasons ministers could not afford to take their eye off domestic matters by over-involving themselves in foreign affairs. Nevertheless, they face the conundrum that with regard to foreign affairs, key decisions of a strategic nature which can affect Scotland’s welfare are taken not at Holyrood but still by London and increasingly so by Brussels – where Scotland’s representation in the Council of the EU is indirect.
2. Links

Evaluating the efficacy of the channels provided by the UK government remains a challenge to say the least because of the confidentiality which surrounds them. Certainly the Foreign and Commonwealth Office has been anxious to ensure that the interests of the devolved administrations have not been forgotten vis-à-vis the formulation of foreign policy. Recent research suggests that on the whole departments in London have endeavoured to ensure that the position of the devolved administrations is taken into account when the former formulate their position in relation to a given EU policy.

Nonetheless the current pragmatic arrangement which underpins inter-governmental relations between the UK Government and the Scottish Executive is not without its deficiencies. Firstly, it would appear that formal mechanisms such as the Joint Ministerial Committee have been somewhat under-utilised, though to be fair JMCEurope has been more active than most. Secondly, according to a recent report by the House of Lords Select Committee on the Constitution, there has been an over-reliance on goodwill and informality, concerning inter-governmental relations. This would be less sustainable if different parties were in office north and south of the Border. Thirdly, it could be argued that as far as foreign affairs is concerned, potentially Scotland is worse off not better as a result of legislative devolution. That is because the Executive, unlike the former Scottish Office, is not a constituent part of the UK Government. Thus, if one day the relationship between the Scottish Executive and the UK Government was more fractious than it has been until now, and it was not willing to respect the need for confidentiality regarding the conduct of inter-governmental relations, a UK Government might opt to collaborate less closely with the Executive in the formulation of its foreign policy. In effect the Executive might be less well informed with regard to the UK Government’s intentions. The issue of ‘discretion’ was referred to in the Memorandum of Understanding as follows:

“Each administration can only expect to receive information if it treats such information with appropriate discretion” (Memorandum of Understanding, para 11, Confidentiality).

Thus to some extent it would appear that the onus now rests on the Executive to respect the rules of the game if it is to enjoy continued privileged access to UK decision-making and policy formulation.

3. EU decision-making process

Unlike the German Länder or the Belgian Sub-national Entities (SNE) Scotland does not enjoy direct representation in the Council of the EU – territorial access to the Council being a by-product of the Treaty on European Union. Equally, unlike the above, there is no constitutional mechanism which gives Scotland the right of veto of further transfers of competence to the EU. That became something of a bone of contention for the Länder and SNE’s during the late 1980s and early 1990s because it was increasingly evident that areas of policy which fell within their competence or which they shared with their state government had now been assigned to the EU. The net effect was that they had less influence over areas of policy which fell within their remit. Instead this was now determined by the governments of the member states in the Council, along with that of their own state government. Securing direct access to the Council and attaining the right of veto, was designed to offset this dis-empowerment. Scotland does not enjoy such rights under the current constitutional arrangements. Thus Scotland is faced with the paradox that although it now has its own parliament, political authority increasingly resides in Brussels.

It could be argued that this is of little consequence and that the Scottish Executive should capitalise on all the levers of power which are available to it. Thus under certain circumstances it might draw on the influence of the UK government and at other times it might deal directly with the Commission or mount a joint lobby with the other territories with constitutional powers.

Conversely, it could be argued that the current pragmatic arrangements which determine Scotland’s access to the EU-decision making process leave it overly dependent on the good will of the UK government (in relation to the formulation of its position into a given EU policy). Ideally, at the very least, the Executive’s powers need to be constitutionally entrenched akin to the Länder or the Belgian SNE’s. Otherwise the promotion and defence of its overseas interests rests on little more than the willingness of a UK government to accommodate Scottish needs and on whether the former possesses the capacity to promote those needs at a particular moment in time. However, constitutional entrenchment remains a utopian ideal, since there is little evidence that there is a desire to adopt a federal system of government in the UK. In the meantime given the constitutional constraints which it
faces and the political complexions of the governing parties in Edinburgh and London, there is little that the Executive could do to secure more influence formally over how the UK handles European matters. Thus its efforts have been expended on curtailing the power of the EU itself – or more particularly the EU acting disproportionately. Although the Convention has recommended that the Commission should consult its territories more fully at the pre-legislative stage it remains to be seen whether this will be enshrined in the EU’s new constitution, and if so, whether this will be respected by the Commission. Thus there are grounds for supposing that structurally the promotion of Scotland’s interests in the EU and beyond remains flawed despite the best efforts of the Scottish Executive.
Assemblée Nationale, Québec

This is to inform you that I have received your e-mail of last September 24 in which you bring to our attention an inquiry that the European and External Relations Committee of the Scottish Parliament has been instructed to undertake into a variety of matters including relations between Scotland and Canada.

We for our part are interested in a certain number of initiatives that the Scottish Parliament has undertaken. Our information suggests that your new Parliament has benefited from the experience of other, older Parliaments in order to adopt innovative practices, especially regarding the use of new technologies in a parliamentary setting. We are just now pondering some of these matters ourselves, most particularly the potential for these technologies to help increase participation by citizens in the deliberations of our Assembly and its committees.

It would doubtless be highly useful for us to discuss these matters in greater depth with our Scottish colleagues. In this connection we are planning to send a mission to Paris and London next spring to explore various facets of parliamentary procedure, practice, and management. The President of the National Assembly will be accompanied on this mission by the House leaders and whips of the parliamentary parties. It might well prove beneficial for us to take this opportunity to meet with the officers of your Parliament. I have accordingly asked Mr. François Barsalo, who has administrative responsibility for our relations with Commonwealth Parliaments, to get in touch with you to make such arrangements to that end as may be mutually agreeable.

Finally, regarding Tartan Day I am delighted to inform you that a bill has already been brought before the National Assembly whose very purpose was to designate April 6 of each year for the observance of Tartan Day. Indeed, the former Member for Marguerite-D’Youville, Mr. François Beaulne, introduced a bill to that effect on November 20, 2002. (The text of this bill is attached for your information, copies from the Clerk.) Unfortunately, since the Assembly was dissolved last March 12 for the holding of a general election, this bill could not be passed. It nonetheless testifies to the real interest in Scotland and Scottish culture that exists here in Québec.
Association for Scottish Literary Studies

The ASLS is an association of university, college and school teachers, writers and general readers who share an active interest in the promotion and support of Scottish literature and culture at home and abroad. With core funding from the Scottish Arts Council, the ASLS publishes critical editions of neglected works, such as the recent prize-winning editions of poetry by William Dunbar and Sorley Maclean, two refereed academic journals on Scottish culture and language, an annual volume of new Scottish writing, and educational materials such as the successful *Scotnotes* series. The ASLS also organises conferences and seminars on topics relevant to Scottish literature and language. The ASLS is in the process of establishing an International Committee from its members, with the specific remit of promoting and supporting Scottish Studies outwith Scotland. A working-group has been set up involving members from the ASLS, the Scottish Arts Council, the British Council and Scottish Language Dictionaries.

The Advantages of Promoting Scottish Studies Abroad

The study of Scottish literature, history, culture and ethnology takes place sporadically in a number of overseas academic institutions – often depending on the individual interests of particular staff members in those institutions. There has been no sustained, systematic attempt to promote Scottish Studies as a distinctive subject overseas. A comparison can be made with Irish Studies: there is hardly a major academic institution in the world which does not offer courses in Irish Studies. If Scottish Studies could be promoted with similar results, various cultural and economic opportunities would be anticipated; for example:

- a higher international profile for Scotland would be ‘built in’ to the academic system of overseas institutions
- a steady stream of post-graduates would be attracted to Scottish universities as advanced students
- a regular influx of researchers would be attracted to Scotland for international conferences and cultural events
- there would be an expanded readership for contemporary and past Scottish writers; increased familiarity with Scottish writing would be likely to tempt readers to visit Scotland as cultural tourists or overseas students of Scottish Studies
- overseas academic libraries would be encouraged to stock and display publications by Scottish writers (there are currently shelves full of designated Irish Studies reading matter in most overseas libraries; but in our experience, what little Scottish reading matter is usually available tends to be dispersed throughout the general literature sections)

Given the global scale of the potential academic market, in our opinion, it would be a considerable error to underestimate the possible economic return for investment in supporting Scottish Studies overseas. With Edinburgh bidding to become a designated UNESCO World City of Literature, there is further incentive to take a systematic approach to enhancing the market for scholarly activity.

Current activities

The ASLS in conjunction with the Working Party has already taken some small steps in addressing some of the issues that arise in the promotion of Scottish literature, history and culture overseas. It has begun to work on the following:

- a database of overseas researchers and teachers of Scottish literature, history and folklore, etc. This will be made available on the ASLS website (www.asls.org.uk) and can be used in various ways, eg as a marketing tool for Scottish publishers, and as a support network for overseas educationalists as well as general readers with shared interests in Scottish literature and culture.
- a database of literary festivals where Scottish literature and Scottish education can be showcased.
- the planning of conferences on Scottish literature and culture specifically aimed at international participants
The promotion of Scottish Studies abroad: further action

While Scottish Studies have been promoted abroad in the past, activities have been fragmentary and efforts have been divided between different agencies such as the Scottish universities, the Education and Culture Departments of Government, the Scottish Arts Council and the British Council (UK and Scotland). A coordinated and sustained approach is urgently required in order to encourage the growth of Scottish Studies centres overseas over a period of time.

A systematic approach to the support and promotion of Scottish Studies overseas requires more than the meagre resources of the ASLS or individual Scottish university departments, especially given the fact that Scottish Studies are still under-represented in many Scottish institutions. Coordination amongst different bodies is possible through groups such as ASLS which represent different institutions and have links with schools, the Arts Council and the British Council. However, to enhance the international side of their activities, more investment is necessary in order to resource actions such as the following:

- The establishment of a liaison officer working between the Scottish Arts Council and the British Council Scotland, whose remit would be dedicated in part to promoting Scottish Studies overseas. Such an officer would also liaise with bodies such as the Scottish universities and the ASLS to ensure that such events had an educational ‘follow-through’, eg that visits to an international literary festival by established writers would be supported by visits to relevant academic institutions by academics who could advise on teaching Scottish literature and culture. Too often, the potential impact of ‘showcasing’ is diminished by its taking place in a vacuum. We are now in the a happier position than we have been for some decades with regard to the availability of primary texts and teaching resources; there is a considerable opportunity now to market these texts and resources world-wide.

- Increased funding to the Literature Department of the Scottish Arts Council, specifically intended to fund projects that aim to grow an international readership for Scottish books, and to supply ‘special packages’ of Arts Council subsidised books for academics overseas who are willing to establish Scottish Studies courses. The impression currently given is that investment in Literature is marginal to the Scottish Arts Council’s overall activities. Considering the potential economic returns of establishing a steady overseas readership for Scottish publications, this is a short-sighted attitude.

- Targeting of British Council or other funding organisations for educational exchanges between Scottish and overseas academics, with a particular view to developing and supporting Scottish Studies courses in overseas institutions.

- Financial encouragement to Scottish Universities that establish and maintain Scottish Studies courses. If an international network of academic activity is to be nurtured then a strong home market is also required, and existing Scottish Studies centres and departments, such as the Department of Scottish Literature in Glasgow or the School of Celtic and Scottish Ethnology and Culture in Edinburgh, are relatively few in number and perpetually in danger of being swallowed up by larger units in a vain search for efficiency savings.

- Particular projects that encourage overseas study of Scottish culture could be funded; eg a recent suggestion is a Centre for the Translation and Reception of Scottish Literature (based in one or more of the Scottish Universities). Such a Centre would ideally attract overseas postgraduates who would (a) learn about Scottish literature in general (b) focus on translation and/or reception of Scottish literature overseas and (c) contribute to research on the reception and/or translation of Scottish literature abroad. Such a Centre would be a source of revenue from postgraduate students for Scottish Universities and also raise the profile of the impact of Scottish literature abroad.

Finally, the ASLS would again stress the need for a coordinated, sustained and adequately resourced policy that addresses the considerable and largely untapped potential for the educational and cultural promotion of Scottish Studies. The area is in danger of falling between the remits of the Ministries of Education and Culture; we hope that in conjunction they will begin to take the steps suggested above.
Caledonian Foundation USA, Inc.

THE CALEDONIAN FOUNDATION USA, INC.

American Friends of Scottish Opera - USA
Scottish Opera and The Theatre Royal - Glasgow, Scotland
Edinburgh Festival Theatre - Edinburgh, Scotland
Balnain House - Inverness, Scotland
College of Piping - Prince Edward Island, Canada

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31 October 2003

Clerk to the European Committee
c/o Room 5. 15/5. 16 Parliament Headquarters
The Scottish Parliament
Edinburgh EH99 1SP Scotland UK

Dear Sir:

As requested by The Hon. Richard Lochhead in his open letter
of September 23, 2003, we are enclosing our comments with
regard to better communication between Scotland and the
United States.

Kindly let us know if additional information is desired.

Cordially,

Miss Duncan MacDonald
POBox 1242
Martha's Vineyard
Edgartown MA 02539
Tel: 508-693-3135

Copy to The Hon. Richard Lochhead, MSP
COMMENTS prepared by Miss Duncan MacDonald
in response to Letter of September 23, 2003, from

The following data seem to be unknown to the External Relations Committee.

In 1995, The Caledonian Foundation USA, Inc., a private non-profit foundation,
convened a meeting of Scottish-American organizations functioning at the national
level, for the purpose of sharing information and expertise concerning matters of
mutual interest. It will be noted that this resulted in the establishment of The Scottish
Coalition and subsequently the creation of Tartan Day.

Enclosure: Minutes of 1995 Caledonian meeting.
Enclosure: Statement of Mission of The Scottish Coalition, which has now grown to
nine members.
Enclosure: Brief bio of Miss Duncan MacDonald
Enclosure: Statement of Senator Trent Lott on April 7, 1997, recognizing the fact that
Scottish-Americans had declared April 6th as Tartan Day without government
"approval."
Enclosure: Copy of Senate Resolution 155 dated March 20, 1998, in which the U.S.
Senate designated April 6 of each year as "National Tartan Day."
Enclosure: Fact sheet on Tartan Day which was prepared for the media.
Enclosure: History of Tartan Day in Canada and the U.S., reprint from The
Enclosure: Caledonian Foundation Newsletter (Fall 2003) covering presentation of
First National Tartan Day Award.

With respect to other projects and activities which have the attention of Scots-
Americans, the following are in effect or are being explored:

Two major (loan) exhibits regarding the accomplishments of Scots and Scots-
Americans.
Establishment of Speakers Bureau
Establishment of data base on Scottish organizations and college scholarships.
Establishment of Scottish Studies programs at major institutions
Identification of Scottish Sites in the U/S.
Promotion of Tourism to Scotland

The consensus in the U.S. is that it does not assist our efforts to give visibility for "all
things Scottish" when commercial entities are dropping the name of Scotland from
their corporate identification.

We have also found that it is not possible to obtain a map of "Scotland" in the U.S.
One must be content with a map of the UK,

We trust these comments will prove to be useful in your evaluation project.
MEMORANDUM
from Duncan MacDonald
November 2003

Following item is from the Official Minutes (prepared by Duncan MacDonald) of the Scottish Gathering held in 1995, hosted by The Caledonian Foundation USA, Inc., with invitations extended to the major Scottish organizations operating at the national level.

PROJECT 100- TARTAN DAY

The plan is to establish Tartan Day

Sunday, April 6, 1997 (Easter Sunday is Mach 30, 1997)

We would rely heavily on advice and guidance from CASSOC: (Clans and Scottish Societies of Canada).

There is merit in the Tartan Day project in that it can be carried out at any level, at no expense, with everyone participating.

A Presidential Proclamation is not needed. Scots can simply "wear a bit o' tartan" on that day.

We would want to carefully think out the entire approach. We do not want our fellow Celts to feel we are getting onto their turf. It is unfortunate that the Irish celebration has become a somewhat riotous affair in most places. We might prefer to present a more serious picture of Scots and their accomplishments, tied in with the Scots exhibits, etc.

Use of the national media would be important...Also, Tiffany's and other retailers undoubtedly would prepare windows...and magazines would cooperate. All of this, however, requires notification several months in advance.

Although Tartan Day might be observed by anyone, it is desirable that it be "announced" by the umbrella organization we are discussing. Otherwise, it might take on political overtones, which we want to avoid. It would be important that a brochure or some sort of "backgrounder" be available so that the motives are understood and not misinterpreted.

The Scots Shops should like this, assuming there is not a "run" on tartan. And this annual event would assist the various Scottish organizations in gaining interest, support and visibility at the local level.

Action: The first step on this will be to send everyone a questionnaire to get your reaction as to what form this observance should take.
THE SCOTTISH COALITION

The American-Scottish Foundation, Inc.
Association of St. Andrew Societies
Association of Scottish Games & Festivals
The Caledonian Foundation USA, Inc.
The Council of Scottish Clans & Associations, Inc.
The Living Legacy of Scotland, Inc.
Scottish-American Military Society, Ltd.
Scottish Heritage USA, Inc.
Tartan Educational and Cultural Association, Inc.

The Scottish Coalition is composed of the nine national organizations serving the Scottish-American community, principally through research, long-term planning, and as a resource for information and guidance. Its shared vision is that fruitful and mutually supportive relationships can be forged between individuals and organizations here and in Scotland, in order to assure that the unique Scottish identity and heritage shall become better known and more widely celebrated for the benefit of peoples throughout the world.

NATIONAL TARTAN DAY – APRIL 6 of each year

The purpose is to honor the day and the contributions that Scots and Scots-Americans have made to the United States and to the world.

The Scottish Coalition is composed of the nine national organizations serving the Scottish community in the United States: The American-Scottish Foundation, Inc.; Association of St. Andrew Societies; Association of Scottish Games & Festivals; The Caledonian Foundation USA, Inc.; Council of Scottish Clans & Associations, Inc.; The Living Legacy of Scotland, Inc.; Scottish-American Military Society, Ltd.; Scottish Heritage USA, Inc.; Tartan Educational & Cultural Assn., Inc.

Information regarding The Scottish Coalition may be obtained by contacting the individual organizations listed above.
I can not help but notice that within the scope of your Promotion of Scotland Abroad program there is no mention of Australia or New Zealand, therefore perhaps you will forgive me for drawing to your attention the fact that today, around 1.3 million Sydney residents are thought to have some Scottish ancestry. That there are more people of Scottish descent in Sydney than in Edinburgh and Glasgow. This of course is local, not Australia-wide which would bring the figure much higher, nor not does it include those of Scottish descent in New Zealand where the influence of the Scot's descendants is even greater as the population is similar in size to Scotland. The Telstra Olympic Stadium last Saturday evening contained 79,000 for the Scotland v France Rugby World Cup Games over 70,000 of which were there in support of Scotland.

I have been involved in the Scottish scene here in Australia actively for some 10+ years as President of Clan Cameron Australia - NSW, Secretary, Sydney Society for Scottish History, and Past Vice President of the Scottish Australian Heritage Council.

During this period of service I have constantly been reminded that regardless of just how much research we do within our own country, the reconnection back into Scotland is difficult to establish and sadly rare occurs. The availability of archival material being made available is located in Edinburgh with smaller amounts in Inverness.

Most of the Highlanders who came to Australia were sent out as part of either the Highland Immigration Scheme, or the Bounty Migrant Scheme covering the period of 1830-1851, my ancestors were some of these, Camerons, Ross, Macmillan and MacDonalds.

Australians are comparatively lucky compared to Americans, Canadians, the British kept very accurate records of the Immigration of Free Settlers to Australia whereas some of our American cousins are now ten or more generations removed from their first Scottish ancestor.

Clan Cameron in Australia (NSW) has now published in book and CD some 50,000 names of descendants from those original Camerons alone, not many of these have ever been able to trace a relative currently living in Scotland so thorough was the removal, I have believed for some time that it is time, that Scotland attempted to provide Information Research Centres where those of the Diaspora could be directed in the hope of completing a more productive search for their Scottish kin. If there was more hope of a successful outcome, as slight as this may be (the attempts to succeed in this could be made at many levels) Then there would be more incentive for these descendants to return to Scotland.

The Rt Hon Helen Liddell visited late last year promoting Friends of Scotland and being welcomed at a Dinner given by the British Consul in Sydney, she delivered a pre dinner address on the Diaspora, during which she identified some 40,000,000 people out there in Australia, New Zealand, America and Canada who claim some connection into Scotland, a number which was no surprise to any of us involved in International Clan Associations... the point being made was that we were to be encourage to spread the word to all of our acquaintance to go over to Scotland and by doing so boost the Tourism into the country.

On speaking with her alone afterward I remarked that to provide Research Centres within the Clan Lands eg Lochaber - Fort William and similar places would encourage so many of those who descend from Clans from these Clan Lands to take the trip back in the hope of getting some connection from the Parish registers, Census films, Memorial Inscription, Ordinance Survey Maps, Forfeited Estate papers etc all relative to this area of Clan Origin... then being within the area of the Clan Lands much of the local fabric of the communities would benefit from their presence. Eg Fort William where large Clans like MacDonald, Cameron, Macmillian, Kennedy McPherson etc. had historically been involved. The response was that "there is no interest in the Clan in Scotland"

Let me attempt to make this point…. As a result of and during the period of the Clearances, Highland Emigration and Bounty Migrant programs, then later deployments of Scottish Highland regiments, the Scottish Highlanders found themselves resettled far from home, all this in a major way contributed to the 40,000,000 Scottish descendants that are now distributed around the globe, it should not be a surprise that "there is no interest in the Clan in Scotland" of those who remained not many remained in the Highlands, leaving it to the...
now descendants of these to celebrate and attempt to research this ancestry passed on down to them which leads
them to need this assistance into their re-connection into Scotland.

There is a tremendous advantage obtainable to Scotland in encouraging those of us of the Diaspora back home
to Scotland, the Welsh did it with “HOMECOMING 2000” it’s time to come home” Scotland to my knowledge
has never attempted similar. However it can not only be undertaken in Edinburgh, it needs to be focused within
the Highlands as well within the areas where these Clan lands were held…..

I have spoken to Highland Historians, Highland & Islands Councillors in Scotland. Curators of West Highland
Museums, Clan Associations within Australia, New Zealand, the US and Canada there is whole hearted
agreement that these Centres are necessary, but there is also a view that the initial move must be made by
Scotland, this is something that we would not wish to impose upon the Scot, it is something which we would
contribute our efforts toward however it would only be appropriate should our support be invited.

Second Submission

The opportunity to make comment to the committee of inquire into the subject of Promotion of Scotland Abroad
is appreciated, and it is hoped that the comments presented will lead to a greater understanding on a subject that
will bring both value and great satisfaction to both Scotland and those of us who descend from Scots.

There has been a long misunderstanding that once a migrant moves for whatever reason, to another country,
another place, all memory of land of origin, culture and family must be set aside and total commitment given to
the place of chosen residence.

This in the case of the Scot, (to my knowledge) does not occur, descendants five, seven, ten generations
removed from those in Alba do not assume a detachment from their perceived place of origin.

There have many historical reasons why Scots have found themselves re-planted into foreign countries, in some
of these they were willing participants, in others they were forced decisions made by others, those of us in
Australia possibly represent most if not all of those reasons, even to a handful of descendants of Scottish
convicts, so on behalf of, and to give voice to these Australian Scots who have found the companionship of their
kin supportive, constructive and rewarding, and their hopes of re-connection into their Ancestors culture,
language and history a matter of intent, I request your understanding.

The manner in which this connection/re-connection can be made and retained can differ from one ex-pat to
another, however in Australia the trend is to celebrate the connection by keeping the unit of Clan at social,
supportive level, of celebrating together the days shared in celebration with Scots, Hogmanay, St Andrews and
Burns show other measures can be added and created into this re-connection is to be discussed in this
submission.

