EU BUDGET REVIEW – SCOTTISH GOVERNMENT RESPONSE TO INQUIRY REPORT

Thank you for the opportunity to comment on the Committee’s report on the EU budget review.

This is a crucial review with significant impacts for Scotland. In the current economic climate it is timely that the EU budget is also coming under closer scrutiny as we look for increasing financial responsibility in public expenditure. The Committee is to be commended for producing such a comprehensive and accessible report. The timing of publication is particularly useful as we continue our discussions with the UK Government and EU Institutions ahead of the expected Commission White Paper later in 2010, and negotiations on the Multi-Annual Financial Framework that follow. A unified, coherent Scottish approach will strengthen our voice.

I agree that both the Scottish Government and the Scottish Parliament have a role in helping shape the overall UK response on the EU Budget Review. It is encouraging that there is such coherence between us on the main aspects of the debate. Scotland must fully grasp the opportunities that the EU presents and play a full part in shaping EU policies of the future. I believe our role in EU policy making, and the influence we have, is most effective when we help shape EU policies at an early stage and in the areas in which we can lead the field, such as marine renewables and creating a sustainable fishing industry, or in areas where we have established expertise, such as agriculture and structural funds. With so much at stake it is also right to take a pragmatic and realistic approach to the negotiations and maximise opportunities as they arise.

The Scottish Government have already discussed the EU budget review negotiations with the UK Government at Ministerial and official level and further engagement is planned over the summer. We have also created a cross-Directorate senior-level EU Budget Review
Protect Team to coordinate our engagement and prepare a Scottish response to the Commission White Paper.

Our Action Plan on European Engagement highlights 4 policy priorities in which Scotland can play a significant role in Europe – energy and climate change; marine environment; research and creativity and justice and home affairs. The EU budget review underpins much work in these areas and as such is a key priority for this government. As well as influencing through the UK Government and EU Institutions, we are working to ensure there is close alignment between our approach to the EU budget review and our Action Plan, and more widely, the Government Economic Strategy and Economic Recovery Plan priorities.

The Scottish Government agrees with the Committee on the main strategic issues highlighted. A Commission policy-driven approach is the right one, where policy goals determine the budget, not the other way around. We support the concept of ‘European Added Value’ – common EU action to solve common EU problems – and climate change is the obvious example where any EU Assessment criteria might be particularly effective.

The suggestion to develop a system that raises revenue to achieve policy goals, for example through trade emissions or green taxes, is an interesting one with potentially significant impacts for Scotland. The not insubstantial costs and scope of this work mean that further thought will be required and officials will look at this in more detail over the summer recess.

On implementation, the EU budget needs to be capable of more flexible deployment in the future - for example, as the Scottish European Green Energy Centre (SEGEC) point out in their evidence, to enable it to respond to sudden developments in security of energy supply. We also need to see less bureaucracy for those seeking EU funding and less spent on administering the budget and greater simplification – a point supported in evidence from the Scottish Trades Union Congress (STUC), Highlands and Islands Enterprise (HIE) and Universities Scotland.

In terms of future budgetary priorities, spending must better reflect the new policy challenges which Europe faces. These policy challenges are as crucial for Scotland as they are for the EU as a whole - economic recovery, climate change, an ageing population and energy supply. It is important that there is close alignment with the recently agreed Europe 2020 strategy and that future spending is targeted in these areas so that the development of a low carbon economy becomes one of the key objectives of the EU.

Clearly the current CAP has some