I note that there are five key areas for the enquiry, I will restrict my comments to but one: Success of efforts to
promote Scotland abroad, including through tourism, economic development, trade, education links, culture and
heritage

PROMOTION OF SCOTLAND ABROAD

In past Scottish Tourism research has not appeared to have made the connection with those outwith Scotland,
who were connected into, supporting, or promoting Scotland in Australia. Scotland in Australia is represented
by BT and although ever ready to assist with brochures ‘SCOTLAND WHERE TO GO AND WHAT TO SEE’
there is never a supply of poster nor project material available for school distribution accessible at either
primary/secondary/or tertiary level, therefore should any class undertake a project on Scotland, or a Sporting
club call up a Theme Day of a Scottish event, golf, rugby or soccer… no pool of resource material is available
and improvisation is required with Clan, tartan or family artefacts on loan for the event…..this is in marked
contrast to the manner any request for either Welsh or Irish material is met.

Therefore it has always been a matter of concern as to what Scotland perceives to be the reason tourists travel
there.

- The grandeur of the landscape, New Zealand and Canada along with northern Europe share this
• The Whisky trails, interesting but duty free whisky costs lower in Sydney Australia than at Edinburgh
• Tartan, no longer exclusively milled in Scotland
• Kilts made to measure in Edinburgh/Glasgow kiltmakers worldwide

However reasons why travel to Scotland is a MUST and no other destination is considered are:

• The sound of Scottish voices
• World Pipe Band championships
• World Highland Dancing Championship
• International Clan Gatherings
• Family research
• Edinburgh Tattoo
• And a need to enter into the land of the Ancestors

The above travel results not from Tourists, but from those descendants of migrant Scots wishing to make the re-connection into origins

LINKS TO SCOTS OVERSEAS

There are many and various Scottish interest groups which are connected Internationally, Clan Associations, Burns Societies, St Andrews Societies, Murrayfield Groups, Highland Dancers, Pipe Band Associations, Royal Country Dance Associations, Comunn Gàidhlig Assoc, Family History Groups and Departments of Scottish Studies in many Universities.

These do not seek to tour Scotland for the scenery alone, they are designer travellers, they seek an outcome of substance from their trip, and because this required outcome is a vague hope rather than a definite expectation many delay or never attempt the trip to Scotland….

These expectations are centred upon:

1. the Competition being available and publicised,
2. the Events being created and publicised,
3. the Seminars and Study programs being developed and publicised
4. the research materials being made more accessible.

WHAT IMPROVEMENTS CAN BE MADE

• Target your market, if there are, as thought 40,000,000 world-wide who claim some connection into Scotland, identify the connection, assuming (as I believe) that it will result in the majority being of Highland descent give them hope of an opportunity of travelling into past Clan Lands, reading the Parish registers there, allowing them to look into wall size Ordinance Survey maps of the areas (most showing past Estates) Old Army maps of the areas and as much historical library content as can be acquired.

• Bring into Scotland copies from the Public Records (London) of the enlistments in the Highland regiments going back to 1759 so that these can be viewed in Scotland without need to travel to the Public Records Office in Kew (London).
Following the ’15 and ’45 risings, a deliberate decision was taken to try Jacobite prisoners outwith Scotland. Consequently, the bulk of trial documents are also held at the Public Record Office in London. Bring back into Scotland, from these same Public Records Office Court proceedings on the trials of those Jacobites who were tried in England and executed there, many of us descend from these and need the records to complete the Ancestral picture.

These records not only hold the details of next of kin, but they also detail the trials of the Jacobite prisoners, their statements before execution and evidence brought forth at their trials.

During the Penal years when the Catholic religion was not permitted, many of the West Highlands and Island Catholic clans were served by their priests in secrecy and this parish work was recorded in letters posted back to the Vatican….. much of Scotland’s Highland history could be located within these archives and many a lost ancestral line could be found if access to these documents were sought.

Although the Scottish Family History Service project provides web access to important genealogical sources material, this should only been seen as an invitation to come to Scotland where the material can be viewed at location and expanded by viewing both information and historical matter at the site. Scotland’s strategy should be to target the areas where most of these descendants research. In the main they are of Highland descent and this is where the impact of the information gathered will be most effective.

The Internet as a medium will be used more and more from a distance, this does not net Scotland anything in Tourist dollars….. there is no satisfaction to either researcher nor Scotland if Ancestral Research becomes an armchair occupation. Scotland needs to bring these researchers back into Scotland into the areas where the research will not only gather in information but have an emotional impact that will bring them back time and again to learn more of who these Scots were who were once part of this land.

The benefits that flow to Scotland will be found in Tourist dollars, however what the Diasporan Scots will gain is the re-connection into their ancestry, both can be achieved with carefully placed, well equipped Research Centres and an open communication connection into those who are already inter-communicating throughout the vast Scottish Commonwealth that is world-wide.
Clan Cameron, New Zealand

Background: Clan Cameron New Zealand is an Association of New Zealanders who are either Camerons or descended from Camerons who emigrated from Scotland during the last 160 years. They are one of a number of Highland Clan Associations in New Zealand. With their fellow New Zealanders of Scottish and Irish descent, they form a significant part of the New Zealand population. Because of their historically recent departure from Scotland, they still have knowledge of Scotland in the past either directly or through their parents, grandparents or great grandparents. But they have little up-to-date knowledge of the recent changes occurring in Scotland since the formation of the Scottish Parliament and of the future strategy and plans. This is very different from the knowledge of Ireland in New Zealand; the constant, well-publicised Irish visits mean that the New Zealand population is very aware of their economic, social and cultural developments. Scotland and New Zealand are both countries with small populations who are endeavouring to find a place in a world dominated by large countries and it could be useful to have robust personal links.

We noted “In February 2003, the First Minister expanded his vision of the external relations to include the importance of attracting more people to Scotland to help both our economic performance and the diversity of the population.” Therefore in developing a strategy for external relations, we suggest consideration be given not just to “promote a positive image of Scotland” but to promote economic development and trade, education links, culture and heritage. There are ‘links’ at the present time, but the Scottish Executive could provide a strengthening and coordinating role as well as providing a Government-to-Government linkage to ease the present political and economic restraints hindering the links.

Aim of the Submission: That the Committee and hence the Scottish Parliament recognise the need to build strong connections between Scotland and New Zealand. These connections need to be at a government level as well as at a personal level. The ideas in our submission are at the personal level for young people and for the older retired persons of Scottish descent, but this could lead to stronger Government-to-Government links between two small countries.

1. Young people between 18 and 30 years. Many young people travel – New Zealanders go on what is called the ‘Overseas Experience’ and Scots come to New Zealand as ‘backpackers’. Clan Cameron NZ recognised this movement of young people a few years ago and set up the ‘First Light Exchange’. The First Light Exchange was established to:

- Sponsor a youth exchange between Clan Cameron NZ and Clan Cameron Scotland
- Develop and maintain communication links between Clan Cameron NZ and Clan Cameron Scotland
- Encourage cultural links between Clan Cameron NZ and Clan Cameron Scotland
- Encourage the professional and personal development of young Clan Cameron members of New Zealand and Scotland
- Ensure that Clan Cameron NZ is enhanced from the development of such a programme.
- We realise that this is very specific to Clan Cameron but we think that these aims could be translated to a wider group of Highland Clans and may be to other groups from the Scottish lowlands.

The young people work in the other country for a short time to further their career development, and to live with people in the community, usually other Camerons. Four young people have so far taken part in the Exchange between Lochaber (the traditional home of Clan Cameron) and New Zealand. They have worked for 3-6 months in the other country and are encouraged to be part of that community, particularly the various Branches of Clan Cameron. These young people have brought a greater awareness in New Zealand of the present life of young people and their communities in the West Highlands. Also, the young people from Lochaber learnt how Camerons live in New Zealand and their place in NZ life and culture. The Exchange has brought the Camerons in Lochaber and in New Zealand much closer together, and more aware of each other’s problems and successes. This is only a small effort carried out with the minimum of finances and no help from government in any way – in fact there were real governmental hurdles in obtaining work permits and visas.

We suggest that this type of Exchange of young people from specified Clans, or areas, of Scotland could be expanded not only between New Zealand and Scotland but between other countries, where there are easily
identified groups of people with Scottish descent, and Scotland. To aid this Exchange, we suggest you consider:

- Organisation of a Web Site directory of exchange programmes for young people between Scotland and overseas based Scottish communities.
- Government-to-Government negotiation to provide a simple and equal basis for provision of special work permits, which would be separate from and without detriment to other existing arrangements.
- Provision of a central Exchange Fund (may be funded by both governments) to which organisations providing such Exchange programmes can apply for help with travel and related costs.

The young are the future of Scotland and it is important that young people of Scottish descent in Scotland and overseas recognise both the culture and philosophy inherited from their Scottish past and also the future changes and developments that they might help to happen. Overseas Scots look to the Scottish Parliament to produce a future in which some of us may take part and of which all of us can be proud. Building up an integrated group of young people of shared Scottish descent could be a basis.

2 Older Persons. People when they retire today often travel, and we note that you were very enthusiastic about encouraging people of Scottish descent to come as tourists. But we think that it would be more rewarding for those who were either born in Scotland or are of Scottish descent to be encouraged to take part in the community activities in Scotland. People retiring at 60 or 65 often have 10 years working life remaining, albeit at a reduced pace. Overseas Scots have built up education, skills and experience in many different fields to a high standard, often internationally recognised. Having given years of their working lives to the country in which they live, some would be glad to return to Scotland to take part in some work in a community which could profit from these knowledge and skills. Scotland is a small country with deaths exceeding births, and it could now benefit from those of Scottish descent whose families had to leave Scotland for political, economic or social pressures or just to have a greater opportunity for advancement in a larger country.

It is important that the Scottish Parliament recognises people of Scottish descent not just as tourists who bring their dollars to swell the coffers but also as ‘cousins’ who can be brought into the community for a short time.

The Committee could consider:

- Setting up an “inter-linking” communication system on which overseas people of Scottish descent could record their education, knowledge and skills and their times of availability. Scottish communities, organisations and companies could also note on the Web site the skills and knowledge that they need. This could be the starting point for building up inter-relationships.
- Obviously there are many Scottish societies in the overseas countries – Scottish Societies, Caledonian Societies, Highland Clan Associations, Pipe Bands, who could be involved in setting up and organising the connections with their particular associated areas or/and activities.
- Negotiate Government-to-Government agreements on pensions so that the overseas pensions could be received in Scotland. Several countries only allow the pensioner a very limited time outside their home country.
- Negotiate Government-to-Government agreements on health provisions in Scotland for the overseas Scots where it is not available at present.

People are the basis for any interconnections and if connections are to be built for the long term then it is important not to regard your overseas Scottish cousins as tourists but as part of the greater Scottish family. They departed but they could return as contributing members of the Scottish society.
PROMOTING SCOTLAND WORLD-WIDE: COMMITTEE INQUIRY

I am writing on behalf of the Board of Directors of Comunn na Gàidhlig, the Gaelic Development Agency, in response to invitation for submissions in relation to the current Inquiry into the external relations policy, strategy and activities of the Scottish Executive in promoting Scotland world-wide.

As the Government funded agency responsible for the promotion and development of the Gaelic language and culture throughout Scotland, and beyond, Comunn na Gàidhlig is particularly interested in the Inquiry’s remit in relation to the promotion of culture and heritage at an international level. The fourth bullet point of the five key areas on page 3 of the “Call for Evidence” Paper of 18 September refers.

There has been a general feeling that, in the past, the role of the Gaelic language and culture in promoting Scotland’s identity overseas has been somewhat overlooked. For example, a recent event in Barcelona (the capital centre of Spain’s main minority language) promoting Scotland did not, initially, feature any presence or reference to the Gaelic language and culture. It was only when MSP’s raised the matter, at ministerial level, that action was taken to ensure that account would be taken of the role of the Gaelic language and culture in this and similar events.

We would want to ensure that any strategy on promoting Scotland overseas would take account of the historical, traditional and contemporary role which the Gaelic language and culture has played and continues to play in Scottish life. The European Committee’s assistance in highlighting this aspect in any future Report to the Executive and Parliament would be very much appreciated.
Dear Sir,

I found your letter dated 9/23/03 re-inquiry into the promotion of Scotland Worldwide very confusing and so politically correct. I am not sure what your real objectives are, let me try to put in laymans terms a response to what I feel you need to do to be a player in export and import markets.

Let me qualify my opinions:

I am President of Highlander Sales, a distributor of Automotive Supplies in the Boston area, I receive invitations to join other business people to visit other countries to see what products they want to market on an export basis and other products they would like to import. This type of a program is very important for both countries and the corporations involved. The cost is usually split between the want-to-be country and the business owners. At this point in time, a list of products, Scotland has for export would be helpful. Also, a list of products Scotland wishes to import would be a valuable tool.

I am past Commissioner of Clan Donald of New England and presently plan a Kirkin of the Tartan close to Tartan Day each year, a great event to celebrate. I would suggest a small committee of USA Businessmen that are interested in doing business with Scotland and exploring the opportunities that exist.

Sincerely,
Jill Scharrf, United States

At the request of Alison Duncan, here are my thoughts for the Scottish Executive. Rather random but perhaps there will be something worth passing on.

I live near Washington DC. The Smithsonian Institution’s focus on Scottish culture was great. Susan Stewart, the Secretary for Scotland at the British Embassy is marvellous.

The Victorian idea of building a castle and re-inventing tartan was brilliant and modern Scotland should keep that going. Boosting sales of kilts for men as the Edinburgh company Geoffrey Taylor (I think that’s the name) is doing – making the kilt look almost hiphop is a help for appealing to the young. The television show Monarch of the Glen gives favourable exposure. Since the MacDonalds on the show are operating a tourist site, could the script writers be persuaded to have the MacDonalds start an advertising campaign in which they call on all Scots to bring a friend or another family to holiday in Scotland?

Scotland should be more accommodating to movie directors. Imagine a movie about a Scottish hero being made in Ireland. I gather that American film directors go to Prague rather than Edinburgh, Ireland rather than the Scottish Highlands, because Scotland does not give rates that are competitive. This is a BIG mistake. How about funding another movie on a Scottish theme such as Robert the Bruce and obviously Sean Connery is the one to star in it. He is an excellent ambassador for Scotland. When he got the Wallace award here, it was at the time of the foot and mouth epidemic and he was absolutely devoted to promoting Scotland.

Is JK Rowling Scottish? Even if not, she lives there and is immensely talented. Scotland should be asking her to promote Scotland. (I’m hoping Harry Potter goes to University of St. Andrews too.) Susannah York grew up in Scotland and so did Maggie Smith. Why is Scotland not using them as spokespersons?

The Scottish universities should promote academic forums in American Universities, pay for academics to come here, send over Scottish poets and actors, and film the events and create enduring materials available on a web site. For instance the Scottish executive could make a contribution to the Scottish-American Foundation and us that foundation for cultural outreach. Scottish civil society efforts should be promoted widely, and so far I heard about it from a friend, but I haven’t seen it written about. It’s a hot topic here. And in my view it’s an essential component of national security.

I’m one of the Friends of Scotland, and I don’t find that highly appealing. It conveys some information but it doesn’t offer a community as the Scottish-American Foundation does for those in New York.

Perhaps the Scottish Executive could persuade the St Andrews societies of America that they are going against Scottish interests by excluding half the Scots in America from their ranks – namely the women. We’re active in business too and can be equally effective.

Host events at the Embassy where Scots can invite their American friends for a get-to-know Scotland evening.

The problem with National Tartan Day is that it is being done on a shoestring. There is virtually no PR. If you aren’t on the Internet or living in New York, it’s very hard to get information even if you ask for it. There should be a full-time person appointed to arrange local committees, inspire and monitor them, and they should be working year-round. I haven’t been on the committee so I may be misinformed. I only know that I have felt it all happened in a haphazard way for reasons I don’t fully understand. I heard that the Wallace award couldn’t be made. That was most unfortunate. A tradition like that should be kept going, and the award should be an honour that people vie for.

It would be good if America got a President of Scottish ancestry. The Scottish Executive could select such a candidate and give him a gift of Highland dress to wear on the campaign trail. That may be a joke, but it might be a real hit –

On a serious and personal note, I co-founded in Washington a non-profit institute called IIORT to bring British psychoanalytic practice to the USA. In partnership with the Scottish Institute of Human Relations, IIORT recently did a conference in Edinburgh to honour the legacy of internationally known Scottish psychoanalysts.
Ronald Fairbairn and Jock Sutherland. Edinburgh town council gave us permission for a reception in the Chambers and the Royal College of Physicians gave us conference facilities at a slight discount, both of which were highly supportive to our aims. We attracted 100 participants from the Britain and 12 countries in Europe, North, South and Central America. As a result of this conference in Edinburgh, the work of these Scottish analysts will be featured at a conference in Germany in 2005. There is a lot of international interest in this small area of philosophical thought. I’m sure the same is true of many other areas.
The Lord Sempill

I have recently returned home having spent most of the year in the USA, launching The Tartan “Visa” Card to Americans of Scottish descent. The Tartancard is an affinity card, which aims to raise funds for Scottish American heritage.

During that time my colleagues and I attended 23 Highland Games, having travelled across 25 States and driven over 15,000 miles. We also attended both Tartan Day Parades, and have met well over 5000 Americans, who were either involved in the games or just attending as spectators. At some games I was elevated to the status of an Honoured Guest, and in others I was just another vendor. In May I was invited to become a member of Cosca, the Council of Scottish Clans and Associations, and through that connection have attended two gatherings of the Scottish Coalition, which represents 9 key organisations, who are actively involved in promoting Scotland’s heritage.

I was recruited to launch the card by Ustica Ltd, a Scottish based company, which had an exclusive partnership with the Standing Council of Scottish Chiefs (SCSC), a body representing all clan chiefs as recognised by the Lord Lyon and the Lyon Court. Their collective aim was to help protect and extend clan heritage, and overall strengthen the Scottish American relationship.

A further project developed and managed by Ustica Ltd is www.myclan.com. This is an educational and informative website, which is endorsed by the SCSC, and is positioned as the definitive source of the chiefs and their clans ancestral heritage. This site is one of the leading sources of genealogical information for the 40-million worldwide Scottish Diaspora.

My colleagues and I are currently involved in a management buy out, but it is our intention to return to the USA and Canada for 2004.

We would be most willing to assist the Committee with a clearer understanding of Scottish Americans and their wholehearted affiliation to and love of Scotland.

We certainly believe that we have much to contribute, especially, in reviewing Scotland’s input into Tartan Day.
Professor Michael Keating

1. These reflections are based on a research project in the late 1990s, published in a joint book with colleagues in the University of the Basque Country, on work for the Forum of Federations (Canada) and on a project sponsored by the government of Flanders.¹

2. There has been a large increase in the activities of sub-state governments in international affairs, a field now known as ‘paradiplomacy’. Most domestic competences have an external dimension, breaking down the old distinction between home and foreign affairs. This is particularly so in the European Union.

3. The motivations are three fold: economic; cultural; and political.

   (a) economic motives arise from the internationalization of the economy and the rise of regions as ‘production systems’, in competition for investment, markets and technology. Such competition now goes beyond the borders of states, and takes sub-state governments into the international arena. Competition is balanced by co-operation with strategic partners.

   (b) Cultural motives have to do with the maintenance and promotion of local cultures and languages in the face of homogenizing pressures in the state and international arenas. Culture is important not only in itself, but in mobilizing actors around common themes in economic development and retaining social cohesion in the face of global market pressures.

   (c) Political motives relate to extending domestic competences into the European and international areas, as this is where many of the decisions are taken. It may also link to projects of region-building or nation-building. Nationalist parties may use this as an opportunity to reduce dependence on the state or even prepare for independence (protodiplomacy). Non-nationalist parties may see paradiplomacy as demonstrating that independence is no longer essential in order to become an actor in the world. More generally, in stateless nations, it may point to new ways out of the national question, beyond traditional notions of statehood and sovereignty. Notable examples here would be Catalonia, Flanders, Quebec and, to some extent, the Basque Country.

4. Paradiplomacy is distinguished from normal diplomacy in that it is sectorally-specific, focusing on specific tasks, rather than the representation of the territorial unit as a whole. There are different styles.

   (a) In some cases, it is less by government, pursuing specific objectives and bringing in other social actors as appropriate. This might be the case in Flanders, in Quebec and in some German Länder. Often here, there is a dedicated external minister, or a section within the department of the first minister.

   (b) In other cases, the emphasis is on civil society and business, with a plurality of actors involved, with government giving support were appropriate, but without an attempt at an overall ‘foreign policy’. This is the case in Catalonia, where the Generalitat, while sustaining an overall vision of Catalonia in Europe and the world, entrusts many of the initiatives to private actors, foundations and agencies. It is also characteristic of Tuscany, which seeks to emphasize its own social model, of co-operation and an active civil society, by incorporating this into its external policy.

   (c) Scotland is somewhere in between, as the dual structure of representation in Brussels shows. This is probably the best formula, allowing for government to present its own case, while leaving room for civil society.

5. The main instruments of paradiplomacy are:

   (a) inter-regional co-operation agreements;

   (b) activities in the European Union;

(c) common action in constitutional issues, for example the initiative of the Regions with Legislative Power;

(d) work through inter-regional associations;

(e) sectoral agreements in business;

(f) research co-operation;

(g) educational exchanges;

(h) regional foreign aid programmes (‘decentralized co-operation). This does not exist in the UK but across much of Europe has proven an effective way of delivery aid, while fostering co-operation and benefiting donor regions.

6. Paradiplomacy is a tempting field for politicians, giving a chance for domestic and external visibility and taking them into the prestigious world of international affairs. It is quite easy to launch initiatives and general declarations. Many of these, however, fail to follow through or to produce anything substantive. The conditions of success are the following.

(a) Efforts should be focussed. There is a danger of over-extension and the proliferation of efforts that are under-resourced and lack commitment.

(b) There should be an overall vision and a positive view of Europe and opportunities abroad. The tendency in the UK to regard Europe as something against which we fight does not help here, as politicians gain little credit for being active Europeans. UK politicians still tend to return from European meetings claiming a victory is stopping things (like the fantasy of a European federal super-state). Scotland can be an exception in this, but the assumption that the Scots are naturally pro-European is questionable. There is a need to demonstrate the positive role that Scotland can play in building a democratic, decentralized and socially cohesive Europe, rather than emphasizing what it can get.

(c) Regions and nations that simply go grant-hunting in Europe are not taken seriously.

(d) Policy is more effective where civil society is involved and policy is decentralized and pluralist. There is a serious problem of following up political declarations with practical proposals, unless civil society is fully involved and resources are available.

(e) Small and medium sized enterprises are the businesses that have most to gain from external co-operation. Very small businesses tend to trade in local markets, while large firms have their own networks.

(f) Politicians can have a short attention span and without sustained leadership from the top, paradiplomacy is difficult to sustain. Personal leadership seems particularly important in this field, as there is little institutional momentum to sustain it on its own.

(g) The attitude of the central state is crucial. States are jealous of their prerogatives in external affairs and often very sensitive even on matters that seem of little political significance. In the UK, Whitehall has generally been rather accommodating of Scottish initiatives, but the price of this has been that the Executive has never deviated from the UK line on key matters. There is a trade-off to be made here.

(h) The Quebec example shows the danger of both nationalist and anti-nationalist politicians instrumentalizing external policy for political advantage. Catalonia, on the other hand, shows how they can put aside domestic differences to present themselves as a stateless nation in an interdependent world, without giving up their distinct views about the long-term status of Catalonia.

(i) The legal provisions for international co-operation are important in many European systems. Belgian regions and communities have external competences corresponding exactly to their internal competences. Italian regions are much more restricted.

(j) Regions may be partners in development, but they are also competitors. The balance between competition and co-operation can vary over time and across sectors. The ideal partner is a region that is complementary, so that resources and skills can be pooled.

(k) Mechanisms for co-operation should be simple and flexible. EU INTERREG projects, like many EU programmes, are often too complex.
The image projected by the region or stateless nation should reflect a common social project, to manage the insertion of the territory into the global economy, while retaining social cohesion and cultural identity. At the same time, it should be pluralist, reflecting the complexity of cultures and interests. This balance is not easy to attain. Tartan Day has been criticized as sustaining a cliched image of Scotland, while efforts to eliminate 'tartanry' from Scotland’s image altogether are artificial. The most successful efforts bring together modernity and tradition, while recognizing that tradition itself is live and changing. Culture in this way becomes not a mechanism for imposing conformity, but a vehicle by which a society can recognize itself and debate itself in all its complexity. The current efforts to promote Scottish culture abroad (Tartan Day perhaps excepted) are in this line.

Care should be taken in using words like ‘coherent and co-ordinated’, which imply that Scotland has a single interest abroad. The Executive’s efforts should be focused and coherent, but there is scope within civil society for projecting a more pluralist vision of Scotland. This is not like traditional diplomacy, where the nation must present a united face to the world.
Dr Michael Newton

Audience in US

There is a huge and growing interest in Scotland in the United States, for a number of reasons. The 2000 US census shows that there has been a 40 percent increase in the number of US citizens who claim Scottish ancestry over the figures for 1990. As a result, Americans - some 5.4 million of them, according to census figures - are increasingly aware of and interested in their Scottish heritage.

Scotland has for too long played to simplistic formulae to draw tourists. Tartan, kilts, empty hills, and so on. This can only go so far. There are beautiful landscapes all over the world (including here in the US). Why travel to Scotland to get that? There are also castles and quaint architecture in other places. And there are only so many heraldry banners that tourists will buy.

My own research about Gaelic learners (summary available on my website) indicates that there is a growing market in North America more attuned to cultural and historical matters, who are willing to spend their holidays and surplus money on more sophisticated endeavours: spending weeks at the Gaelic College or in Gaelic-speaking communities, learning how to weave or play the fiddle, etc. And most of these people do not seek solitude: they want to meet Scots and be in their company! People and culture need to be assessed as assets.

A comparison with Ireland would be appropriate. There are numerous summer schools scattered all across the country with very narrow foci: the literature of particular authors, the music of specific regions, archaeology, etc. These hold people for longer, keep them coming back, and distribute the wealth across the countryside.

Formulae

It is clear that most Americans are not well informed about Scottish history and culture, but the blame can hardly be put on Americans alone. The Scottish education system has only begun to address historical and cultural issues specific to Scotland. Most Scots are ill-informed about crucial aspects of their history, and as a result, like Americans, tend to either cling to simplistic formulae or denigrate them. The problem, in my view, is that the simplistic formulae still have not been replaced by better frameworks of understanding culture, so that once people cast aside tartanism they have very little left - which is why so many cling so tightly, or cringe so smartly.

I feel that tartanism is an ill-fitting formula for Scotland which has run its course. While tartans and kilts seem to be more embraced, and with a more positive attitude, than for many generations past, no society or nation can be, or should be, reduced to tokens and icons. While I do not disagree that tartan is a useful symbol in many ways, and should continue to be used as an emblem, it is what is underneath it that really needs development and emphasis.

Education

One of the important keys to changing matters for the better is education. If people could become aware that Scotland is not just a museum of ancestors, kilts and bagpipes, but has a real living culture, and a very diverse and rich one at that, it could only be for the better.
I am personally concerned about what seems to be the current philosophy inherent in Tartan Day. The emphasis seems to be Scots are important because they influenced America. This approach opens up a number of problems for any ethnic group, because they are only valued in as much as they are argued to possess or contribute elements which are valued by the dominant WASP majority in America. Scots must be, it seems, proto-Americans, and we must emphasise those traits which we have in common. This is, I would argue, a form of external validation, and is only too problematic in a Scottish context. Better not to transfer it to an American one.

I would rather that Scots (in their many varieties) are simply celebrated for what they were and are, warts and all. Other ethnic groups in America have struggled with this issue, and I encourage some research into this. The problem is one of maintaining cultural integrity and an independent voice, rather than succumbing to pressure to adhere to standards and expectations which may not be historically valid.

In any case, there needs to be further outreach and cooperation. The Smithsonian Folklife Festival this summer was a very successful example of presenting many aspects of contemporary Scotland to the general public which did not simply fall back on stereotypes.

I am currently trying to build a program in Scottish Highland studies. There is currently no place in the US where a student can study such issues. While American students may seem like a valuable import to Scottish universities, I think it would be short-sighted not to attempt to foster and develop this better in the US for a larger and more sophisticated crop of students and enthusiasts in the future.
Dear Mr. Lochhead

INQUIRY INTO THE PROMOTION OF SCOTLAND WORLDWIDE

Thank you for your letter of 18 September inviting comments on this wide-ranging inquiry.

Before commenting on some of the specific issues that your inquiry seeks to address, I would like to make some general points about Standard Life and its global positioning. Standard Life is Europe’s largest mutual life insurer, with over 5 million customers. With its headquarters in Edinburgh, it is a major employer in the city. Globally Standard Life has operations in the EU in Ireland, Germany, Austria, and Spain (and in France from next year) and more widely in Canada, India, Hong Kong and China, where we will be opening for business before the end of the year.

As a Scottish company with its primary employment base here, the broader success and sustained growth of the Scottish economy is clearly very important to us. As a company with a growing international presence, we are mindful also of how Scotland’s broader international reputation can impact positively on our overseas operations. An important factor is the increasing pre-eminence of the EU as the originator of legislation which impacts directly upon the financial services sector and its regulation. Although responsibility for such legislation is reserved rather than devolved, this does not mean, given the core importance of the financial services sector for Scotland’s economy, that there should not be a role for the Scottish Executive here. I comment further on this below.

Turning to the specific remit of your inquiry I understand that Andy Kerr MSP, Minister for Finance and Public Services, in a recent session with your Committee on 9 September, set out the priorities of the Scottish Executive as being:

- Promoting Scotland’s devolved policy interests
- Building links
- Promoting Scotland abroad
- Working closely with the UK Government to ensure we have a strong effective influence on European matters.
He also tellingly added: “So much is coming out of Brussels that we cannot realistically hope to influence everything. We have to be selective, agree priorities and go for them systematically.” From our perspective this seems to be entirely the right approach. If our agenda is too wide there is a danger of messages becoming diffused and confused. Therefore focusing and priority setting will be essential. With regard to the EU, and the decision making processes there, we are increasingly building our own links to influence the debate on forthcoming legislation which could impact upon our ability to operate effectively as a provider of financial services. However we also look to the Scottish Executive to ensure that the views of the Scottish financial services community are fully taken into account in the negotiations between the UK Government and the European Commission on these matters. We would therefore propose close liaison between the Executive and major Scottish financial services groups, to ensure that our views were conveyed effectively to Whitehall.

More widely, and reflecting my comment above about focus, we would counsel against an excess of initiatives. It is clear from the terms of reference for your inquiry that there is already a wide range of organisations involved in some way in the promotion of Scotland overseas, and your Committee’s audit should provide more detail of this. The upside to this is the level of resource devoted to this kind of activity. The downside is the risk of a scattergun approach if the activities are not properly coordinated. This argues, above all, for a centrally driven strategy with clearly defined objectives from which these various strands of activity would flow. This should ensure a more coherent and effective message to the different target audiences and, almost certainly, greater cost effectiveness.

The core messages which such a strategy might hope to deliver might include:

- The dynamism and strengths of the Scottish economy
- The strong pool of indigenous talent within Scotland
- Scotland as a great place to live, work and invest
- Those vibrant cultural and historical factors which differentiate Scotland from the rest of the UK

Above all, emphasis needs to be placed on Scotland’s modernity.

If Scotland is to be promoted effectively abroad, the messages need to be clear, strong and convincing. Market promotion is highly competitive. In the UK alone, the four constituent countries have fought for years often to attract the same potential inward investors. It is essential therefore that Scotland is seen to have differentiators which enhance its attractiveness as a place for business, tourism and investment.

Scottish companies, particularly those with international operations, can of course do much themselves to project the right image of Scotland. For example, in developing our business in China we have worked hard with the Chinese government, officials, our joint venture partner and others to demonstrate how a modern financial services company can be run in the best interests of its customers and staff. Bringing people to Edinburgh to emphasise the importance of our Scottishness and the extent to which that informs our approach to business, has been a key element in this.
I hope these comments will be helpful to your inquiry. In conclusion, I would emphasise again the need for a focused and targeted approach underpinned with a clearly defined strategy. This would be far more likely to secure positive buy in from business and the successful achievement of the objective of effectively positioning Scotland externally.

Yours sincerely
Struan Stevenson MEP

Thank you for your letter of 28 October 2003.

As you know, we have the ability to mount major exhibitions in the European Parliament in Brussels and many regional states and federal regions within the EU seize this opportunity on a regular basis.

Can I suggest that an excellent way to promote Scotland's key role within the EU would be to mount such an exhibition featuring the best of Scottish food, drink and culture. I am sure that the salmon, beef, lamb and whisky industries would be delighted to co-operate. I am also sure that the National Galleries of Scotland could provide a fine, small display of Scottish paintings and sculptures.

The official reception to open this exhibition would take place on a Tuesday evening with all 732 MEP's from the new enlarged EU invited, together with hundreds of EP and Commission staff and media. The exhibition would continue for 4 days, closing on the Friday. The promotional value for Scotland is significant. However such an exhibition also provides a good opportunity for a range of ancillary seminars and events.

I hope you may consider this idea and I would be delighted to help set up such a project.
**Universities Scotland**

**Introduction**

Universities Scotland is the autonomous representative voice of Scotland’s twenty one universities and colleges of higher education.

It is probably fair to say that Scotland only has three industries which would be considered among the best of their type in the world; financial services, the production of luxury goods such as textiles and whisky, and higher education. This submission will explain how Scotland’s higher education sector promotes Scotland in the world, and why the Scottish Executive and other organisations should feature higher education more prominently in its overseas promotional activity.

**How does higher education promote Scotland worldwide?**

- **Attracting Students**

Going to university in Scotland is a very attractive prospect for people across the world. Figures for 2001 show that almost 22,000 students from other countries came to Scotland and the number of overseas applications to Scottish universities has risen by almost a quarter since 2000.

Apart from the many social and cultural attractions drawing overseas students to Scotland’s universities, the reputation Scottish higher education has for high quality learning and teaching, supported by its strong research base, is internationally acknowledged.

- **New ways of learning**

Scottish higher education also provides courses to a large number of students based in their own countries, many of which are tailored to ensure relevance to the context of the students’ country. Email and web based communication technologies have been developed by Scottish academics to improve the delivery of undergraduate and, more commonly post graduate, courses over great distances. Developments generated by Scottish universities in e-learning have raised standards in this important new area worldwide.

- **Discovery**

The higher education sector in Scotland conducts cutting edge research that enables new understanding throughout the world. The results of the last Research Assessment Exercise (RAE) report that over 200 individual university departments in Scotland are working on research of international excellence. In 2002 Scottish universities won £36 million in research funding from sources outside of the UK, beating competition from higher education institutions worldwide. Our academics are constantly in the world’s top ten most cited list and our universities are among the most quoted in Europe. These achievements help to promote a perception of Scotland as a place of innovation, ingenuity and excellence.

- **Working with Industry**
Scottish higher education doesn’t just impact on academic circles across the world. We also have strong working partnerships with international business and industry. Thousands of research contracts from overseas companies are won by Scottish universities each year. We help businesses solve problems to improve their core functions and working practices. International companies working in the life sciences, digital animation, energy, nanotechnology and optoelectronics have used technology developed in Scottish universities to advance their business.

Providing initial training and continuing professional development is another way in which our universities engage with industry worldwide. This happens on a significant scale within the oil and gas industries, medicine and education. Apart from specific technical learning, we have also developed degree programmes to ease the cultural barriers for UK nationals wanting to conduct business in countries with different working practices and protocols.

- **Collaboration**

Scottish universities collaborate with universities worldwide on projects that involve all aspects of university activity. The effect of Scottish based academics working with colleagues overseas builds relationships between institutions that lay foundations for future economic, social and cultural activities between countries.

- **Defining Scotland**

Every year Scotland’s universities host events of international importance that bring the world’s leading thinkers to Scotland and each year we actively participate in similar international events around the world. This large scale of exchange has innumerable positive repercussions for Scotland, both economically and culturally, and helps to define the country’s voice and standing in the world.

Centres of specialist teaching and research focusing on Scottish music, art, history and sociology also work to define thinking about Scotland and its culture around the world.

**Benefits of higher education for Scotland**

- Attracts highly skilled people to live, study and work in Scotland. If it wasn’t for the large number of students coming to Scotland each year, many of whom stay, Scotland would revert to being a country of net emigration (while Scotland’s population is falling, it is due to a decline in birth rate rather than migration).
- Builds a far-reaching and diverse range of relationships with individuals, organisations and governments overseas
- Sustains a positive international profile of Scotland as a place of thinking and creativity
- Engages Scotland with international business and industry
- Spreads new and existing knowledge around the world
- Promotes Scotland as an outward looking country that has a lot to offer the world.

The direct benefit of overseas students to the Scottish economy is significant. Overseas student off-campus expenditure is estimated as £101.95 million. This generates a further 1,665 FTE jobs across Scotland. Overseas visitors’ off-campus expenditure is estimated as £40.7 Million. This generates a further 594 FTE jobs across Scotland. The off-campus
expenditure of overseas students and visitors also represent export earnings for Scotland. The additional export earnings associated with overseas students and visitors amounted to over £142 million.

**Conclusion**

There are several agencies working to promote Scotland overseas, including the Scottish Executive, and they should take advantage of the big impact made by Scottish higher education in the world. Scottish higher education’s international success is remarkable and Scotland’s promotional voices need to feature it more prominently as a Scottish identifier overseas.
EUROPEAN AND EXTERNAL RELATIONS
COMMITTEE

BRIEFING PAPER

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

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
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Email: europe@scottish.parliament.uk
## SUMMARY TABLE OF CONVENER’S RECOMMENDATIONS

<table>
<thead>
<tr>
<th>Council</th>
<th>Did Executive meet deadline for sending information?</th>
<th>Notes and recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pre-Council scrutiny</strong></td>
<td></td>
<td></td>
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<tr>
<td>Economic and Finance Council, 24-25 November</td>
<td>Yes</td>
<td>To welcome the efforts made by the Executive to collect this information and to note contents, as the majority of issues at these Councils are reserved.</td>
</tr>
<tr>
<td>Competitiveness Council, 27 November</td>
<td>Yes</td>
<td>Welcome the consistently high standard of information provided on these Councils by the Executive department</td>
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<tr>
<td></td>
<td></td>
<td>Item 3 – welcome the Executive’s encouragement to the Scottish textile industry to take part in the EU consultation exercise</td>
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<td>Item 9 – welcome the Executive’s and HMG’s opposition to the Hallmarking Directive and ask whether HMG is confident it has a blocking majority in the Council to prevent this becoming law, with all the possible implications this may have on the Scottish gold, silver and jewellery sectors.</td>
</tr>
<tr>
<td>Justice and Home Affairs Council, 27-28 November</td>
<td>Yes</td>
<td>Welcome the consistently high standard of information provided on these Councils by the Executive department</td>
</tr>
<tr>
<td>Employment, Social Policy, Health and Consumer Affairs Council, 1-2 December</td>
<td>Yes</td>
<td>To welcome information provided and commend the department for the continued high standard of information provided. Furthermore, to alert the Health Committee to various initiatives, such as patient mobility, which may have implications for health care in Scotland</td>
</tr>
<tr>
<td>Transport, Telecommunications and Energy Council, 4-5 December</td>
<td>Yes</td>
<td>To welcome information provided and commend the department for the continued high standard of information provided.</td>
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<td></td>
<td></td>
<td>To ask the Executive to confirm that it still supports Scotland as a location for the new European Maritime Safety Agency and ask what steps it has taken to ensure this is agreed to by member states.</td>
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<td>To note the important developments in relation to Public Service Obligations and the 3rd Aviation Package.</td>
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<tr>
<td>General Affairs and External Relations Council, 8-9 December</td>
<td>Due 17.11.03</td>
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<td><strong>Post-Council scrutiny</strong></td>
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<tr>
<td>Agriculture and Fisheries Council, 29-30 September</td>
<td>Due 20.10.03</td>
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<td>Agriculture and Fisheries Council, 13-14 October</td>
<td>Due 3.11.03</td>
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<tr>
<td>Employment, Social Policy, Health and Consumer Affairs Council, 20 October</td>
<td>Yes</td>
<td>To welcome information provided and commend the department for the continued high standard of information provided</td>
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<tr>
<td>Environment Council, 27 October</td>
<td>Due 17.11.03</td>
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ANNEX B

ANNOTATED AGENDAS/REPORTS

Economic and Finance Council, 24-25 November

1. Preparation of the conciliation meeting with the European Parliament

2. Establishment by the Council of the draft budget of the European Communities for the financial year 2004.

The EU’s annual budget is decided jointly by Parliament and the Council of the European Union. Parliament debates it in two successive readings, and it does not come into force until it has been signed by the President of Parliament. If the two institutions do not agree initially there will be a conciliation meeting. The rules allow the Council to take the final decision on "compulsory expenditure" (mainly agricultural expenditure, and expenses arising from international agreements with non-EU countries), while Parliament has the last word on "non-compulsory" expenditure and the final approval of the budget as a whole.

A key issue for conciliation will be the adjustment for enlargement of the amounts allocated to multi-annual spending programmes. Providing sufficient resources for Iraqi reconstruction is another major issue for conciliation. In both cases, as with the rest of the budget, the UK will press for a solution that allocates sufficient resources to priorities whilst respecting budget discipline.

25 November Agenda

1. Preparation of the Brussels European Council:

   - European Action for Growth
     = Report to the European Council

   This stems from the commitment at the Brussels Summit of 16-17 October to identify projects in the fields of transport, energy and R & D for funding under the auspices of the EU’s Growth Initiative. The UK is keen that the initiative is seen in the overall framework of the Lisbon objective of creating the most dynamic knowledge-based economy in the world by 2010. The Council will discuss how loans from the European Investment Bank will support projects in R & D, telecommunications and broadband, and sustainable development.

2. Financial Services:- Investment Services Directive (likely to become an "A" point)
   = Adoption

   The ISD is of significant importance to Scotland. It aims to revise and update the 1995 directive, which established the legal framework governing firms and markets conducting specific types of investment business within the EU, and ensured their ability to operate across borders. Political agreement on the Directive was achieved at the last ECOFIN, but unfortunately the UK’s blocking minority on mandatory quote disclosure rules fell apart here. As the impetus to complete the Financial Services Action Plan is such that it is likely the Council will adopt the Directive into law at this ECOFIN.
3.- Financial Services Action Plan: 9th Progress Report
= Presentation of the Commission

The Commission will present their view of how far they have progressed with the adoption of financial services Directives proposed in the Action Plan. Although they are likely to tell a good story with 36 out of the original 42 measures proposed to harmonise the financial services market now adopted, or passed to the technical sub-committees for further development, the actual implementation of these measures in MS is causing some problems.

4. - Directive on transparency obligations for securities issuers
= Political Agreement (Common Position)

The Transparency Obligations Directive deals with ongoing information disclosure requirements on securities admitted to trading on a regulated market. It is therefore a complement to the Prospectuses Directive, which deals with the initial information disclosure requirements and was recently adopted at second reading in the EP. The TOD aims to bring the relevant provisions together in a single, coherent and flexible framework. There are still several issues of concern to the UK:

- Quarterly reporting requirements which many other MS seem willing to accept
- The Directive might extend civil liability cases
- Fund Managers will have to notify their major shareholdings which may be problematic

But it is hoped that the MS will be able to reach political agreement on the dossier so that it has a chance of being adopted before the EP elections in May 2004.

5. Budget: Annual Report of the Court of Auditors

= Presentation

This report by the Court of Auditors will reveal their findings on the Commission’s use of the budget during the last year. Although this is not likely to cause a stir at the Council, when they present the report to the European Parliament, the alleged scandal of misuse of EUROSTAT funds may raise its head again.
Competitiveness Council, 27 November

HORIZONTAL ISSUES

1. European Competitiveness
   a) Integrated strategy for Competitiveness
      (Research, Internal Market, Industry)
   b) Communication on a better environment for enterprise
      - Competitiveness Report
      - European Innovation scoreboard
      - Enterprise Policy scoreboard
        Presentation
        - Exchange of views
        - Council conclusions

The European Union produces an annual Innovation Scoreboard which ranks member states on a number of innovation indicators. There is a total of 17 indicators which includes measures such as percentage of population in tertiary education, medium/high-tech employment in manufacturing, high-tech employment in services, public investment in R&D and business investment in R&D. Trend charts are also produced which show movements in recent years. The latest figures (2002) show that the innovation performance of the EU is still low compared to its main competitors but the trend information is more encouraging: for five of eight comparable trend indicators, the EU trend has been improving faster than in the US. Technical papers linked to the Scoreboard also contain information on regional performance.

2. Follow-up to the green paper on the entrepreneurship
   - Presentation
   - Exchange of views

Scottish Executive has taken a direct interest in the EC Green Paper on Entrepreneurship and liaises with DTI/SBS (the lead UK Department). The Green Paper was discussed at the European Policy Group meeting on 30 October - which deputy CEO/SBS and Mark Gibson DG attend. The Executive supports DTI/SBS calls for an action plan and/or working party/expert group to take these matters forward. SBS advise we are unlikely to see formal version of Action plan until the end of the year.

Background

In January 2003, the Commission published a Green Paper with a view to launch a Europe-wide debate on the future agenda for entrepreneurship. Entrepreneurial initiative contributes to innovation, job creation, competitiveness and economic growth – all important elements in the growth of the Scottish Economy. To define a policy strategy for Europe to generate more entrepreneurial initiative and growth, the Green Paper raised ten questions, centred around three pillars:

- Bringing down barriers to business development and growth
- Reviewing the balance between risk and reward
- Towards an entrepreneurial society

The UK response “Enterprise For All” was written in consultation with Whitehall Departments. The representative organisations have also had the opportunity to provide
input, either direct or through smallbusiness|europe. The Scottish Executive response in June 2003 gave details of activity to assist start-ups and growing businesses through the then Small Business Gateway (now Business Gateway www.bgateway.com) and case studies on successful programmes to share best practice.

INDIVIDUAL POLICY FILES

3. (poss.) Communication on Textile Industry
   - Presentation
   - Exchange of views
Commission recently adopted a communication with measures aimed at strengthening the competitiveness of the EU textile and clothing sector in anticipation of the elimination of WTO import quotas in Jan. 2005. The Commission has identified areas to enhance the EU industry’s dynamism and competitiveness which will be translated into concrete measures after consulting with all stakeholders.

We support this consultation process as a prudent activity in anticipation of significant changes in the global dynamics of this industry. The scope of consultation is apt and we will ensure that the necessary representation of the Scottish industry’s position is inputted and co-ordinated with the relevant UK Government departments."

4. Communication on sustainable production
   - Presentation
   - Exchange of views

5. Shipbuilding
   - 8th Commission report on the situation in the world shipbuilding industry
   - (poss.) "Leadership 2015" Communication on the future of EU shipbuilding industry
     - Presentation
     - Exchange of views
The LeaderSHIP 2015 Initiative was launched earlier this year to ensure and further develop the competitiveness of the European shipbuilding and ship repair industry. A High Level Advisory Group for the initiative was set up in January and it has now presented the results of its work in eight key areas crucial for competitiveness. 30 concrete recommendations in areas ranging from trade policies to industrial consolidation are made. Translating these recommendations into action will help ensure a prosperous future for European shipyards and marine equipment manufacturers. The work undertaken represents one of the first applications of the Commission’s renewed approach to industrial policy in a specific manufacturing sector, as requested by the European Council.

There will be an impact on Shipbuilding in Scotland but hopefully a positive one through improved competitiveness, focused technology, and added value. The Executive are engaged on LeaderSHIP 2015 through the UK Shipbuilding and Marine Industries Forum which is convened through the DTI. The Forum last met on 16 October and progress on LeaderSHIP 2015 was discussed.

6. Communication on the competitiveness of business related services
   - Exchange of views
7. **State aids - Scoreboard and Annual review**
   - **Written information from the Commission**

   The State Aid Scoreboard was first launched by the European Commission in July 2001 to provide a transparent and publicly accessible source of information on overall state aid spend in the European Union. An annual scoreboard that summarises EU and Member State performance on state aid is prepared on the basis of annual returns prepared by each Member State. The latest edition of the Scoreboard was published on 30 April. The Autumn 2003 update reports UK state aid spend in 2001 (excluding agriculture, fisheries & transport) as 0.17% of GDP in comparison to the EU figure of 0.38%. Although separate figures for Scotland are not published, they are similar to UK GDP.

8. **Merger Regulation**
   - **(poss.) Political agreement**

   Merger regulation is wholly reserved to the UK Government and there are no specific Scottish aspects.

   - **(poss.) Political agreement**

   The draft Directive on hallmarking offers manufacturers 3 options for marking articles of precious metal that could lead to 3 different systems running at the same time: (1) manufacturers able to mark own products under product quality assurance system (2) manufacturers able to mark own products with "random" checks (3) articles marked by independent 3rd party (roughly equivalent to UK’s system of hallmarking). Hallmarking is reserved under consumer protection. **UK Government is not supporting the draft Directive as there is no real support in UK to change a system that has worked well for over 700 years.**

    - **General approach/Political agreement**

   This proposal for an EU Directive is to enable the creation of a single market for credit for consumers, as current regulations in Member States do not adequately cover a market that has moved on significantly in recent years. Consumer credit is reserved to UK Government, and we support the UK position that such reform is welcomed. **However neither the UK and other Member States, nor the Parliament’s lead committee are satisfied that the text of the EC’s current draft goes far enough. The committee has therefore tabled a resolution that the EC re-draft the current text.**

11. **Gender Mainstreaming in the Competitiveness Council**
    - **Written information from the Presidency**

12. **(poss.) Modification of specific programme "Integrating and strengthening ERA" (Bioethics issues)**
    - **Adoption**

   In the negotiation of the specific programmes of the EU Sixth R&D Framework Programme (FP6) last year, embryo research (including human embryonic stem cell research) was one of the most contentious issues.
The UK line throughout the negotiations was that the detail and application of ethical principles are for Member States’ legislation (which naturally reflects the cultural diversity of Europe).

The UK Government will maintain the line that it concurs with the Commission’s conclusion that the funding of human embryonic stem cell derivation at the European level will have a positive impact on the rate of scientific progress in this field - this is a good example of how the theory of a European Research Area could make a real difference in practice, providing significant benefits to European citizens and the competitiveness of the European economy.

However, it believes that, in compliance with the principle of subsidiarity and respecting the diversity of approaches to this issue in Europe, any guidelines of an ethical nature applied to such activities funded by the Community should be as light as possible – thus respecting the prerogative of Member States to regulate the research undertaken in their country. This would protect Scotland’s significant interests in stem cell research.

13. Commission Communication on "Basic orientations for the sustainability of European tourism"
   - Exchange of views
   - (poss.) Council conclusions

Although tourism is not within the competence of the Union, it is Europe's biggest business sector, and there is a small Tourism Unit within DG Enterprise. That Unit organised the first European Tourism Summit in Brussels a year ago, choosing the theme of sustainable tourism (because sustainable development is of course very much within the EU’s remit). DCMS has the lead UK role, but the Executive was represented, and intends to attend the next one in Italy next month, to maintain a watching brief on what is a devolved issue. The Commission Communication referred to is the result of the first Forum meeting, and raises no issues for Scotland.

   - Information from the Presidency

The last meeting of the Competitiveness Council noted that it awaited with interest the results of the Conference on Life Sciences and Biotechnology to be held in Rome on 21-22 November, as a source of possible further input in the process of implementing the Action Plan and Road Map. The Presidency will report on the outcomes of the conference.
Justice and Home Affairs Council, 27-28 November

NB. The report carries a caveat in that the Executive has had to base it on published agendas and in this case it expects the provisional agenda to be substantially changed.

Follow up to Thessaloniki:
- Commission communication on the development of a common policy on illegal immigration, smuggling and trafficking of human beings, external border and the return of illegal residents
- Commission communication towards more accessible, equitable and managed asylum systems. Outcome of Seminar on asylum applications submitted outside the European Union
- Commission Communication on Immigration, Integration and Employment

The SE has a co-ordination role with regard to the provision of services for asylum seekers and refugees. Any changes to operations in Scotland will be for the Home Office to implement.

Follow-up to the Commission’s feasibility study on improving sea border control
Follow-up to the study on the creation of a common European system for an exchange of visa data (VIS)

Readmission Agreements: state of play

Proposal for a Council Directive on the short-term residence permit issued to victims of action to facilitate illegal immigration or trafficking in human beings who cooperate with the competent authorities (Possible)


Proposal for a Council Directive on assistance in cases of transit for the purposes of removal by land

Proposal for a Council Decision on the organisation of joint return flights (Possible)

Adoption of a Common Handbook for the Immigration Liaison Officers

Proposal for a Council Regulation or Conclusions on simplified procedures of border control following enlargement

Proposal for a Council Directive on the conditions of entry and residence of third-country nationals for the purpose of study and vocational training

Proposal for a Council Directive on the compensation of financial imbalances due to the mutual recognition of expulsion decisions (Possible)

Proposal for a Council regulation on local border traffic
Proposal for a Council Decision amending Part V, point 1.4 of the Common Consular Instruction relating to the possession of a travel insurance to obtain a visa

The SE has a co-ordination role with regard to the provision of services for asylum seekers and refugees. Any changes to operations in Scotland will be for the Home Office to implement.

POLICE CO-OPERATION

Recommendation on a Code of Conduct on Joint Investigation Teams on Terrorism

This is reserved and there are no distinctly Scottish aspects. The proposal was introduced by the Italian Presidency. Its main aim is to produce an operational manual for the Counter-Terrorist Joint Investigation Teams (CT JITs). The operational manual will set out legal provisions relevant to work of the CT JITs in each Member State and Accession Countries. The UK Government has been broadly supportive of this proposal, but has emphasised the need for any procedures governing the work of CT JITs (including any Memorandum of Understanding) to be flexible and at the discretion of the countries participating in the teams.

List of Terrorist Organisations – updating with indication potential threat

This is a reserved issue with no distinctly Scottish aspects.

Proposal for a Council Resolution on the exchange of personal data in the framework of re-establishment of internal border control on the occasion of European Councils or similar events

An Italian Presidency initiative stimulated by disturbances at European Council meetings and other major events. The disturbances highlighted the need for better co-ordination and co-operation between Member States’ police forces. The resolution aims to prevent public order disruption by those whose aims or actions constitute an offence or involve the use of violence to be achieved by the targeted exchange of information. The UK currently has a Parliamentary reservation in place. There is no special Scottish interest.

Proposal for a Council Decision on the exchange of lists of hooligans and the adoption of common rules to prohibit the admittance to sport installations to persons who have been responsible for violent acts

This proposal seeks to prevent persons banned from attending football matches in their own country from attending matches played in other Member States. The UK supports (with Scrutiny Reserve) the proposal in principle – and strongly believes that the onus must be on the Member State with a domestic hooligan problem to take steps to prevent the export of that problem. This is not currently an issue for Scotland, whose football fans generally have an excellent reputation for their behaviour both at home and abroad (which is why the Football (Disorder) Act 2000 and banning orders do not apply in Scotland – it was introduced to tackle what was perceived to be predominately an English problem). Scottish police are, however, keeping the situation under review in case the law in Scotland needs strengthening in the future – for example to deal with a British Football league or cup or a future Euro Tournament in Scotland. The Scottish Police work closely with their counterparts South of
the border, and the National Criminal Intelligence Service (NCIS) Scotland Office has adopted the role of centrally co-ordinating football intelligence in Scotland.

Proposal for a Council Resolution on drug related undercover operations and controlled deliveries

This is unlikely to be on the final agenda. We have no evidence of it having been considered in any third pillar for a including Article 36 Committee.

Triennial report on CEPOL and eventual follow-up

The European Police College Network (CEPOL) was set up on 1 January 2001. It was established to help train senior police officers of the Member States (although provision has been made for other ranks) by optimising co-operation between its various component police training institutes. It supports the development of a European approach to the main problems facing Member States in the fight against crime, crime prevention, and the maintenance of law and order and public security, in particular the cross-border dimensions of those problems. The Director of the Scottish Police College is a member of the Governing Board. A permanent secretariat to assist CEPOL with the administrative tasks is to be set up by the Governing Board. The permanent secretariat may be set up within one of the national police academies and the UK Government are keen to see this being established at Bramshill with a representative of the Scottish Police College being a member of the secretariat. Costs will be met by CEPOL.

Development of SIS II

SIS II is the new generation Schengen which is planned for implementation at the end of 2006. The latest position is that the SIS II invitation to tender has been issued and the Home Office agreed to set-up a project team to cover the UK’s interests. The present SIS allows information exchange, through the use of queries to the SIS database, with a view to policing the free movement of persons as well as maintaining public security, and in particular assisting national authorities in the fight against trans-national crime. SIS II will allow for new functionalities such as:

- The addition of new categories of alerts, both on persons and objects (including the possibility that certain alerts be automatically deleted after a specific event/date)
- The inter-linking of any alerts, ensuring that this does not change the existing access rights to the different categories of alerts;
- The modification of the duration of the alerts;
- New authorities to get access to the SIS (including the possibility to give partial access or access with a purpose from the original one set in the alerts); and
- The storage, transfer and possible querying of biometric data, especially photographs and fingerprints.

The benefits of these additional functions will accrue to Scotland.

Proposal for a Council Decision or Conclusions on Europol participation to the start and development of national inquiries
Proposal for a Council Decision or Conclusions on the exchange of information between Europol and Member States

These items are unlikely to be on the final agenda. We have seen no specific consideration of these items in any third pillar for a (including Article 36 Committee).

Role of European Police Chief’s Task Force

Unlikely to be on final agenda. If discussed the focus will be on the future role of the Task Force and the emphasis will be on it having a more strategic role that at present.

Outcome of seminar on the creation of a European Neighbouring Police model

It is unlikely that this item will be on the final agenda. We are unsighted as to the outcome of the seminar.

Framework Decision on criminal liability for ship-source pollution

The Framework Decision seeks to approximate criminal sanctions for the unlawful discharge of polluting substances into the environment by shipping across the EU. The FD as drafted requires Member States to conduct a criminal investigation, when informed of a suspected offence within its state and also details the criminal procedures to be followed during the investigation.

CRIMINAL AND JUDICIAL CO-OPERATION

Proposal for a Council Framework Decision on minimum standards for procedural guarantees in criminal proceedings

The Commission published a Green Paper in February 2003 which considered the need for EU action on establishing common minimum standards of procedure for suspects and defendants in criminal proceedings and identified the areas in which they might be applied. The Commission believed that common minimum standards were desirable to strengthen the trust between Member States in their fairness of their judicial systems.

The Green Paper took as its starting point that the Member States of the EU were all signatories to the ECHR and other instruments such as the International Covenant on Civil and Political Rights. It identified those rights which it regarded as “so fundamental that they should be given priority”. These were:-

- Access to legal representation
- Access to interpretation and translation
- Protection of vulnerable groups
- Consular assistance to foreign detainees; and
- Providing suspects with a “letter of rights”.

The Green Paper did not seek to create new rights or monitor compliance with the rights that existed under the ECHR or other instruments but rather to identify the existing rights the Commission considered as basic and to promote their visibility.
The Executive contributed to the UK response and the subject area is devolved.

At the time of writing the anticipated draft FD has not yet been published, but the Executive is ready to engage fully in analysing it and ensuring that Scottish interests are fully reflected in the UK position.

**Proposal for a Council Framework Decision on mutual recognition of decisions aimed to the obtaining of evidence**

This proposal was first published as a Commission non-paper in December 2002. It proposed that the FD on the freezing of assets and evidence should be built on and supplemented to provide a single mechanism to obtain and transfer evidence to the issuing state.

The non-paper asked for responses to various questions, such as whether the dual criminality provision should be relaxed for certain cases in relation to such requests, and whether there should be certain minimum standards in relation to matters such as proportionality, necessity and specificity.

The Executive contributed to the UK response. Obtaining evidence in Scotland is of course a devolved matter and this proposal will probably relate in particular to the area of search and seizure.

The FD has yet to be published and it is unlikely that this item will be on the final agenda.

**Framework Decision on criminal liability for sea pollution**

Unlikely to be on final agenda.

**Proposal for a Council Framework Decision on the creation of a European uniform system for the fight against money laundering for large amounts of money: political agreement**

We are unsighted on this issue. There is a new Directive expected but we have yet to see this emerge from the Commission. Unlikely to be on the final agenda.

**CIVIL LAW MATTERS**

**Decision in the perspective of signing the 1996 Hague Convention**

This is closely associated with the new Parental Responsibility Regulation, political agreement on which was reached last month. There is still a Dutch parliamentary scrutiny reserve over this decision. There is also a problem to be resolved between the UK and Spain over Gibraltar. The Convention will require the establishment of Central Authorities to promote administrative co-operation, and the dispute relates to the extent to which a Gibraltar Central Authority would have links with the outside world. Discussions are ongoing in an effort to resolve this. There are also some difficulties with the very tight proposed timescale for ratification of the Convention, as measures to implement it into domestic law will first be needed.
Proposal for a Council Regulation creating a European Enforcement Order for uncontested claims

The Commission presented on 18 April 2002 a proposal for a Regulation creating a European Enforcement Order for uncontested claims.

The European Parliament adopted its opinion in first reading on 8 April 2003, fully endorsing the architecture of the proposal and most of its main principles and provisions. The Economic and Social Committee delivered its favourable opinion on 11 December 2002.

The proposal is on its second reading with the next meeting of the European Committee on Civil Law matters due to take place on 10 November 2003.

Agreement of the proposal and adoption of it would speed up and simplify the recognition and enforcement of decisions in uncontested civil and commercial cases. The impact will be on court rules.

Our involvement has been in attending regular meetings of the European Committee on Civil Law matters in Brussels ensuring Scottish interests are looked after as part of the UK delegation.

Proposal for a Council Regulation on the Law applicable to non-contractual obligations (Rome II): orientation debate

The first Working Group meeting on this initiative was held on 30 September. The central element of the proposal (that the law applicable to a delictual action should generally be that of the place where direct damage occurs) is broadly speaking in line with current law in the UK jurisdictions and should be acceptable. There are some concerns about the universal scope of the proposed Regulation, which as presently drafted would apply whenever a court in a Member State was exercising jurisdiction, regardless of whether the parties or cause of action had any connection with the EU. There are also a number of specific problems relating to the law applicable in defamation cases, the inclusion of unjust enrichment actions in the proposal and other matters. We hope to be able to resolve most of these problems in the course of negotiations.

Proposal for a decision on the signature of the Paris Convention

This proposal actually relates to a new protocol to the Paris Convention, not the Convention itself. The Paris Convention deals with civil liability for nuclear accidents. The difficulties in authorising signature by the Member States have stemmed largely from the fact that the EU’s three non-nuclear states (the Republic of Ireland, Austria and Luxembourg) are not parties to the Paris Convention, whereas all other Member States are. These problems are now resolved. The UK Government has been very much in the lead on this given that nuclear energy is a reserved matter.

Decision for the signature of the Council of Europe Convention on children

EU signature will have very little practical effect, as the subject matter of the Convention is largely within Member State competence. The main effect of EU signature would be that Community legislation in this area would be interpreted in the light of principles set down in
the Convention. Neither the Scottish Executive nor the UK Government has any difficulty with EU signature, although no decision has been taken as yet on whether the UK will become party to the Convention.
EMPLOYMENT AND SOCIAL POLICY

   – Political agreement
   This proposed Directive on Agency Workers has the broad aim of improving the quality of temporary agency work by requiring that agency workers be treated no less favourably than comparable permanent workers in the user enterprise to which the temporary agency worker is assigned. It has not been possible – despite repeated attempts - to reach agreement on a Council Common Position on this proposal to date. The key controversy has been about the length of time a worker has to be in an organisation before the principle of equal treatment between temporary agency workers and permanent workers applies.

2. Contribution of the Council on the development of structural indicators  
   – Council conclusions
   The European Commission is proposing to produce a headline set of 14 structural indicators to make it easier to assess progress on structural reform in the EU and Member States and present key policy messages. The Commission propose to use these in preparing the ‘Spring Report’ for the Spring European Council. The Commission has proposed that the short list of indicators be agreed for three years. [Ref. COM(2003) 585]

3. Follow-up to the Communication on Corporate Social Responsibility  
   – Council conclusions
   The Communication Document was presented by the Commission in July 2002 as an EU strategy to promote CSR. The Commission sees CSR as contributing to the Lisbon goal of making the EU "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". No specific Scottish interests.

   – Political agreement
   The proposal is aimed at replacing and simplifying the Community legislation contained in Regulation 1408/71/EEC. The main objective is to remove obstacles to the free movement of persons within the Community that could derive from the co-existence of different national social security systems. The October Council agreed a general approach on the pre-retirement and family benefit chapters of the proposed regulation and it is the intention that agreement be reached on the unemployment benefit chapter at this Council.

   – Political agreement
   – Political agreement

7. Council Conclusions on Immigration, Integration and Employment
   – Adoption

   The Council held a policy debate on the Commission's Communication on Immigration, Integration and Employment (June 2003). This Communication reviews integration policies nationally and at EU level and looks at the role of immigration in the context of ageing populations, while suggesting ways of promoting the integration of immigrants.

   On the basis of the discussion, the Council instructed the Committee of Permanent Representatives to prepare a set of conclusions with a view to these being submitted to the Council at its December meeting.

   Immigration matters are reserved but the Scottish Refugee Integration Forum Action Plan, published on 19 February 2003, is currently being implemented, and a progress report was published on 28 August 2003. The Scottish Executive has provided a £2.9m funding package for the implementation, which includes £2m for English for Speakers of Other Languages (ESOL). In addition, £750,000 has been provided by Communities Scotland to fund integration projects in Glasgow, which is the only city in Scotland which receives dispersed asylum seekers. Some of the projects funded are aimed at removing barriers to employment eg a job brokering project run by Glasgow Chamber of Commerce that received £69,500. The report of the ‘Life in the UK’ Advisory Group, The New and the Old, which relates to citizenship, is being implemented by a Working Group on which there is Scottish Executive representation.

8. Follow-up of the activities of the European Year of People with Disabilities 2003
   – Council conclusions

   The Scottish Executive initiated a Steering Group of disability organisations to set a work programme for the year. This work programme has been backed by over £200,000 of Scottish Executive money. Events so far have highlighted the rights of disabled people, promoted disability and the arts, and helped to set the agenda for disability and transport in the years to come. Events still to take place will discuss disability issues with young people, promote disabled entrepreneurs, and celebrate the successes of the European Year in Scotland.

9. Annual follow-up to the Beijing Platform: equal opportunities
   – Council conclusions

   This refers to the annual report into the work done by member states to promote gender mainstreaming. We do not have further information from UKREP about the likely nature of the discussion as they have not yet received further information from the Italian Presidency but we anticipate that the likely implication is that the Scottish Executive will be asked to contribute towards the UK’s report, along the lines of the Executive’s own equality annual report and contributions to other UK reports on gender mainstreaming work.
10. **Gender Mainstreaming in the Competitiveness Council**
   - *Written information from the Presidency*
   Each presidency targets a council within whose work it seeks to promote gender mainstreaming. The Italian Presidency has chosen the Competitiveness Council. We do not have further information from UKREP about the likely nature of the discussion as they have not yet received further information from the Italian Presidency but the implications for Scotland are likely to be limited given that the Competitiveness Council deals mainly with reserved matters (e.g. competition laws, product labelling, insurance).

**CONSUMER AFFAIRS**

   - *(poss.) Adoption*
   Proposal to provide financial support to European consumer organisations carrying out projects in support of consumer policy in the period 2004 - 2007. Follows on previous support given in period 1999 - 2003. *Consumer protection is reserved. No specific Scottish interests.*

12. **European Extra-Judiciary Network (EEJ-Net): evaluation report of the pilot phase and indications for the future**
   - *Written information from the Commission*

13. **Communication of the Commission on the safety of services**
   - *Adoption of Council conclusions*

   - *Written information from the Commission*
   The Commission’s consumer policy strategy 2002 - 2006 aimed for a high common level of consumer protection, an effective enforcement of consumer protection rules and the proper involvement of consumer organisations in Community policies. The Commission presents a review of this strategy to the Council every 18 months. *Consumer protection is reserved. No specific Scottish interests.*

**HEALTH**

15. *(poss.) WHO - Framework Convention on Tobacco control*
   - *Status of the preparatory work for the first Conference of Parties*
   - *Adoption of a Council Decision to ratify the FCTC*
   FCTC is the first international, legal instrument designed to counter the harmful effects of tobacco consumption. It is also the first ever treaty devoted to health adopted by almost all the countries in the world (all 192 World Health Organisation Member States). FCTC was adopted on 21 May and as soon as 40 countries ratify it, it becomes law for those countries and thereafter any others which ratify it. The UK was one of the first signatories when it opened for signatures in mid-June. Signatories are required to develop, implement,
periodically update and review comprehensive national tobacco control strategies, plans and programmes in accordance with the Convention and the protocols to which it is party.

The measures covered in the Convention are in keeping with current UK and Scottish domestic tobacco control policies.

   – (poss.) Adoption

17. Council Conclusions on Healthy Life Styles, Education, Information and Communication
   – Adoption

This agenda item is a text setting out conclusions on the promotion of healthy life styles, for adoption by the Council of Ministers. The conclusions do not have legislative force. The draft conclusions have been subjected to detailed scrutiny at an earlier stage through the Working Group on Public Health (mainly composed of health attachés from member states’ Permanent Representations to the EU) and the text reflects a number of amendments suggested by the UK and other member states to earlier drafts.

In Scotland, the Healthy Living Campaign was launched in January 2003 to encourage people to improve their lifestyles – by eating healthier foods, taking more exercise, smoking and drinking less etc. Two elements of this campaign are:

The Healthy Eating Campaign has already given added impetus to the implementation of the Scottish Diet Action Plan and delivers important basic healthy eating messages while directing people to a new telephone advice-line and website where they can get practical advice and information. It aims to increase consumer demand for healthier food by stimulating everyone, including all sectors of the food industry, to respond to a call to action.

The National Physical Activity Strategy (launched Feb 2003) is a cross-cutting policy which will help everyone of every age in Scotland lead a more active life, so reducing the risk of CHD, stroke and other major health problems such as obesity and diabetes. It will tackle the social, environmental and economic roots of the problem.

Improving Health in Scotland - The Challenge (Published March 2003) identifies the workplace setting as a major opportunity for health improvement, and seeks to ensure that individuals maintain healthy lifestyles throughout adult life, are not made ill by their work, have access to programmes and services aimed at maximising their functional capacity and are able to continue to be economically active, enjoy good physical & mental health and remain independent for longer.

The National Programme for Improving Mental Health and Well-being, a key part of the Scottish Executive’s Health Improvement and Social Justice strategies, has, as one of its 6 priority areas for action, to improve mental health and wellbeing in employment and working life.

In any one year, at least 3 out of every 10 employees will be off work with a mental health problem, leading to significant financial costs to employers and significant financial,
emotional and mental health costs to employees and their families. Improving the promotion of mental health and well-being where people work, and reducing the time which people require to take off work with emotional, stress-related and mental health problems, are therefore important actions to benefit people of working age.

Being able to respond to mental health problems and mental illness in the workplace, working to eliminate employment discrimination on the grounds of mental ill-health, helping to improve the retention of staff who develop mental health problems, being able to support people back into employment and to achieve an improved work/life balance are all major mental health improvement goals.

Work on these areas and on related strands is being developed by the Scottish Executive Mental Health Division (where the National Programme Core Team is based) in close liaison with colleagues from Enterprise and Lifelong Learning Division (ELLD).

18. Council Conclusions on Patient Mobility
   – Adoption
   The June 2002 Health Council agreed the setting up of a High Level Process of Reflection (HLPR), including a Ministers’ group, to discuss patient mobility in the light of European Court of Justice cases which have suggested that the provision of health care services are subject to single market/freedom of movement EU rules. The HLPR is due to form its conclusions in Spring 2004. UK interests are represented at ministerial level by the Department of Health (DH) and there is regular contact with the Executive.

   – Political agreement
   The European Commission has adopted a proposal to create a European Centre for Disease Prevention and Control (ECDC) to reinforce the means to control communicable diseases effectively in Europe. The structure of the existing European Union (EU) network on communicable diseases, managed by the Commission and based on ad hoc cooperation between member states since 1991, is not thought to have the ability to protect the EU’s citizens sufficiently against threats to their health posed by communicable diseases, including the possibility of the deliberate release of infectious agents (‘bio-terrorism’).

   In May 2003, Health Ministers recognised the need to strengthen the EU’s preparedness to deal with disease outbreaks. The proposed new Centre will mobilise and significantly reinforce the synergies between the existing national centres for disease control. The ECDC will also improve planning. It will have a small core staff and an extended network of contacts in Member States’ public health institutes and academia. By pooling expertise around Europe it is hoped to provide authoritative scientific advice on serious health threats, recommend control measures, allow quick mobilisation of intervention teams and thus enable a rapid and effective EU-wide response. The Regulation establishing the Centre will have to be agreed by the European Parliament and Council under the codecision procedure. Only when the Regulation is finally adopted can work start on creating a management board, appointing the director and recruiting staff. The Commission is aiming to have the ECDC start work in 2005.

   The benefits of collaboration on a UK and European level in public health matters is already recognised and NHSScotland contributes to these networks. The benefits of contributing in
the same way to the development of the ECDC is also recognised and this has been taken account of in developing plans for health protection in Scotland, following consultation earlier this year.

20. **Health and nutrition claims**
   - **Political agreement**

   The European Commission issued a draft Regulation on Health and Nutrition Claims in July 2003. The intention is to regulate nutrition claims (‘high in vitamin C’, ‘low fat’) and health claims. The draft Regulation would not prohibit such claims, and indeed would permit some health claims (which are currently banned) to be used, where these claims could be substantiated. The Regulation would not compel health warnings where there is a negative effect on health and nutrition – it is only concerned with the circumstances where a beneficial effect is claimed.

   Where nutritional or health claims are permitted they would have to be reasonably specific in nature (eg not ‘fruit is healthy’ but ‘consumption of at least 5 portions of fruit and vegetables on a daily basis is associated with lower rates of…’). Misleading claims will also not be permitted (eg ‘90% fat free’ would not be allowed since a 10% fat content is in fact quite high – the limit for a claim that something is low fat would be 3g/100g or 1.5g/100ml).

   Following political agreement at the Council of Ministers, the next stage is for the draft Regulation to be considered by the European Parliament, currently forecast for early 2004. Completion of this legislation will not be until after the May 2004 European Parliament elections.

   *There is no particular Scottish aspect to this issue.*

21. **(poss.) Proposal for a Council Recommendation on a preparedness plan for communicable diseases**
   - **Adoption**

   See item 19.

22. **Council Conclusions on the health strategy of the European Community**
   - **Adoption**

   The Commission published its European Environment and Health Strategy in June, which aims to reduce diseases caused by environmental factors. It flows from a recognition that, hitherto, environmental and health policy has been insufficiently integrated, with the consequence that cause and effect relationships between environmental threats and adverse health effects had been inadequately addressed. The proposed strategy therefore seeks to improve the integration of information and research on the state of the environment, ecosystem and human health in order to achieve a better understanding of the environmental threats to human health.

   The strategy relies on 5 key elements: science to broaden our perspective of the complex link between environment and health; children because they are particularly vulnerable to environmental hazards; raising awareness of environmental health problems and how they can be solved; using EU legislation to complement national and international initiatives; and continuous evaluation.
The strategy will be implemented in cycles, with the first stretching from 2004 to 2010, and focusing on childhood respiratory diseases, asthma and allergies; neurodevelopmental disorders; childhood cancer; and endocrine disrupting effects. An Action Plan is proposed to cover this first cycle period and will be developed over the next 6 months with broad stakeholder involvement. The Action Plan will form the Commission’s contribution to a forthcoming European Ministerial Conference on Environment and Health in Budapest next June on the theme of “The future for our children”.

The broad thrust of the European Environment and Health Strategy is consistent with the Executive’s agenda for public health protection and is to be welcomed;

- Recognise the importance of strengthening links between the environment and health and the need to gain a better understanding of the health impacts of environmental exposures and stresses;
- Support the need to protect particularly vulnerable groups such as children, pregnant women, the elderly, and the socio-economically disadvantaged; and
- Agree the importance that the Environment and Health Strategy is mutually supportive of other community work programmes but does not duplicate effort.

23. Proposal for a Directive on fortified food
   – Progress report

In January 2003 the Commission issued a preliminary (ie issued for consultation only without having been officially approved by the College of Commissioners) draft proposal for a Regulation of the European parliament and of the Council of Ministers on the addition of vitamins and minerals and of certain other substances to foods. This is often referred to for brevity’s sake as the proposal on fortified foods. The aim would be to standardise rules on the addition of nutrients and minerals to foods (eg calcium enriched milk) where at present national standards can vary considerably. The Commission has previously indicated that a formal proposal would not be adopted by the Commission until the end of 2003. Presumably any progress report at the December Council will either note that a formal proposal has just issued or will give a more precise indication of when one might be expected.

_There is no particular Scottish aspect to this issue._
Transport, Telecommunications and Energy Council, 4-5 December

TRANSPORT

HORIZONTAL ISSUES

1. Proposal for a Decision amending Decision No 1692/96/EC of the EP and Council on Community guidelines for the development of the Trans-European Transport Network
   – Policy debate/General approach

2. GALILEO – Annual report on the implementation of the programme
   – Council conclusions

   This is a reserved matter.

SHIPPING

   – General approach/Political agreement

   This is a wide ranging Directive covering the subjects mentioned. One of the principle aims is to improve maritime safety in Community waters following the sinking of the oil tanker ‘Prestige’ in November 2002. This is a reserved matter.

   – General approach/Political agreement

   The Commission is proposing changes to the Regulation which created the European Maritime Safety Agency to allow it to undertake additional tasks related to combating pollution from ships, maritime security and assessing the quality of training arrangements for seafarers in non-EU countries. These issues are reserved matters. The UK Government supports the measures centralising the assessment of training arrangements in third countries. It is opposed to an operational role for EMSA in counter-pollution. The UK Government is also firmly opposed to EMSA’s role in security in view of the Agency’s main maritime safety and prevention of maritime pollution responsibilities. The proposals also touch upon national responsibilities for maritime safety and there is a concern that they may distract EMSA from an already heavy workload.

5. (poss.) Proposal for a Regulation concerning the International Safety Management of Ships (ISM)
   – General approach/Political agreement

   In July 1998 the ISM Code became mandatory for passenger ships, tankers and high-speed craft. The Code establishes safety management objectives and requires a safety management
A system to be operated by a shipowner, or anyone who has assumed responsibility for operating a ship. Phase 2 of the Code extended the provisions to other general cargo ships and certain mobile offshore drilling units by July 2002. It is understood that the regulation concerns the Code’s future extension to all ships. This is a reserved matter.

6. (poss.) Proposal for a Directive on security in ports
   General approach/Political agreement

The Regulation is the first stage of the Commission’s strategy for maritime security. Its primary purpose is to ensure consistent and timely implementation across the EU of the new maritime and port facility security regime agreed for international ships and port facilities last December in the International Maritime Organisation (IMO). The intention is that the Regulation be adopted quickly so as not to prejudice implementation by the IMO deadline of 1 July 2004. This is a reserved matter.

7. (poss.) Proposal for a regulation on a Community maritime passenger liability regime (Athens Convention)
   General approach/Political agreement

The proposal would make all EU Member States parties to the new International Maritime Organisation (IMO) liability rules for carriers of passengers by sea. It addresses certain shortcomings in the regulation of the liability of carriers of passengers by sea at international level. The adequate compensation of passengers on board ships, the substance of the protocol, is a key objective of the EU’s maritime safety policy. It is also desirable that any EU-regime be implemented within the context of the international passenger liability regime. This is a reserved matter.

8. (poss.) Proposal for a regulation on the transfer of ships from one register to another
   General approach/Political agreement

The proposal aims to update, widen and strengthen existing rules on the transfer of ships between registers within the Community. The proposed measure will make it easier for ships to change from one EU Register to another. It will also extend the benefit of free transfer of register to passenger ships and provides for better co-operation between national maritime administrations. The UK Government agrees in general with the thrust of the new regulation. This is a reserved matter.

9. (poss.) Proposal incorporating into EC legislation the outcome of the IOPC Diplomatic Conference May 2003
   General approach/Political agreement

This concerns the proposed establishment of the Supplementary Fund, an international compensation regime for victims of damage caused by oil pollution as a result of spills from oil tankers. A protocol to implement the Fund was adopted following an International Conference held in London in May 2003. The UK Government is taking forward options for early implantation of the Fund and primary legislation will be required to implement the Protocol in the UK. This is a reserved matter.
10. Communication from the Commission entitled "Programme for the Promotion of Short Sea Shipping"

   Council conclusions/Policy debate

The Commission has adopted a programme for the promotion of Short Sea Shipping along with a proposal for a directive to standardise new Intermodal Loading Units (ILUs) which will greatly facilitate intermodal freight transport.

The Commission issued on 9 April 2003 a proposal for a Directive on ILUs. The proposal has been presented as part of the Community’s efforts to propose sustainable solutions to transport problems in order to reduce congestion and, in particular, road congestion.

As the different intermodal operators still focus almost exclusively on their own part of the transport chain the ILUs used suffer from a lack of harmonisation. Thus with a view to making the use of new ILUs more efficient and safer the proposed Directive aims to harmonise loading units within certain standards, establishing procedures for conformity assessment and periodic inspection and creating a European Intermodal Loading Unit (EILU). The use of the EILU will not be compulsory.

In previous discussions a number of countries’ delegations have welcomed the proposal, in particular, as an initiative aimed at promotion of short sea shipping as a significant contribution to stimulating modal shift. However, some other countries’ representatives expressed doubts as to the advisability of the proposal given the international character of the shipping sector and consequently that specific European standards for containers, which may not be compatible with international standards, could be questioned. Neither was it clear whether this proposal and in particular the creation of a new type of loading unit, corresponded to a demand by the industry and how the acceptance by the market could be ensured.

The proposed Directive is therefore still being debated but the Commission believe that a political signal is needed to promote modal shift as the industry has until now only followed a voluntary approach. The Commission have explained that the objective of the Directive would be to bring the characteristics of the various types of loading units into line with international standards. It considered that a modification to an existing Directive was the wrong way of achieving this alignment.

Although many of the shipping issues are reserved matters, the Scottish Executive continues to work closely with the UK Government on all these issues.

AVIATION

11. Revision of the rules on the functioning of the internal market in air transport (adoption of the 3rd aviation package)

   General approach

Of great interest to Scotland is the inclusion in the 3rd Package of EC Regulation 2408/92 on Public Service Obligations (PSOs). The PSO aspect is another part of the on-going debate between the Executive and the Department for Transport (DfT) in the preparation of the Aviation White Paper, due to be published in December 2003. As a result, DfT has not
finalised its position to the Commission. We are keeping in close contact with DfT to ensure that our views are incorporated. This is a reserved matter.

The Executive wishes to see a mechanism (PSO regulation or otherwise) in place which would protect regional access (to London hub airports) but without financially penalising the regions. We believe that the 3-year limit for tendering lifeline air services inhibits competition and should be extended to 5 years or more; that interlining benefits are recognised in the PSO criteria; that the scope for the extended use of PSOs for enhancing the air network in peripheral areas for regional development purposes, and the use of PSOs on currently commercial services (to improve the quality of service and reduce fare levels) are acknowledged.

The Executive is in regular contact with the UK Government about a wide range of aviation matters. DfT is fully aware of our particular interest in the PSO aspect of the 3rd Package Regulations. It is unlikely that a new Regulation on PSOs will be in place for at least 2 years.

12. **Negotiations on behalf of the Community with third countries**
   
   - Information from the Commission

This relates to a draft Decision authorising the Commission to negotiate with third countries. Agreement was reached at the June Transport Council on the proposed Regulation on negotiation and implementation of air service agreements with third countries. Further stages to be completed on the Regulation. This matter is on the agenda for the December Transport Council. This is a reserved matter.

**LAND TRANSPORT**

13. **Proposal for a Directive on the charging of the use of road infrastructure**
   
   - General approach/Political agreement

Member states are increasingly introducing systems of infrastructure charging which pass on to the user of that infrastructure the costs associated with that road use. The Commission believes that isolated national initiatives could compromise the smooth functioning of the single market. In July, the Commission thus proposed improvements to the framework for national road use fees based on Commission principles (this is an amendment to the so called Eurovignette Directive which covers vehicles of 12 tonnes and above). The proposed system covers all lorries exceeding 3.5 tonnes used for goods transport. It covers the Trans European Road Network (TERNs although sometimes referred to as TENs) and any other road to which traffic might be diverted from the TERN. Member states would be free to apply tolls to roads not covered by the proposal. The objectives are to: pass on costs more accurately; improve the quality of service; and to allow the cross financing of infrastructure construction in sensitive areas. The proposal is not about the level or introduction of charges, but rather the structure of charges and the manner in which they are applied. The UK scheme, led by HM Treasury and HM Customs and Excise in conjunction with the DfT, to introduce lorry road user charging in 2006 is compatible with the Commission’s proposal. Scotland has routes that are part of the TERN.

14. **(poss.) Proposal for a Directive on the harmonisation of road checks and controls**
   
   - General approach/Political agreement
15. Proposal for a Directive on a transparent system of harmonised rules for restrictions on heavy goods vehicles involved in international transport on designated roads
   – General approach/Political agreement

There is at present no Community legislation on driving restrictions for heavy goods vehicles involved in international transport. Given the proliferation of restrictions and the possibility that Member States could introduce additional restrictions at any time, several countries have asked the Commission to present a proposal which limits as far as possible the negative effects of driving restrictions for international transport operations whilst respecting the competence of the Member States to manage national and local traffic as effectively as possible.

It was on this basis that in 1998 the Commission adopted a proposal for a Directive on a transparent system of harmonised rules for restrictions on heavy goods vehicles involved in international transport on designated roads. The proposal for a Directive would involve establishing a transparent system of harmonised rules and information concerning driving restrictions to be applied during certain periods to heavy goods vehicles undertaking international transport on the TENs network. Basically Member States would be allowed to impose driving restrictions for all HGVs at certain periods during the day and night.

In July last year the European Parliament approved the main elements of the Commission’s proposal subject to a number of amendments. However, in the Council, the proposal has been considered only once in the course of a general debate. The licensing and regulation of HGVs is a reserved matter.

   – (poss.) Council Resolution

The Commission’s White Paper on European Transport Policy set out proposals to increase road safety in Europe, including a target of halving the number of road deaths by 2010. The Action Programme "Saving 20,000 Lives on Our Roads: A Shared Responsibility" proposes a wide range of measures, including driver licensing, training and testing; road traffic enforcement and penalties; vehicle safety standards; commercial driver safety; infrastructure improvements; identification and dissemination of best practices; and the collection of data on accidents and casualties. It also proposes the establishment of a European Road Safety Charter, to be signed by all road transport stakeholders.

The UK Government welcomes the European Commission’s Action Programme as it mirrors much of the work the UK has been doing in this field. However, as none of the proposals involve any legislative procedure, the Government will consider specific proposals on their individual merits as and when they are brought forward. The first example of such is the draft Commission Recommendation on Enforcement in the Field of Road Safety concentrating on the enforcement of the main road safety rules: drink-driving, seatbelts and speeding; and is broadly in line with current UK policy.
Many of these issues are reserved. The Scottish Executive is responsible for the enforcement of road traffic law and safety on the trunk road network. It also shares with the UK Government responsibility for road safety education and publicity.

17. Proposal for a Directive on the interoperability of fees collection systems in road transport
   – General approach/Political agreement

The Commission proposes to introduce a Directive to require interoperability of electronic tolling systems on a Community wide basis. These systems would cover road, tunnel and bridge tolls as well as local congestion charging schemes. In the UK, the Department for Transport (DfT) is examining this and has the lead for technology matters. Scottish Executive officials have had initial discussions with DfT and toll operators in Scotland on the issues raised. Toll operators, including the Forth Estuary Transport Authority (FETA) and Tay Road Bridge Joint Board, are jointly looking to introduce interoperability in their own systems across the UK, and possibly the Republic of Ireland. DfT consulted on this proposal and the consultation period ended on 31 October 2003.

18. (poss.) Proposal for a Regulation on quality obligations for rail freight services
   – General approach/Political agreement

This is unlikely to be discussed. The Commission is now expected to bring forward a single ‘third’ railway package of four measures - passenger liberalisation, international passengers’ rights, freight customer delay compensation, train driver licensing - in early 2004.

**ENERGY**

**COMPLETING THE INTERNAL MARKET**

1. Proposal for a Regulation of the European Parliament and of the Council on conditions for access to the network for cross-border exchanges in natural gas
   – Exchange of views

This is DTI led. The Executive will follow the UK line.

**ENERGY EFFICIENCY**

   – Policy debate

Defra led – no specific Scottish Issues

   – Policy debate

DEFRA/DTI Led, Scottish Ministers fully support measures to manage energy demand through Rational Use of Energy (RUE) measures. Energy Efficiency promotion is devolved.
SUSTAINABLE DEVELOPMENT

4. Follow-up to the World Summit on Sustainable Development
   – Council conclusions

Again, DTI-led. The Executive will follow the UK Line

SECURITY OF SUPPLY

   concerning the alignment of measures with regard to security of supply for
   petroleum products
   – (poss.) Political agreement

Again, DTI-led. The Executive will follow the UK Line

   concerning measures to safeguard security of natural gas supply
   – (poss.) Political agreement

Again, DTI-led. The Executive will follow the UK Line

7. International relations in the field of energy
   a) EU-Russia dialogue
   b) (poss.) Energy Charter Treaty
   c) Euro-Mediterranean cooperation
   d) South East Europe energy developments
      -Council conclusions
General Affairs and External Relations Council, 8-9 December

Awaiting information from Executive
Post-Council Report – Agriculture and Fisheries Council, 29-30 September

Awaiting information from Executive
Post Council Report - Agriculture and Fisheries Council, 13-14 October

Awaiting information from Executive

Summary

A low-key Council. The Council approved the opinion of the Social Protection Committee on future open co-ordination in social protection and adopts conclusions on co-operation on pensions. Resolutions on undeclared work and trafficking and conclusions on immigration. Agreed orientation on two chapters of a new Regulation on social security co-ordination and on changes to co-ordination rules in preparation for the European Health Insurance Card. Political agreement on decision renewing Daphne spending programme (violence against women).

Streamlining Social Protection

Council approved the opinion of the Social Protection Committee (SPC) on a Commission Communication on streamlining open co-ordination in the field of social protection. The Chairman of the SPC noted that the opinion recognised the need to streamline current and future work. It also reflected Member States’ concern to keep what was good about present work; to avoid unnecessarily heavy reporting requirements; and to evaluate work in the area.

Resolution on Undeclared Work

Council adopted without discussion a resolution on transforming undeclared work into regular employment in the context of the European Employment Strategy.

Reform of Regulation 1408 on Social Security Co-ordination

The Council agreed an orientation towards political agreement on Chapters 7 and 8 of a new Regulation on social security co-ordination. These cover, respectively, pre-retirement benefits and family benefits. The outcome delivers the UK’s key negotiating objectives. One Member State could not agree on Chapter 6 on unemployment benefits and sought a transitional period of two years beyond the date of implementation of the Regulation to allow for adjustment to the proposed changes. If this could be accepted, it could join political agreement in December. The Presidency agreed to defer Chapter 6 until the 1 December Council.

Health Card

Council agreed an orientation towards a political agreement on a Regulation amending Regulation 1408/71 to align provisions in readiness for the launch of European Health Card in June 2004.

Debate on Immigration, Integration and Employment

Council held a public debate on "Immigration, Integration and Employment" as the Employment Council’s response to the June Commission communication. The Presidency asked Member States to comment on their employment & integration policies for recent and next generation immigrants and on the role for the Employment Council.

A large number of Member States including the UK agreed with the Employment Committee that immigration alone would not solve Europe’s demographic problem and that the Employment Strategy provided the appropriate framework for improving the participation of immigrants in the labour market. Several delegations argued that Member States should meet their demand for additional labour from national and European sources before seeking immigrants from outside the EU. Some concern expressed that some existing Member States planned to deny free movement to nationals from accession Member States whilst seeking labour from Third countries.
On integrating immigrants, many Member States and the Commission stressed the need to provide language, skills and citizenship training for recent and next generation immigrants to prevent social exclusion and burdens on the public purse. The UK, Denmark and Finland argued that a job was the best means of social integration. Ireland flagged up the need to integrate dependants joining the skilled immigrant.

On the role of the Employment Council, several Member States agreed with Belgium that it should be fully involved in deliberations by the JHA Council. Sweden stressed that immigration was primarily a national issue although the Commission argued that the issue could no longer be dealt with solely at the national level.

The Presidency concluded that it would draw on the debate for Council conclusions to be presented to the December Council.

**Decision on Daphne**

Council reached political agreement on the decision to renew the Daphne spending programme to prevent and combat violence against women, young people and children. All reserves were lifted on the budget (50m for 2004-2008). At Spain’s request, the Council Legal Service confirmed that the "public authorities" referred to in document 13598/03 ADD 1 COR 2 included regional authorities. The Commission expressed its satisfaction with the agreement but noted that the budget was still small given the importance of the programme.

**Electromagnetic Fields and Waves**

Council reached political agreement on a Directive protecting workers from the risks from exposure to electromagnetic fields and waves. An excellent outcome for the UK. Greece recorded a declaration saying that the Directive could have been more ambitious on health surveillance. The Commission noted that possible carcinogenic effects had only been excluded from the Directive because there was no evidence of them. It also recalled its declaration on the need for stronger health surveillance and on the possible need to include static magnetic fields in the scope of the Directive. Ireland was for an early second reading in the EP, but was not optimistic about the prospects.

**Resolution on Trafficking in Human Beings (especially Women)**

Council adopted a resolution encouraging Member States to consider the provision of various services for victims of trafficking. Denmark commented on the success of its regional approach to the problem.
Post Council Report - Environment Council, 27 October

Awaiting information from Executive
EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

BRIEFING PAPER

“Outstanding correspondence received from Scottish Executive on pre- and post-Council scrutiny conducted on 7 October”

Introduction

1  At its 5th meeting 2003 (7 October), the Committee asked for further information on a variety of subjects following its analysis of material on pre-Council of the EU annotated agendas. On behalf of the Committee, the Convener sent letters to various ministers in the Scottish Executive seeking more information. Copies of these letters for which replies were outstanding are attached as Annex A. Where replies have now been received, these are set out next to the appropriate letter from the Committee.

Action requested

2  Members are requested to consider the letters and the responses set out in Annex A.

Richard Lochhead MSP
Convener
Tel: 0131 348 5234
Email: europe@scottish.parliament.uk
LETTERS SENT TO THE SCOTTISH EXECUTIVE BY THE CONVENOR (DATED 8 OCTOBER)

MINISTER FOR ENVIRONMENT AND RURAL DEVELOPMENT (DATED 8 OCTOBER)

Dear Ross,

Re. Fisheries Council and Sheep Tagging

Following the recent meeting of the Committee, it was agreed that further information be sought on various items relating to the information you kindly provided on the Council of the EU agendas.

Agriculture and Fisheries Council

1. To ask why a statement was not provided covering its views on the measures for the recovery of cod stocks set to be adopted and what its views are.

2. To ask which aspects of the proposed regime for Sheep Identification and Traceability are “unworkable” and why. Furthermore, to ask what alternatives are preferred, whether they are supported by the UK Government, whether they are supported by the Commission and/or other member state governments.

As these information requests are to do with the scrutiny of EC/EU legislation, it is my view that they are not covered by the usual timescales set out in the relevant concordat. In this respect, if possible, may we have a reply in time for the next meeting of the Committee. To this extent, a response by Monday 3 November would be greatly appreciated.

I shall endeavour to copy this letter and your response to Sarah Boyack MSP, Convener of the Environment and Rural Development Committee, for her interest.

Yours sincerely,
EXECUTIVE'S RESPONSE

Thank you for your letter of 8 October regarding the October Pre-Council briefing.

You ask why no statement was provided covering the Executive’s views on the Commission’s proposals for cod recovery. Regrettably, it is very difficult to provide the Committee with accurate information as to the likely discussions of the Agriculture and Fisheries Council of the European Union in the timescale that the Committee requires. The Committee required the pre-council brief for the October Council to be submitted the week before the September Council had occurred and before any formal agenda for the October Council had been circulated. Therefore our knowledge of what was likely to occur at the October Council was, necessarily, limited to the draft agendas circulated by the Presidency at the start of its term, indicating what it would like to see discussed at the October council.

However, at that time, no substantial, detailed discussions on the Commission’s proposals for cod recovery had occurred at working group level. Without the benefit of such discussions informing our position on the likely shape and form of any plan it would have been premature to comment on the Commission’s proposals, but once I am fully aware of their intentions I will keep you informed of the Executive’s position.

You also asked for information about the problems with the proposed Sheep and Goat Identification and Traceability requirements. The Commission proposal, issued in December 2002, specified two main requirements which are unworkable in the Scottish context. The most problematic is the manual recording of 14 digit individual identification numbers each time sheep move. This also includes the need to record other information on an individual animal basis in flock books and on movement documents. It is virtually impossible to guarantee that the individual identifications will be recorded accurately, due to the large volume of sheep involved and general weather conditions experienced on Scottish extensive hill farms.

The proposal also requires lambs to be tagged within one month of birth. This is impossible to guarantee where lambing takes place in extensive Scottish conditions. The proposal also contains other requirements such as double tagging which the Scottish farming industry see as an added cost burden and potentially damaging to animal welfare, and the introduction in the future of electronic identification where there are issues about the availability of the technology.

I support the objective to improve the identification and traceability of sheep and goats. It is however, crucial that any new system is practical and enforceable. During the current discussion stage my officials are taking every opportunity to promote the current Scottish system to the Commission and other Member States. It operates on a batch basis, has a high rate of compliance and provides a sound level of traceability for disease control purposes. We are also proposing that Scottish farms are included in the derogation within the proposal for extensive conditions which extends the period of tagging to 6 months. The UK Government shares and is supporting this position.

The Proposal is being discussed by experts in a council Working Group. Compromise proposals are being considered. Some of the suggestions would bring the proposal more into line with the current Scottish system, including temporary reliance on a batch movement system. But there are still areas which require further clarification.

I am copying this letter to Sarah Boyack MSP.
CONVENER’S REPORT

1. Monthly report by the Clerk/Chief Executive and External Liaison Unit on the Parliament’s external relations activities. Each month, the Clerk/Chief Executive and ELU send Members for interest a report on the external relations activities in the Scottish Parliament (see Annex A). The Convener now recommends that:

   Members note the contents, thank the Clerk/Chief Executive and congratulate the External Liaison Unit on its continuing efforts to manage this high volume of visitors to the Scottish Parliament.

2. Situation as regards expenditure of European Structural Funds in Scotland (‘N+2’ arrangements). As part of the current expenditure round, the European Union has introduced a decommitment rule, better known as ‘N+2’. In simple terms, monies not spent by two years following the year in which they were programmed to be spent must be returned to the EU.

   Clearly, a failure to ensure a sufficient flow of quality applications for funding can lead to a scenario whereby funds previously allocated to Scotland are returned to the EU. With the agreement of the Committee, the Convener wrote to the Executive some weeks ago for an update on the situation. The Executive has now replied (see Annex B). The Convener now recommends that:

   The Committee welcomes the efforts being made with respect to the N+2 provision, but expresses concern at the potential in the East of Scotland and West of Scotland for this to take effect. The Committee urges all parties to make every effort to ensure this is not the case and, as the managing authority, requests that the Executive provides an update to the Committee in due course on whether the N+2 provision did take effect and to what extent.

3. Publication of the European Commission’s legislative and non-legislative work programme for 2004. The European Commission has published its annual work programme for 2004. This sets out the Commission’s legislative and non-legislative plans for the year ahead. A copy of the work programme can be found at: http://www.europa.eu.int/comm/off/work_programme/index_en.htm. The Convener now recommends that:

   The Committee asks SPICe to make an assessment of the annual legislative work programme and bring to the attention of Members any relevant issues. Furthermore, the Committee agrees to send
the work programme to other parliamentary committees for interest and, as previously recommended, urges the Scottish Executive to consider sponsoring a debate in the Chamber as part of Executive business on the European Commission’s 2004 work programme to enable a deeper understanding of the ramifications of the work programme for Scotland.

4. Letter from the Scottish Executive on the involvement of Scottish ministers on trade and cultural missions. The Committee wrote to the Scottish Executive on 8 October inquiring about the ministerial policy with respect to trade and cultural missions. The Committee has now received a reply (see Annex C). The Convener now recommends that:

The Committee welcome this reply and note that the Executive will supply more detail on its future policy and plans for trade and cultural missions as part of its submission to the Promotion of Scotland Worldwide Inquiry. Furthermore, the Committee welcomes the publication of the study commissioned by Scottish Enterprise into the opportunities and threats of enlargement of the EU. Finally, the Committee agrees with the suggestion that it be kept informed with regards the review of the ‘Scotland-with-Catalunya’ events and tasks the Clerk with making the necessary arrangements with officials in the Executive.

5. Scottish Executive’s role as chair of the Conference of Presidents of Regions with Legislative Powers (REGLEG). The First Minister takes over the chair of this network from 12 November 2003. The Convener now recommends:

That the Committee asks the First Minister in his role as the ‘President’ of the ‘region’ participating in REGLEG to provide more information on his plans and priorities for the year.

Richard Lochhead MSP
Convener
7 November 2003
ANNEX A

MONTHLY REPORT ON THE PARLIAMENT’S EXTERNAL RELATIONS ACTIVITIES

Visits/events that have taken place in October 2003

Inward Visits:

- **Wednesday 1 October**: Mr Michael Richardson MP, from the New South Wales State Parliament visited the Parliament to learn about devolution and a tour of the Holyrood Site.

- **Tuesday 7 October**: Visit by Mr Joseba Azkarraga, Minister of Justice, Employment and Social Security from the Basque Government to meet with Members from the Justice Committee followed by tour.

- **Tuesday 7 October**: Public Petitions Committee of the Kosovo Assembly. A direct request from the Kosovo Parliament to look at how the Scottish Parliament’s Public Petitions Committee operates.

- **Wednesday 8 October**: His Excellency the Hon Russell Marshall, the New Zealand High Commissioner visited the Scottish Parliament which included a courtesy call with the Presiding Officer plus a meeting with ELU

- **Thursday 16 October**: Mr Richard Kinchen, UK Ambassador to Belgium visited the Scottish Executive and Parliament to gain a further understanding of devolution in practice.

- **Monday 27 to Wednesday 29 October**: 15th Conference of Commonwealth Education Ministers being held in Edinburgh and organised by the Commonwealth Secretariat with assistance from the Scottish Executive. Various MSPs have obtained observer passes to attend the 3 day conference. The Presiding Officer will meet some of the participants from the Youth summit for a photocall

- **Wednesday 29 October**: Mrs Kessang Takla visited the Parliament in preparation to the Dalai Lama’s visit due in June 2004.

- **Wednesday 29 October**: Finnish Ambassador Mr Pertti Salolainen visited the Parliament and paid courtesy calls on the Presiding Officer and Paul Grice

- **Wednesday 29 October**: Delegation from Lombardy region visited the Parliament to discuss devolution and other Parliament related business.

- **Wednesday 29 October**: A Delegation from Ogun House State of Assembly, Nigeria visited. All 26 Members led by the Speaker visited to discuss matters relating to Standards and the committee system and Justice.
• **Wednesday 29 October**: A delegation led by Baroness Hamwee, Chair of the Greater London Assembly visited to explore amongst other things networking opportunities and scrutiny of legislation and management issues.

• **Wednesday 29 October** Mr Rauff Hakeem, Minister for Port Development, Shipping & Muslim religious Affairs, Sri Lanka led a delegation of 7 to visit the Parliament.

• **Thursday 30 October**: Dr Soloman Enquay, Fikru Gnakal and Aster Mammo Regional speakers from Ethiopia visited for a courtesy call with the Presiding Officer and observe First Minster Question Time.

• **Thursday 30 October**: A delegation of 12 Members from the Nigerian federal parliament and state parliaments visited for a short meeting on devolution and the Scottish Parliament

• **Thursday 30 & Friday 31 October**: Visit by a delegation of Senators from the Constitutional and Legislative Committee of the Upper House, from the Czech Republic to look at the Scottish Parliament and devolution in detail. Meetings with Justice I & II, Procedures and Local Government Committees.

**Outward Visits:**

• **Tuesday 7 to Sunday 12 October**: 49th Commonwealth Parliamentary Conference. 2 Members attended the Annual CPA Conference in Bangladesh.

• **Sunday 19 to Tuesday 21 October**: Murray Tosh, DPO led a cross-party delegation of 4 MSPs to the Annual Plenary session of the BIIPB to Ware, Hertfordshire

• **Sunday 26 to Tuesday 28 October**: Presiding Officer attended the Conference of Presiding Officers of the Legislative Regional Assemblies of Europe in Italy

**Forthcoming Visits:**

• **Wednesday 5 November**: His Excellency Mr Soloman Passy, Minister for Foreign Affairs for the Republic of Bulgaria will visit the Parliament to meet the Presiding Officer.

• **Wednesday 5 to Friday 7 November**: Mr Bill Owens, The Governor State of Colorado and delegation will visit the Parliament

• **Thursday 6 November**: Moldovan Opposition Members to visit to discuss devolution.

• **Tuesday 11 to Thursday 13 November**: A delegation from Palestine Legislative Council will visit the Scottish Parliament to give members of the Palestine Legislative Council the opportunity to explore how the results of the
second Scottish Parliament elections have affected the political system and how the transfer of responsibilities takes place. The visit programme in accordance with the group’s objectives which will include meetings with some MSPs and officials.

Due to the troubles in the Middle-East there have been no PLC elections in Palestine since 1996; the Scottish Parliament has been selected as a model for consideration by the PLC in preparation for transferring responsibilities to the next administration following their next election.

Following a recommendation from the Public Petitions Committee last year, the SPCB agreed that the Scottish Parliament should support the PLC wherever possible by way of sharing knowledge and experience.

- **Monday 17 to Thursday 20 November**: Mr Miroslav Zalusky Head of Chancellery, Slovakia will visit to study the Scottish Parliament’s management systems and capacity for planning and implementing change. This visit is a further demonstration that study visits to the Parliament can offer practical inspiration to those who come to visit and builds on the already strong links between the two institutions.

- **Thursday 20 November**: Speaker of Western Cape Provincial Parliament, South Africa will be visiting Westminster and will visit the Scottish Parliament to find out more about devolution and the Parliament’s outreach programmes. The Speaker will be accompanied by the Clerk of the Parliament.

- **Wednesday 26 November**: The Presiding Officer has been invited under the Auspices of the CALRE President, to give a speech at a COR/CLARE conference in Brussels.

- **Thursday 27 November**: Visit by Speaker Hon. PR Malavi, Secretary to the Legislature and the Senior Legal Adviser of Legislature. Limpopo Province to study the processes and procedures within the Bills teams.

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 reports this session:


External Liaison Unit
October 2003
ANNEX B

LETTERS FROM THE SCOTTISH EXECUTIVE – DECOMMITMENT OF EUROPEAN STRUCTURAL FUNDS

Paper provided at the Scottish European Structural Funds Forum

The N+2 rule

The de-commitment rule (N+2), set out in Article 31 of Council Regulation (EC) No. 1260/1999, is a new financial control introduced for management of the 2000-2006 programming period to ensure sound management of the programmes and avoid end loading of activity. The practical effect of this rule is that failure to meet the annual spending targets means that money will be returned to the Commission budget and therefore lost to the Programmes in Scotland. The annual targets relate to payment of Structural Funds by the Commission to Member States as reimbursement of expenditure. In order to meet the targets therefore, project development, delivery and spend is essential throughout the programming period.

An important factor influencing progress towards N+2 targets has been the sterling/euro exchange rate fluctuation. Exchange rates were fairly steady until May 2002 when the value of the £ against € was 1.61. The current value is 1.44. This means that the Programmes that were slower to get off the mark in expenditure terms are having to deal with a greater increase in the £ value of the N+2 target which has risen by around 12%. It is also the case that the Scottish model of implementing the Funds with its reliance on local and regional partners in bringing forward projects lengthens the process of achieving spend in comparison with approaches in other Member States.

Current Prognosis

Great strides have been made in the collective effort to meet N+2 targets for 2003. Partner organisations have responded well by bringing forward projects that will be able to declare spend immediately. The result is that commitment levels now appear sufficiently high to produce enough spend to meet N+2 targets for 2003.

However, in order to deliver that outcome these partner organisations will need to submit payment claims to the PMEs\(^1\) by end October. This deadline has been set by working back from the 31 December deadline for submitting the required payment requests to the Commission. The deadline is not new – partner organisations were made aware of this several months ago and receive regular reminders from the PMEs. The deadline will be kept under review and every effort will be made by PMEs and the Scottish Executive to maximise spend.

The position for each Programme is as follows:

- Highlands and Islands: The ESF target has already been achieved.

\(^1\) Programme Management Executives: bodies set up with delegated powers from the Scottish Executive to manage on a day-to-day basis, the European Structural Funds in Scotland.
We anticipate that ERDF, EAGGF and FIFG (various structural funds) will meet the N+2 targets. Spend at end September was short of the targets by £3.6m, £2.1m, and £0.9m respectively. The PME and SEERAD Scheme Managers are working with applicant organisations to fill this gap;

- **Objective 3:** On course to meet the N+2 target. The PME is processing the final £2m of claims needed to meet N+2 to pass to the Scottish Executive;

- **East of Scotland:** Expected to meet the N+2 target if claims for recent approvals of £17m together with expected claims for existing projects amounting to £7.5m materialise. If not, there remains a risk that the Programme spend will fall short of the N+2 target;

- **South of Scotland:** The N+2 target has been met.

- **West of Scotland:** We anticipate receipt of the £2.2m worth of claims needed to meet the ESF target. Expected to meet the N+2 target if claims for recent ERDF approvals of £40m (£26m retrospection and £14.7m SCF) together with expected claims for existing projects materialise. If not, there remains a risk that the Programme spend will fall short of the N+2 target;

- **Urban II:** We anticipate meeting the N+2 target. Spend at end September was short of the target by £0.6m. We expect to receive further claims to the value of £0.9m in time to count towards N+2.

**Action to address N+2 issues**

A number of interventions have been pursued by the Scottish Executive and the Programme Management Executives to reduce the risk of decommitment.

- **N+2 Action Plans,** which were approved by PMCs\(^2\) in 2002, have been updated and monitored on an ongoing basis.

- **Scottish Ministers** agreed a policy of retrospection. This allows projects in eligible areas that would have met eligibility criteria had they been submitted earlier in the programme period, to be considered and awarded grant retrospectively. A condition of retrospective approval is that monies released must be spent on economic development activity. This policy has also been endorsed by DG Regio\(^3\) and has also since been followed by other UK Programmes.

- **The Deputy Minister** for Enterprise and Lifelong Learning wrote to the Chief Executives of organisations with projects that had failed to claim significant sums compared to their anticipated spending profile, asking them to maximise claims by the end of October. There is some evidence that this is having the desired effect.

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\(^2\) Programme Monitoring Committees

\(^3\) The relevant European Commission Directorate General
• Work with Scottish Enterprise has been given a high priority to ensure that an application was agreed by the European Commission for the Scottish Co-investment Fund (SCF). This will allow funds to be paid into the SCF before the N+2 deadline.
• PME staff have held meetings, workshops and are in regular contact with partners to ensure that they are aware of the implications of N+2 and the need to submit regular payment claims.
• European Structural Funds Division has held a series of meetings with Scottish Executive policy divisions working in areas relevant to Structural Funds and the Enterprise Networks to increase awareness of possibilities for new projects which has led to potential additional new projects.

On-going monitoring

PMEs are submitting weekly reports on the flow of claims to the Scottish Executive.

Future action

PMEs and the Scottish Executive will work together to identify any projects that have not delivered on the undertaking to submit claims by the end of October. Thereafter, they will work with partners to ensure maximum spend towards N+2 targets.

Scottish Executive
European Structural Funds Division
October 2003
LETTER FROM THE SCOTTISH EXECUTIVE ON TRADE/CULTURAL MISSIONS (DATED 10 NOVEMBER)

Committee’s letter of 8 October

Dear Andy

Re. Trade/cultural missions, market analyses and evaluation of Scotland with Catalunya

At yesterday’s Committee meeting, Members discussed the role of Scottish Executive ministers in considering parallel trade or cultural missions when travelling abroad. This was a subject we raised with you at our meeting on the 9 September.

Members of the Committee agreed unanimously that we should congratulate the Executive on organising a parallel ‘trade mission’ as part of the overall ministerial visit to the ‘Scotland with Catalunya’ events and to more generally welcome what has proved to be quite a successful series of events, especially for the Scottish food and drink sector.

Can I enquire whether an evaluation of the events will be carried out by the Executive into lessons learnt and follow-up activities, and whether this can be shared in some form with the Committee, given our own parallel interests in developing even closer ties with the Catalan Parliament? We are keen to ensure complementarity in our activities with those of the Executive.

It was also agreed that we should enquire into the general principle for such activities within the Executive. Perhaps as part of your response to the Committee’s call for evidence on the Promotion of Scotland Inquiry you could touch upon the principle of minister-led ‘trade missions’ alongside ministerial visits overseas and whether such missions could go beyond commercial interests into areas such as the arts. It would also be useful to know what further trade/cultural missions are planned by ministers or by SDI.

On a related subject, it was also agreed that we should ask whether the Scottish Executive, Scottish Enterprise or any other publicly funded body has produced a market analysis for each of the new Member States. We understand that Scottish Enterprise were to produce a socio-economic study of this type. If so, may we have a copy of the reports and analyses and ask if you have any intention of encouraging a wider dissemination of this very valuable information, perhaps through the Scottish International Forum.

I am copying this letter to the Presiding Officer, Frank McAveety MSP and to Alasdair Morgan MSP for their interest.

Yours sincerely,
EXECUTIVE’S RESPONSE

Thank you for your letters of 18 September to me and to other Ministers, on whose behalf I am also replying. Thank you too for your letter of 8 October.

I welcome the Committee’s decision to carry out an inquiry into the promotion of Scotland worldwide. I shall be providing initial evidence on behalf of the Executive. The Committee may already be aware that the Executive is also in the process of drawing together a new strategy document covering the whole of our external relations activity.

One of the areas the evidence will cover, as you suggest in your letter of 8 October, is future plans for trade and culture missions, and the place of trade missions in the Scottish Executive’s strategy for international economic development. The Committee will be aware of plans for Scottish events in France and the Netherlands in 2004. Detailed plans for ministerial involvement are still being worked up. Scottish Development International co-ordinates the annual Scottish Exhibitions & Missions Programme (SEMP), which covers planned trade missions and delegations to trade events.

I am glad to note the Committee’s positive assessment of the value of the trade event held as part of the “Scotland With Catalonia” programme. Officials of the Parliament have already heard an initial Executive assessment of the success of the programme at the most recent meeting of the Scottish International Forum. We are also carrying out a more detailed review of the programme, which we would be willing to discuss with the Committee or with the Parliament’s External Liaison Unit.

Turning to the issue of opportunities in the EU Accession States, I believe the report Committee members may have in mind is the context study commissioned by Scottish Enterprise into opportunities and threats of EU enlargement. This study has been published and is available online at http://www.scottish-enterprise.com/publications/contextpaper2.pdf. The findings have been promoted to Scottish businesses through a series of seminars.
COMMUNICATION FROM THE COMMISSION
TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

THE COMMISSION'S LEGISLATIVE AND WORK PROGRAMME FOR 2004
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2. List of proposals subject to an extended impact assessment before adoption

3. Provisional assessment of progress towards the Prodi Commission’s strategic objectives

4. Commission proposals awaiting action by the legislative authority in 2004

5. Simplification and codification of Community legislation
INTRODUCTION

This is the last Legislative and Work Programme of the Prodi Commission, covering a year of major changes for the European Union.

- On 1 May 2004, ten new Member States will join the European Union. Shortly afterwards, a new Constitutional Treaty will be signed by Heads of State or Government of the enlarged Union.

- In June 2004, citizens throughout the European Union will vote in elections for the European Parliament.

- On 1 November 2004, the new Commission will take up office.

It is, therefore, clear that 2004 will be a far from normal year for the programming of the EU institutions. In view of this, and as befits a Commission that is approaching the end of its mandate, the Legislative and Work Programme for 2004 is deliberately much more tightly focussed than in previous years. The Commission intends its programme to be as realistic as possible, both in terms of what it can deliver and the other EU institutions can absorb.

In these circumstances, the Commission has reviewed the key initiatives presented in the Annual Policy Strategy and has reduced them to those that are absolutely necessary and feasible in 2004.

The principal aim of the Legislative and Work Programme is to focus on the Commission’s priorities, announce its major new proposals for 2004 as well as a limited number of major proposals carried over from 2003 (Annex 1) and finalise the selection of proposals requiring an extended impact assessment (Annex 2). However, it also provides a preliminary assessment of the progress made so far towards achieving the strategic objectives of the Prodi Commission (Annex 3), highlights the need for legislative follow-up by the Council and European Parliament to proposals already presented by the Commission (Annex 4), and reports on further work concerning simplification and codification of the acquis (Annex 5).
1. **Dialogue with the European Parliament and the Council**

On 5 March 2003, the Commission adopted its **Annual Policy Strategy for 2004**\(^1\), identifying the **accession of ten new Member States** as the central priority for 2004, supported by two connected priorities, i.e. **stability**, and **sustainable growth**.

The Commission presented its Annual Policy Strategy to the European Parliament and to the Council in March. In the months that followed, a **structured dialogue** took place with both institutions on the priorities and key initiatives for 2004. Both institutions reacted positively to the political priorities identified by the Commission and provided useful feedback on the key initiatives proposed for 2004. On 23 September 2003, Vice-President de Palacio presented the Commission’s stocktaking document on the follow-up to its Annual Policy Strategy for 2004\(^2\) to the European Parliament’s Conference of Committee Chairmen. In parallel, the document was transmitted to the Council. The other institutions’ reaction to the Commission’s priorities has been positive and a number of suggestions made regarding sectoral initiatives have been taken into account in the Legislative and Work Programme.

This year, the inter-institutional dialogue had a reinforced multiannual dimension. In line with the reforms agreed at the Seville European Council, the Council will recommend that the European Council in December 2003 endorse a **multiannual strategic programme** for 2004-2006. This programme is being prepared in consultation with the Commission, and the European Parliament will be informed about its purpose and content.

2. **Outlook and Challenges for 2004**

**Political outlook**

The European Union faces three major challenges in 2004:

– **Shaping the future Union**

Ten new Member States will join the European Union on 1 May 2004. This historic enlargement will provide a considerable boost to the EU’s potential, but will also pose a considerable challenge for the Union. In 2004, the Union will have to start preparing the next political and financial framework, since the current medium-term financial perspective (“Agenda 2000”) expires at the end of 2006.

The strategy for future enlargements will also have to be pursued. Negotiations with Bulgaria and Romania will continue in 2004, and the Commission will prepare its formal opinion on Croatia’s application to join the Union. In December 2004, the European Council will decide, on the basis of a report from the Commission, whether Turkey meets the Copenhagen political criteria, in view of the possible opening of accession negotiations.

– **Prioritising the policy agenda**

2004 will be an important year for moving ahead with the Union’s core political agenda, notably in the areas of sustainable growth and stability.

\(^1\) COM(2003) 83 of 5 March 2003

\(^2\) SP(2003)3092/3 of 17 September 2003
Achieving sustainable development will be the political centre of gravity for the Union’s next financial perspective (2007 onwards). In 2004, the Union will review the strategic objectives agreed at the Lisbon European Council in March 2000 and the EU strategy for sustainable development agreed in Göteborg. The Growth Initiative endorsed by the European Council in October 2003 needs to stimulate investment in networks and knowledge in 2004, thereby boosting confidence in the Union’s economic potential and consolidating economic growth.

Progress towards making the Union an area of freedom, security and justice needs to be consolidated by the May 2004 deadline for completion of the first stage of the programme agreed at the Tampere European Council in October 1999.

– Developing the Union’s external action

The international situation remains more tense and unstable than it has been for many years. This reinforces the need for the European Union to act in a more united way to promote stability, to support effective multilateral responses to crises, and to address the fundamental problems facing global development. The draft security strategy which was presented by the High Representative for the CFSP analyses these and other threats. The Commission is actively participating in the refinement of this strategy which should be endorsed by the European Council in December 2003. Further to its approval, the Commission will remain involved in the instruments aimed at reducing risks of potential crises.

Enlargement reinforces the Union’s presence on the international scene and means that the Union will have to examine its responsibilities in its neighbourhood, and take the lead in developing a close and supportive partnership with its near neighbours in the East as well as in the Mediterranean region.

A major challenge facing the Union in 2004 will be to draw the appropriate conclusions of the failed WTO Ministerial Conference in Cancun and to continue its efforts to pursue trade negotiations with its partners that result in increased economic growth and development benefits.

Economic prospects for the EU in 2004

The weak economic performance observed in the EU economies at the end of 2002 continued throughout the first half of 2003. Consequently, for a third consecutive year growth is likely to disappoint: the average growth rate is expected to be about ¾% in the EU and about ½% in the euro area. However, with accommodative macroeconomic policy conditions, supportive financial conditions, continued disinflation, progress in structural reforms, and a reduction in geopolitical uncertainty, the confidence of economic agents is returning and the international environment is improving.

In this context, the momentum for recovery is expected to pick up in the second half of 2003 and to gather pace throughout 2004. A rebound to an average growth rate of about 2% is projected for the EU next year. This is underpinned by a recovery in consumer expenditures, supported by growing external demand and a consequent recovery in investment. Despite this projected recovery, the protracted period of sluggish growth has taken its toll on the performance of the labour market and employment growth is expected to be sluggish.

The risks to the outlook appear to be more balanced than earlier this year. First, there are many factors that point to increasing optimism regarding the short-term growth path of the US economy, which should in turn provide a stimulus for growth in the EU. Nevertheless, if the
recovery in the US were to falter, then the expected pick up in the EU economy might be put at risk. Second, the strength of the euro has been weighing on the recovery through declining exports. However, this is balanced by the positive stimulus to consumption from gains in terms of trade. Finally, the financial conditions facing the corporate sector are supportive, and corporate profits have seen some improvement during the year. However, to the extent that corporate balance sheet adjustment is still incomplete, continued adjustment could hold back investment spending in the EU.

3. **COMMISSION PRIORITIES FOR 2004**

Against this background, the Commission confirms the political priorities that it identified in its Annual Policy Strategy for 2004:

- Accession of ten new Member States
- stability, and
- sustainable growth

The Commission invites the other EU institutions to take account of these priorities, key initiatives, legislative proposals and non-legislative acts in their own programming for 2004. The Commission confirms its readiness to cooperate with the other EU institutions to deliver these priorities through joint programming.

As explained in the introduction, the Commission has reviewed the key initiatives presented in the Annual Policy Strategy and has reduced them to those that are absolutely necessary and feasible in 2004.

The corresponding legislative proposals and non-legislative acts appear in List 1.

3.1. **The accession of 10 new Member States**

The Commission identifies three main objectives for 2004:

- To ensure the successful completion of the accession process for the ten new Member States joining the European Union on 1 May 2004. This includes fulfilling the legal obligations of the European Union and the new Member States vis-à-vis the *acquis communautaire* from the first day of accession. The top priorities are the implementation of legislation, the extension of the existing programmes, instruments and procedures to the new Member States, the further development of administrative capacity and the development of an economic convergence strategy;

- To pursue negotiations with the remaining candidate countries (Bulgaria and Romania), to assess and produce a recommendation as regards the possible opening of accession negotiations with Turkey and prepare the opinion on Croatia’s application for EU membership;

- To shape future directions for the enlarged European Union and to consolidate institutional and regulatory reform.
Key Initiatives

- **Finalise the 2004 accessions**

1. Adapt existing programmes to the membership of the new Member States.

2. Apply and monitor the application of Community legislation in the new Member States, including:
   - Enforcement of the acquis, especially in the areas of food safety, agriculture, environment, customs union, internal market, justice and home affairs, maritime safety;
   - Implementation of the Schengen Facility and checking implementation of the relevant acquis on external border control by the new Member States;
   - Ensuring that the levels of nuclear safety in the new Member States are as high as in the existing Member States.

- **Ongoing accession negotiations and strategy for possible future accessions**

3. Continue negotiations for the accession of Bulgaria and Romania.

4. Analyse Turkey's compliance with criteria for accession, as decided at the Copenhagen European Council.

5. Examine Croatia’s application to join the European Union.

- **Adapting the framework of the enlarged European Union**

6. Follow up the results of the Intergovernmental Conference on a Constitutional Treaty for the European Union.

7. Prepare the EU’s financial perspective for the period after 2006, including:
   - Financial and legislative proposals for major spending programmes after 2006, a proposal on the Own Resources system and a draft inter-institutional agreement.

8. Update, codify and simplify the *acquis communautaire* in line with the Better Regulation initiative (see Annex 5).

9. Complete the reforms announced by the Commission in its White Paper of March 2000 and ensure that all necessary administrative preparations for accession are in place.

3.2. **Stability**

The Commission identifies two main objectives for 2004:

- To develop a stable and comprehensive political framework for cooperation with neighbouring countries in order to create an area of peace, stability and prosperity and to avoid new dividing lines in Europe subsequent to the enlargement of the Union.
• To develop internal EU policies that support stability and security, in particular consolidating progress towards creating an area of freedom, justice and security (completing the Tampere agenda) and to integrate those policies effectively in a coherent EU external action. Particular attention will be given to managing the common borders effectively, balancing tough action against illegal immigration with measures on the fair treatment and integration of legal immigrants, and further measures in the fight against crime and terrorism.

**Key Initiatives**

*European Neighbourhood Policy / Wider Europe*

1. Creation of an enlarged area of peace, stability and prosperity encompassing the enlarged EU’s eastern and southern neighbours, based on shared values, common interests and deeper integration. This will combine progress demonstrating shared values and effective implementation of political, economic and institutional reforms, with the prospect of closer economic and political links with the EU, including a stake in the internal market and improved cross-border and regional/transnational cooperation at the EU’s external borders.

   • Prepare a series of action plans, starting with up to eight countries from Eastern Europe and the Mediterranean;

   • Develop a framework for neighbouring countries with the prospect of having a stake in the Single Market, in particular in the area of transport, energy and telecommunications networks, while paying the necessary attention to the environmental aspects of such activities;

   • Encourage greater EU political involvement in conflict and crisis prevention;

   • More cultural cooperation and efforts to enhanced mutual understanding.

*Russia and the countries of Eastern Europe*

2. Implement the decision of the May 2003 EU-Russia summit at St-Petersburg to develop four “common spaces” (economic, justice and home affairs, security, research/culture). Improve implementation of the Partnership and Cooperation Agreements with Russia and Ukraine, including in the area of Justice and Home Affairs on the basis of the action plan against organised crime with Russia and the JHA action plan with Ukraine.

*Balkans*

3. Pursue the agenda agreed in Thessaloniki with the Balkan countries, prepare a partnership agreement, and feasibility studies on Bosnia-Herzegovina and Serbia-Montenegro in view of the Spring 2004 European Council.

*Develop EU policies to support stability and security*

4. Evaluate the progress achieved in relation to the Tampere programme, working with the Council to secure maximum adoption of proposals needed to create a European area of freedom, security and justice by the deadline of 1 May 2004.
• Present final evaluation of the implementation of the Tampere agenda and its impact, and orientations for the next stage in the development of the area of freedom, security and justice.

• Establish an agency to manage control of the external borders.

• Establish the legal framework for the second generation Schengen information system (SiS II) and the visa information system.

5. Implement new co-operation programmes with third countries in the area of migration and develop a balanced approach to immigration that both ensures the maintenance of high levels of employment and productivity and encourages better integration and fair treatment of legally-resident migrants in European societies.

6. Develop a policy for security of communication networks and information.

7. Continue action against international terrorism and bio-terrorism, and enhance European security measures in support of the Petersberg’s tasks, including in the area of research.

3.3. Sustainable growth

Sustainable growth is a broad priority, covering the actions designed to promote and develop the European Economic and Social model (prosperity, economic convergence, social cohesion, environmental protection and a better quality of life). The Commission’s aim is to highlight certain aspects of this priority that deserve a particular focus in 2004. Its objectives are:

• To reinforce the effective delivery of the strategic policy goals already set for the enlarged European Union;

• To highlight a certain number of concrete actions that will help to deliver sustainable growth and improve the quality of life for European citizens;

• To improve economic and budgetary policy coordination between Member States to secure the smooth functioning of EMU, and

• To continue combating poverty and promoting sustainable growth in the wider world.

Key Initiatives

- Cross-cutting aspects of sustainable growth

1. Accelerate progress on achieving the goals set in the European Union’s Lisbon strategy, with a particular emphasis on reviewing the strategy and the measures necessary to stimulate growth, competitiveness and employment, including investment in networks and knowledge, in a sustainable framework:

• Spring Report to the European Council assessing progress achieved and identifying problems requiring urgent implementation;
2. Prepare the next steps in the EU’s sustainable development strategy, including:

- Review the internal and external policy dimensions of the EU’s Sustainable Development Strategy, adopted at the Göteborg European Council in June 2001 and follow-up the Johannesburg World Summit on Sustainable Development;

- Implementation of the EU water and energy initiatives announced at Johannesburg.

- **Sectoral contributions to sustainable growth**

3. Investment in networks and knowledge:

- Develop European transport, energy and other infrastructure networks with a view to increasing the interconnectivity and sustainability of the enlarged European Union’s economy;

- Develop the European Research Area and implement the action plan to increase investment in research and development in line with the 3% GDP objective and to attract adequate human resources in research;

- Support innovative sustainable and energy-saving technologies as well as efforts towards the long-term availability of appropriate energy sources and carriers;

- Advance preparations for the Galileo satellite, which will improve traffic management and reduce congestion and improve energy infrastructure monitoring;

- Review and adjust the eEurope 2005 initiative, in particular with a view to promote the development and use of a European secure broadband infrastructure, and improve international management of the internet.

4. Integration of sustainability considerations into European Union policies, including:

- Present a Communication on the use of economic instruments to protect the environment;

- Present environmental thematic strategies (soils, pesticides, waste prevention and recycling) within the framework of the 6th Environment Action Programme, pursue the Community strategy on climate change and put forward an action plan on environment and health 2004-2010.


- **External dimension of sustainable growth**

5. Take part in WTO negotiations and start, or pursue ongoing, regional or bilateral trade negotiations with partners such as Mercosur, Canada, the Gulf Cooperation countries as well as the ACP countries in the context of the regional Economic Partnership Agreement negotiations.
6. Prepare the mid-term review of the Cotonou Agreement, reflect on its revision, and prepare the successor to the 9th European Development Fund. Monitor implementation of the debt initiative and the Global Health Fund and implement the Action Plan on communicable diseases and reproductive health.

4. EXTENDED IMPACT ASSESSMENT OF SELECTED PROPOSALS

The Commission’s Communication of 5 June 2002 on Impact Assessment³ introduced a new integrated procedure for impact assessment of all its major initiatives, i.e. those presented in the Annual Policy Strategy or the annual Legislative and Work Programme. The objective of the new procedure is to improve the quality and coherence of the policy development process and to increase transparency and communication with the European citizens on the expected impact of European wide initiatives and legislation. This new procedure integrates, streamlines and replaces all existing separate impact assessments previously used in the analysis of Commission proposals.

The selection of proposals for extended impact assessment forms part of the Commission Programming and planning cycle. On the basis of a preliminary impact assessment statement, the Commission decides in the Annual Policy Strategy or at the latest in its annual Legislative and Work Programme which proposals should undergo an extended impact assessment. In deciding, it takes the following criteria into account:

– Whether the proposal will result in substantial economic, environmental and/or social impacts on a specific sector or several sectors;

– Whether the proposal will have a significant impact on major interested parties;

– Whether the proposal represents a major policy reform in one or several sectors.

The proposals eligible for selection include both a) proposals representing early stages of strategic decisions on options such as Communications setting out a policy, strategy or special course of action and b) legislative proposals.

The extended impact assessment focuses on the economic, social and environmental as well as the regulatory impacts of a proposal. It also includes an analysis of subsidiarity and proportionality. Finally, an extended impact assessment process normally includes a consultation with interested parties and relevant experts according to the Commission’s minimum standards for consultation.

2004 marks the first year of full implementation for the new impact assessment procedure. A number of proposals were identified in the initial APS list of proposals for extended impact assessment in 2004. Most of these have been confirmed and several have been added to produce the final list of proposals selected for extended impact assessment in this Work Programme. The proposals represent initiatives from a wide range of sectors within the three priorities for 2004.

In the interest of transparency, the preliminary impact assessments on major new proposals are made public when this Legislative and Work Programme is adopted\(^4\), while the extended impact assessments reports will be made available to other institutions and the public when the Commission adopts the corresponding proposals.

5. **CONCLUSIONS**

2004 will be a crucial year for the European Union. The overarching task in 2004 will be to complete the successful integration of ten new Member States into the European Union and to define its future shape. At the same time, the European Union will need to press forward with its policy agenda, ensuring that its 453 million citizens can enjoy good prospects for stability and sustainable growth.

The Commission intends to play its full part in meeting these challenges and will use the year ahead to complete the programme of strategic objectives announced at the start of its mandate.

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\(^4\) This Legislative and Work Programme and the preliminary impact assessments can be found on the following Commission website address: http://europa.eu.int/comm/off/work_programme/index_en.htm
ANNEX 1

COMMISSION LEGISLATIVE AND WORK PROGRAMME FOR 2004

List of legislative proposals and non-legislative acts

List 1: Legislative proposals and non-legislative acts corresponding to the political priorities for 2004

List 2: Other legislative proposals and non-legislative acts likely to be brought forward in 2004

Explanatory Notes

(1) List 1 contains specific proposals or non-legislative acts corresponding to the priorities as well as proposals carried over from 2003 which the Commission engages itself to pursue in 2004.

(2) List 2 contains an indicative forecast of other proposals and acts that the Commission could envisage being adopted in 2004.

(3) The lists only exist in the original language version (part English, part French).

(4) The Commission updates its planning each month and transmits a “3-month rolling programme” to the other EU institutions to help them organise their work. In the interests of transparency, this is also made available to the public on the Commission’s Internet homepage http://europa.eu.int/comm/index_en.htm (“The Commission at your service”, “Work Programme”, “3-month rolling programme”).
- brief description, political motivation, and an indication of whether the proposal will undergo an extended impact assessment
- “Political motivation sort code”, enabling proposals to be re-ordered according to the political priorities: accession, stability, sustainable growth.
ANNEX 2

Proposals that will undergo an extended impact assessment before their adoption

N.B. Given the specific circumstances of 2004 (see introduction) there are a number of important proposals on which the Commission cannot guarantee the timing of the delivery, but for which it will undertake an impact assessment. They are listed in the table with an asterisk.

In the Work Programme list, these proposals are flagged with the abbreviation "EXT" in the impact assessment column.

**ISG = Inter-departmental Steering Group**

Before submitting any proposal in the social field, the Commission is bound to consult the social partners on its possible type and content (according to Article 138 of the Treaty). This consultation is an integral part of the impact assessment process.

<table>
<thead>
<tr>
<th>Priority</th>
<th>DG</th>
<th>Title</th>
<th>Agenda planning number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AGRI with ISG</td>
<td>Council Regulation on support for rural development from the EAGGF</td>
<td>2004/AGRI/003</td>
</tr>
<tr>
<td></td>
<td>BUDG</td>
<td>Proposal for a Council decision on the system of the European Communities own resources</td>
<td>2004/BUDG/007</td>
</tr>
<tr>
<td></td>
<td>EMPL with ISG</td>
<td>Regulation of the European Parliament and of the Council on the European Social Fund for the next programming period</td>
<td>2004/EMPL/036</td>
</tr>
<tr>
<td></td>
<td>REGIO with ISG</td>
<td>Draft regulation for the new Structural Funds period post 2006</td>
<td>2004/REGIO/001</td>
</tr>
<tr>
<td></td>
<td>SG</td>
<td>The next financial perspectives post 2006</td>
<td>2004/SG+/011</td>
</tr>
<tr>
<td>2</td>
<td>JAI with ISG</td>
<td>Proposal for a Regulation defining the Visa Information System (VIS), the objectives of the system, the types of data to be introduced, the access issues</td>
<td>2004/JAI/014</td>
</tr>
<tr>
<td></td>
<td>JAI, TAXUD, MARKT</td>
<td>Framework Decision on the penalties in the Member States in the fight against counterfeiting</td>
<td>2004/JAI+/006</td>
</tr>
<tr>
<td></td>
<td>RELEX</td>
<td>Proposal for a Council Regulation concerning the provision of assistance to the partner States in Eastern Europe, the Caucasus and Central Asia</td>
<td>2004/RELEX/014</td>
</tr>
<tr>
<td>3</td>
<td>AGRI</td>
<td>Report on the common market organisation for bananas</td>
<td>2004/AGRI/001</td>
</tr>
<tr>
<td>COMP *</td>
<td>Review of the guidelines on State aid for rescue and restructuring</td>
<td>2004/COMP/011</td>
<td></td>
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<tr>
<td>DEV</td>
<td>Negotiation mandate for the Review of the Cotonou agreement</td>
<td>2004/DEV/001</td>
<td></td>
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<tr>
<td>DEV</td>
<td>Regulation on Forest Law Enforcement, Governance and Trade (FLEGT)</td>
<td>2004/DEV/003</td>
<td></td>
</tr>
<tr>
<td>EMPL *</td>
<td>Follow up to the Commission Communication on working time</td>
<td>2004/EMPL/004</td>
<td></td>
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<tr>
<td>EMPL</td>
<td>Revision of the European works Councils Directive-consultation social partners</td>
<td>2004/EMPL/005</td>
<td></td>
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<tr>
<td>EMPL *</td>
<td>Extending scope of directive on carcinogenic agents</td>
<td>2004/EMPL/007</td>
<td></td>
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<tr>
<td>EMPL *</td>
<td>Prevention of violence at work</td>
<td>2004/EMPL/008</td>
<td></td>
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<tr>
<td>EMPL *</td>
<td>Integration of persons excluded from the labour market</td>
<td>2004/EMPL/011</td>
<td></td>
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<tr>
<td>ENTR with ISG</td>
<td>Programme for the competitiveness of enterprises</td>
<td>2004/ENTR/007</td>
<td></td>
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<tr>
<td>ENTR with ISG</td>
<td>Action Plan/Follow up of the Innovation Policy Communication</td>
<td>2004/ENTR/086</td>
<td></td>
</tr>
<tr>
<td>ENTR</td>
<td>Commission proposal for a directive consolidating and strengthening elements common to all &quot;new approach&quot; directives</td>
<td>2004/ENTR/069</td>
<td></td>
</tr>
<tr>
<td>ENV with ISG</td>
<td>Thematic Strategy on waste</td>
<td>2004/ENV/001</td>
<td></td>
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<tr>
<td>ENV with ISG</td>
<td>Thematic Strategy on pesticides</td>
<td>2004/ENV/003</td>
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<tr>
<td>ENV</td>
<td>Soil Thematic Strategy</td>
<td>2004/ENV/002</td>
<td></td>
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<tr>
<td>ENV</td>
<td>Mercury Strategy</td>
<td>2004/ENV/004</td>
<td></td>
</tr>
<tr>
<td>FISH</td>
<td>Proposal for a Council Regulation on the access regime to certain Community fishing grounds beyond the 12-miles limit. (the proposal will be split into 2 proposals)</td>
<td>2004/FISH/003</td>
<td></td>
</tr>
<tr>
<td>INFSO with ISG *</td>
<td>Communication on interoperability in interactive digital TV, and Cion conclusions re mandating Multimedia Home Platforms (MHP) standards</td>
<td>2004/INFSO/001</td>
<td></td>
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<tr>
<td>INFSO</td>
<td>Revised eEurope 2005 Action Plan in an enlarged Europe</td>
<td>2004/INFSO/019</td>
<td></td>
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<tr>
<td>JAI</td>
<td>Directive on small claims</td>
<td>2004/JAI/016</td>
<td></td>
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<tr>
<td>MARKT</td>
<td>Proposal for a directive on capital requirements for credit institutions and investment firms (Capital Adequacy Directive)</td>
<td>2001/103</td>
<td></td>
</tr>
<tr>
<td>MARKT *</td>
<td>Action Plan for efficient implementation of the legal framework for electronic public procurement</td>
<td>2004/MARKT/004</td>
<td></td>
</tr>
<tr>
<td>MARKT</td>
<td>Proposal for a directive on collective management of copyright and related rights in the Internal Market</td>
<td>2004/MARKT/007</td>
<td></td>
</tr>
<tr>
<td>SG</td>
<td>Sustainable development strategy review</td>
<td>2004/SG/010</td>
<td></td>
</tr>
<tr>
<td>TAXUD</td>
<td>Council Directive to restructure the tax bases of the Annual Circulation and Registration taxes in order to make passenger car taxation more CO2 efficient and more consistent with the internal Market and introduce a Registration Tax Refund System.</td>
<td>2004/TAXUD/023</td>
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<tr>
<td>TAXUD</td>
<td>Commission Communication/Recommendation on the experimental application of &quot;Home State Taxation&quot; to small and medium-sized enterprises in the EU</td>
<td>2004/TAXUD/007</td>
<td></td>
</tr>
<tr>
<td>TREN with ISG</td>
<td>ERIKA III Package on Maritime Safety</td>
<td>2004/TREN/057</td>
<td></td>
</tr>
<tr>
<td>TREN</td>
<td>Commission Communication on the rights of users in the transport sector</td>
<td>2004/TREN/052</td>
<td></td>
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</tbody>
</table>
ANNEX 3

Provisional assessment of progress towards the Prodi Commission’s strategic objectives

Introduction

1. The Prodi Commission established four strategic objectives at the start of its mandate: promoting new forms of European governance, a stable Europe with a stronger voice in the world, a new economic and social agenda and a better quality of life. An assessment of progress against these strategic objectives shows that the Prodi Commission is building a significant legacy for its successors. The Prodi Commission will leave behind a European Union of twenty-five Member States, with a reformed Treaty, a reformed Commission and reformed policies.

I. Promoting New Forms of European Governance

Revised Treaty

2. The Commission made its contribution to the Inter-Governmental Conference, which concluded in the Treaty of Nice. The Commission has supported the implementation of this Treaty. The Treaty of Nice made the adjustments necessary for the accession of the ten new Member States, and this was an important step.

3. Nevertheless, the Commission, along with other parties, considered that the Treaty of Nice could be improved. The Commission supported the establishment of the Convention to consider the institutional structure of a European Union of 25 Member States. The Commission delegation, led by Commissioners Barnier and Vitorino, have been active participants in the Convention. The Commission considers that the Convention is a significant improvement on previous negotiations on the Treaty, but also believes that the draft text can be improved in the Inter-Governmental Conference.

Internal Commission Reforms

4. The Prodi Commission came into office with a commitment to achieve a broad programme of internal reform. The three main pillars covered are personnel reform, strategic planning and programming and financial management. Key achievements include:

- Agreeing with the Council revised staff regulations, allowing new pay and pensions structures to be put in place. A new system of performance appraisal and promotion has been introduced.

- Introducing a new strategic planning and programming cycle, which has assisted in the Commission’s preparations for enlargement. Accountability has been improved through a new system of Annual Activity Reports for each Commission service.

- Agreeing a new Financial Regulation for the management of Community funds.

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• Introducing new procedures on public access to Commission documents and a code of conduct for Commission officials.

5. The scale of the reform programme means that not all of its benefits will be felt immediately and will increase in the years to come. New procedures take time to be fully established, and some, such as the accounting procedures, are not yet fully in place. Difficulties do remain in the Commission’s administration, shown by the recent allegations concerning Eurostat. The Commission remains determined to address these difficulties.

Better Governance

6. The Commission has carried out a number of initiatives to improve European governance. The Governance White Paper of July 2001 contained a number of proposals. This led directly to the Better Regulation package of June 2002. Measures included a new Impact Assessment procedure for developing major proposals, and minimum standards for consultation. In addition, the Commission is carrying forward a major programme to simplify European Union legislation. The full benefits of these initiatives will be evident shortly.

II. Stabilising the continent and boosting Europe’s voice in the world

Enlargement

7. The Prodi Commission has supported the successful conclusion of the enlargement process. At the Copenhagen European Council of December 2002, Member States agreed to the Commission’s recommendation that Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia should join the European Union. All nine subsequent referenda have shown strong popular support in those countries for entry into the European Union.

8. The Commission has supported the preparations of accession states to enter the European Union. The Commission has also carried out internal preparations to ensure that programmes and policies will accommodate the new Member States. The accession day of 1 May 2004 marks a decisive step in the history of the European continent. The Commission has also supported the preparations of Bulgaria and Romania for entry into the European Union with target dates of 2007. The Commission is supporting Turkey’s efforts made in order to fulfil the Copenhagen political criteria for opening accession negotiations with the Union and is preparing its Opinion on Croatia’s application to join the Union.

Stability

9. The Commission has played an important part in the development of stability beyond the borders of an enlarged European Union. The «Wider Europe» agenda is likely to continue in the years to come. A clear success at this stage has been the programme of stabilisation in the Balkans. Significant progress has been made in those countries. An European Union’s peacekeeping force is deployed in the Former Yugoslav Republic of Macedonia at the explicit request of their government.

10. The Commission has also developed its links with Russia and the other countries of Eastern Europe, the Caucasus and Central Asia.
Wider Europe - Neighbourhood

11. In a Communication on Wider Europe – Neighbourhood of March 2003, the Commission put forward an ambitious vision: the creation of an enlarged area of peace, stability and prosperity encompassing the neighbours to the East and the South that currently do not have a perspective of EU membership, based on shared values, common interests, and deep integration. This combines progress demonstrating shared values and effective implementation of political, economic and institutional reforms, with the prospect of closer economic and political links with the EU, including a stake in the internal market and improved cross-border and regional/transnational co-operation at the Union’s external borders.

12. In addition, the Commission has taken forward the Barcelona process towards a Euro-Med free trade area. Progress has been hampered by the crisis in Israel and Palestine. The Commission has supported all efforts to broker peace, notably the road-map initiative. The European Union has entered an Association Agreement with Egypt, and concluded negotiations for Association Agreements with Algeria and Lebanon.

Action in the world

13. The Prodi Commission has played a leading part in efforts to establish new multilateral global governance. The Commission played a leading role in the drive for ratification of the Kyoto Protocol on climate change, for a successful conclusion of the World Summit on Sustainable Development in 2002 and in the launch of new multilateral trade negotiations in Doha. The Commission remains convinced that multi-lateral dialogue is the best way forward as countries deal with the effects of globalisation. The Commission also remains committed to the United Nations’ Millennium Development goals. In this context, it completed the negotiations of the Cotonou Agreement and prepared a new Community development policy. The institution has improved the focus and delivery of development programmes to maximise its contribution.

III. A New Economic and Social Agenda

Lisbon and Sustainable Development

14. On the basis of the Commission’s contribution, the European Council agreed in March 2000 in Lisbon, on an objective that the European Union should become by 2010 «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». As proposed by the Commission, the Göteborg European Council of June 2001 integrated the environmental dimension into the Lisbon Strategy and established a sustainable development strategy. The Commission has taken forward the Lisbon economic reform agenda with determination. Achievements include the liberalisation of energy markets and telecommunications services, the creation of the European Research Area and proposals to liberate rail and air transport. A key factor in the European Union’s ultimate success in achieving the Lisbon objective will be the level of engagement of Member States.

15. The Nice Social Agenda complements and forms part of the Lisbon Strategy. It was revised in June 2003 to take into account the evolution of the labour market and of society. The Commission has introduced the open method of coordination in the fields of social inclusion and pensions, has renewed the European Employment Strategy and has coordinated the European Year of People with Disabilities. In the field of industrial relations, it has
supported social dialogue and when necessary has initiated specific legal proposals, for example on health and safety at work and on temporary work.

**Single Market and the Introduction of the Euro**

16. The euro notes and coins were successfully introduced in 12 Member States. Based on the undertaking to conduct sound macroeconomic policies, the euro contributes to growth, competitiveness and employment. However, the introduction of the euro also highlights further changes that are still needed for Europe to gain the full benefits of the single market. Given the success of the physical introduction of the euro, economic and monetary union undoubtedly qualifies as one of the significant landmarks of European integration, ranking alongside such earlier achievements as the customs union of 1968 and the single market of 1992.

**Agriculture and Fisheries**

17. The Commission’s reform agenda has continued into the Common Agricultural Policy and Common Fisheries Policy. On 26 June 2003, EU farm ministers adopted a fundamental reform of the Common Agricultural Policy (CAP). The new CAP will be geared towards sustainable agriculture, while giving EU farmers the freedom to produce what the market wants. In future, the vast majority of subsidies will be paid independently from the volume of production.

18. In December 2002, EU Fisheries Ministers agreed on a reform of the Common Fisheries Policy with a view to conserve fish stocks better, protect the marine environment, ensure the economic viability of the fishery and aquaculture sectors and provide good quality food to consumers.

**IV. Better Quality of Life**

**Justice and Home Affairs**

19. The Commission has taken forward measures to create a European area of freedom, security and justice, as mandated by the European Council in Tampere in October 1999. The Commission’s growing expertise in this area enabled it to respond promptly to the events of 11 September 2001. The Council has agreed on a number of proposals, including a common European arrest warrant and on combating illegal immigration. Nevertheless, further progress is needed to respond to the demands of citizens and the European Council’s political goals.

**Public Health, Environment, Transport and Energy**

20. The European Commission is working with Member States to ensure that the European Union achieves its goals for reduction in carbon emissions agreed at the Kyoto environmental conference. Climate change is one of the principal themes of the European Union’s Sixth Environment Action Programme, to be completed by 2012, alongside protecting nature and biodiversity, contributing to the quality of life and social well-being for citizens, better resource efficiency and resource and waste management. The Commission is managing a new Public Health Action Programme from 2003 to 2008. The Commission has established a Food Safety Authority, a Maritime Safety Agency and is proposing a European Centre for Disease Prevention and Control.
21. The Commission has also devised a ten year Transport Programme, which will run to 2010, with the goal of refocusing Europe’s transport policy on the demands and needs of its citizens. The Commission has also developed a long-term strategy to ensure the security of energy supply in Europe. The Commission has contributed actively to stimulating implementation of the trans-European transport network, opening rail networks to competition and improving transport safety (notably maritime safety). It has also actively promoted the access to quality services of general interest.

22. Finally, the Commission has introduced a “Solidarity Fund” to enable the European Union to assist Member States and accession states following a natural disaster. The Solidarity Fund has already been used following the floods in Central Europe of summer 2002 and the forest fires in Southern Europe in summer 2003.
ANNEX 4

Commission proposals awaiting action by the legislative authority in 2004

General Affairs and External Relations

- Proposal for a Regulation on decentralised co-operation (2003/0156/COD)
- Proposal for a Regulation on promoting gender equality in development co-operation (2003/0176/COD)

Taxation / Customs Union

- Proposal for a Regulation on the prevention of money laundering by means of customs co-operation (2002/0132/COD)
- Proposal for a Directive amending Directive 77/388/EEC as regards value added tax on services provided in the postal sector (2003/0091/CNS)

Justice and Home Affairs

Common asylum policy:

- Proposal for a Directive on minimum standards on procedures in Member States for granting and withdrawing refugee status (2000/0238/CNS)

Common immigration policy and fight against illegal immigration:

- Proposal for a Directive on the conditions of entry and residence of third country nationals for the purposes of studies, vocational training or voluntary service (2002/0242/CNS)
- Proposal for a Directive on the short-term residence permit issued to victims of action to facilitate illegal immigration or trafficking in human beings who cooperate with the competent authorities (2002/0043/CNS)
- Proposal for a Directive on the conditions of entry and residence of third-country nationals for the purpose of paid employment and self-employed economic activities (2001/0154/CNS)

Internal and external borders, common visa policy:

- Proposal for a Directive relating to the conditions in which third-country nationals shall have the freedom to travel in the territory of the Member States for periods not exceeding three months, introducing a specific travel authorisation and determining the conditions of entry and movement for periods not exceeding six months (2001/0155/CNS)
- Proposal for a Regulation amending Regulation (EC) 1683/95 laying down a uniform format for visas; and Proposal for a Regulation amending Regulation (EC) 1030/2002 laying down a uniform format for residence permits for third-country nationals (2003/0217/CNS and 2003/0218/CNS)

A genuine area of justice in civil law matters:

- Proposal for a Regulation creating a European enforcement order for uncontested claims (2002/0090/CNS)
Fight against crime and terrorism and a genuine area of justice in criminal matters:

- Proposal for a Council Framework Decision on combating racism and xenophobia (2001/0270/CNS)
- Proposal for a Council Framework Decision laying down minimum provisions on the constituent elements of criminal acts and penalties in the field of illicit drug trafficking (2001/0114/CNS)
- Proposal for a Directive on ship-source pollution and on the introduction of sanctions, including criminal sanctions, for pollution offences (2003/0037/COD)
- Proposal for a Framework Decision to strengthen the criminal-law framework for the enforcement of the law against ship-source pollution (2003/0088/CNS)
- Proposal for a Directive on the criminal-law protection of the Community’s financial interests (2001/0115/COD)
- Proposal for a Council Framework Decision on combating the sexual exploitation of children and child pornography (2001/0025/CNS)
- Proposal for a Decision establishing a Community action programme to promote activities in the field of the protection of the Community’s financial interests (2003/0152/COD)
- Proposal for a Decision on counterfeit euro coins: analysis, cooperation and information exchange (2003/0158/CNS)

Employment, Social Policy, Health and Consumer Affairs

- Proposal for a Directive on working conditions for temporary workers (2002/0072/COD)
- Proposal for a Regulation amending Regulation (EEC) n° 1612/68 on freedom of movement for workers within the Community (1998/0229/COD) and proposal for a directive amending directive n° 68/360/EEC on the abolition of restrictions on movement and residence within the Community for workers of Member States and their families (1998/0230/COD)
- Proposal for a Regulation on consumer protection cooperation (2003/0162/COD)
- Proposal for a Regulation establishing a European centre for disease prevention and control (2003/0174/COD)
- Social security: coordination of systems in view of the free movement of persons (1998/0360/COD)
- Proposal for a Regulation amending Council Regulation (EEC) N° 1408/71 on the application of social security schemes to employed persons and their families moving within the Community (2003/0138/COD)
- Proposal for a Council Regulation on the European Monitoring Centre on Racism and Xenophobia (2003/0185/CNS)

Competitiveness (Internal Market, Industry and Research)

Internal Market:

- Proposal for a Directive on the recognition of professional qualifications (2002/0061/COD)
- Proposal for a Regulation on sales promotion in the internal market (2001/0227/COD)
- Proposal for a Regulation on the Community Patent (2000/0177/CNS)
- Proposal for a Directive on the patentability of computer-implemented inventions (2002/0047/COD)
- Proposal for a Regulation amending the regulation on the Community Trademark (2002/0308/CNS)
- Proposal for a Directive on the enforcement of intellectual property rights (2003/0024/COD)
– Proposal for a Directive on take-over bids (2002/0240/COD)
– Proposal for a Directive on the harmonisation of transparency requirements with regard to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (2003/0045/COD)

**Consumer policy:**

– Proposal for a Directive on the harmonisation of the laws, regulations and administrative provisions of the Member States concerning credit for consumers (2002/0222/COD)
– Proposal for a Directive concerning unfair commercial practices (2003/0134/COD)

**Enterprise:**

– Proposal for a Directive on the approval of motor vehicles and their trailers, and of systems, components and separate technical units intended for such vehicles (Recast version) (2003/0153/COD)

**Competition:**

– Proposal for a Regulation on the control of concentrations between undertakings (2002/0296/CNS) - if not adopted in 2003

**Transport, Telecommunications and Energy**

– Proposal for a Council Regulation amending Regulation (EURATOM) No 2587/1999 defining the investment projects to be communicated to the Commission in accordance with Article 41 of the Treaty establishing the European Atomic Energy Community (COM(2003) 370)
– Proposal for Directives concerning the alignment of measures with regard to security of supply for energy products (2002/0219/COD, 2002/0220/COD) and 2002/0221/CNS)
– Proposal for a Regulation on the harmonisation of certain social legislation relating to road transport (2001/0241/COD)
– Proposal for a Directive on a transparent system of harmonised rules for driving restrictions on heavy goods vehicles involved in international transport on designated roads (weekend bans) (1998/0096/COD)
– Amended Proposal for a Regulation on action by Member States concerning public requirements and the award of public service contracts in passenger transport by rail, road and inland waterway (2000/0212/COD)
– Proposal for a Regulation on the negotiation and implementation of air service agreements between Member States and third countries (2003/0044/COD)
– Proposal for a Regulation amending Regulation 3922/91 to establish common requirements for the commercial operation of aeroplanes (2000/0069/COD)
– Proposal for a Directive on ship-source pollution and on the introduction of sanctions, including criminal sanctions, for pollution offences (2003/0037/COD)
– Proposal for a Regulation on enhancing ship and port facility security (2003/0089/COD)

Agriculture and Fisheries
– Proposal for a Regulation on maximum residue levels of pesticides in products of plant and animal origin (2003/0052/COD)
– Proposal for a Regulation laying down requirements for feed hygiene (2003/0071/COD)
– Proposal for a Regulation on the protection of animals during transport and related operations, amending Directives 64/432/EEC and 93/119/EC (2003/0171/CNS)
– Series of proposals linked to the implementation or follow-up of the reform of the Common Fisheries Policy, such as the proposal for a Council Regulation establishing measures for the recovery of cod stocks (COM(2003) 237) and the proposal for a Council Regulation establishing measures for the recovery of the Northern hake stock (COM(2003) 374 - if not adopted in 2003

Education, Youth and Culture
– Proposal for a Decision establishing a Community Action Programme to promote bodies active at European level in the field of youth (2003/0113/COD)
– Proposal for a Decision establishing a Community action programme to promote bodies active at European level and support specific activities in the field of education and training (2003/0114/COD)
– Proposal for a Decision establishing a Community action programme to promote bodies active at European level in the field of culture (2003/0115/COD)
– Proposal for a Decision establishing a Community action programme to promote active European citizenship (civic participation) (2003/0116/CNS)
Environment

- Proposal for a Directive on environmental liability with regard to the prevention and remedying of environmental damage (2002/0021/COD)
- Proposal for a Directive concerning the quality of bathing water (2002/0254/COD)
- Proposal for a Directive on the management of waste from the extractive industries (2003/0107/COD)
- Proposal for a Regulation on Shipments of Waste (2003/0139/COD)
- Proposal for a Directive relating to arsenic, cadmium, mercury, nickel and polycyclic aromatic hydrocarbons in ambient air (2003/0164/COD)
- Proposal for a Directive amending the Directive establishing a scheme for greenhouse gas emission allowance trading within the Community, in respect of the Kyoto Protocol's project mechanisms (2003/0173/COD)
- Proposal for a Regulation on certain fluorinated greenhouse gases (2003/0189/COD)
- Proposal for a Directive on the protection of groundwater against pollution (2003/0210/COD)
- The REACH proposal (2002/ENV+/015), adopted by the Commission on 29 October 2003
- Proposal for a Directive on environmental access to justice (2003/0246/COD) and for a Regulation on the application of Aarhus principles to the Community (2003/0242/COD)
Simplification and codification of Community legislation

Simplification priorities 2004

The Commission launched in February 2003 a framework for action to update and simplify Community legislation. A key action of this initiative aims at legislative simplification through a reinforced political attention and a new methodology based on the following steps:

- the development of prioritisation indicators to guide the Commission in selecting sectors where simplification appears particularly relevant;
- the Commission selects policy sectors and carries out a screening for simplification potential. This screening may result in identification of specific legislative acts as candidates for simplification;
- legal acts identified as candidates for possible simplification are examined in detail and concrete simplification proposals are developed, using best practice methodology and procedures, and adopted as Commission proposals.

The main novelty of this methodology is the establishment of priority indicators and, on this basis, a more systematic and wide-spread screening of Community policy sectors by Commission services to identify simplification potential. The Framework for Action is being implemented in three phases. At the end of each phase (October 2003, April 2004 and end-2004), the Commission reports on the achievements during the previous phase and sets out planned work for the coming phase.

The Commission presented in October 2003 the first report on the implementation of the Framework for Action, covering Phase I (February – September 2003). This report demonstrates that very considerable efforts are currently being made by Commission services towards legislative simplification across a broad range of policy areas. Completion of this work, in the form of final Commission proposals, will take place over the coming years. The Commission’s programming of simplification work follows the 3-phased implementation of the February 2003 initiative, in particular the screening of policy sectors. Individual legislation with confirmed simplification potential is programmed in the context of the ordinary programming cycle.

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8 In the February Communication, the Commission defined simplification broadly. Simplification can, on the one hand, mean modification of legislation without affecting the substance of the underlying policy. This can be relevant when, for example, more efficient or proportional legislative instruments and techniques are available than those currently used. On the other hand, simplification can also mean simplifying the substance of a policy by adapting or entirely redesigning the legislative approach.
**Simplification priorities for 2004**

<table>
<thead>
<tr>
<th>Policy Area</th>
<th>Screening of policy sectors during Phase II <em>(October 2003 - March 2004)</em></th>
<th>Key initiatives with simplification impacts that are likely to be adopted in 2004</th>
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<td>Enterprise</td>
<td>- Motor vehicles type approval system</td>
<td>- Emissions from heavy-duty vehicles</td>
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<td>- Cosmetics</td>
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<td></td>
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<td>- Pre-packaging legislation</td>
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<tr>
<td></td>
<td></td>
<td>- Processed agricultural products</td>
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<tr>
<td>Agriculture</td>
<td>- Import quotas</td>
<td>- Processed citrus fruit</td>
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<td></td>
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<td>- Sugar CMO</td>
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<td></td>
<td></td>
<td>- Information actions</td>
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<tr>
<td>Health and Food Safety</td>
<td></td>
<td>- Feed materials and compound feedstuffs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Novel food (procedure authorisation)</td>
</tr>
<tr>
<td>Environment</td>
<td>- Waste legislation</td>
<td>- Waste legislation</td>
</tr>
<tr>
<td></td>
<td>- Air quality legislation</td>
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<tr>
<td>Fisheries</td>
<td>- Fisheries organisation/NAFO</td>
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<tr>
<td>European Contract law</td>
<td>- General contract law and cross-border contracts</td>
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<tr>
<td>Employment and Social Policy</td>
<td>Health and safety at work</td>
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<tr>
<td>Energy and Transport</td>
<td></td>
<td>- Functioning of aviation market</td>
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<td>- Driving licences</td>
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<td>Taxation and customs</td>
<td></td>
<td>- Capital Duty Directive</td>
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<tr>
<td>Internal Market</td>
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<td>- 2\textsuperscript{nd} Company Law Directive</td>
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<tr>
<td>Competition</td>
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<td>- Implementing regulation on antitrust</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Implementing and interpretative rules on mergers and antitrust</td>
</tr>
</tbody>
</table>
**Codification of EU legislation**

The Commission is working towards its objective of completing its codification programme by the end of 2005. Around 60 codification proposals are planned for 2004. The Commission invites the European Parliament and the Council to give urgent consideration to the Commission’s proposals under the codification programme in order to adopt all proposals no later than the end of 2006.
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 to. 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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## Documents of Special Importance

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<tr>
<td>Equal Opportunities Committee</td>
<td>455</td>
<td>14451/03</td>
<td>Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions - Equal opportunities for people with disabilities: a European action plan</td>
<td>This may prove of interest to this Committee as it reviews the European Year of the Disabled Citizen and as it considers its plans for inquiries in this area</td>
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</table>
Sift of EC/EU legislative proposals and other documents

Committee Relevancy: Next Meeting 18-Nov-2003

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<th>Committee</th>
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<tr>
<td>Enterprise and Culture (to include Lifelong Learning, Tourism)</td>
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<td>14314/03</td>
<td>Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions - The future of the textiles and clothing sector in the enlarged European Union.</td>
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<td>13729/03</td>
<td>Proposal for a Council Decision concerning the conclusion of an Agreement aimed at renewing the Agreement for scientific and technological cooperation between the European Community and the Government of the United States of America</td>
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<td>478</td>
<td>13035/1/03 REV</td>
<td>Draft Council Resolution on the use by Member States of bans on access to venues of football matches with an international dimension</td>
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**Sift of EC/EU legislative proposals and other documents**

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<td>466</td>
<td>14155/03</td>
<td>Proposal for a Council Regulation amending Regulation (EC) No 2341/2002 as regards fishing opportunities for anchovy and anglerfish in certain zones</td>
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<td>468</td>
<td>14153/03</td>
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<td>13111/03</td>
<td>Commission report to the Council on evolution of the hop sector (under Article 18(2) of Council Regulation (EEC) No 1696/71 on the common organisation of the market in hops)</td>
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<td>Proposal for a Council Regulation amending Regulation (EEC) No 2075/92 on the common organisation of the market in raw tobacco</td>
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<td>492</td>
<td>13677/03</td>
<td>Proposal for a Council Decision on the conclusion of the Agreement in the form of an Exchange of letters relating to the provisional application of the Protocol modifying the Fourth Protocol laying down the conditions relating to fishing provided for in the Agreement on fisheries between the European Economic Community, on the one hand, and the Government of Denmark and the Local Government of Greenland on the other, with regard to the provision for experimental fisheries.</td>
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<td>Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions concerning the evaluation of the Multiannual Community Action Plan on promoting safer use of the Internet and new online technologies by combating illegal and harmful content primarily in the area of the protection of children and minors</td>
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<td>472</td>
<td>14205/03</td>
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<td>481</td>
<td>12620/1/03 REV</td>
<td>Draft Council Recommendation on the monitoring of the chemical composition of narcotics, in order to improve investigation results in the fight against transnational drug trafficking within the European Union</td>
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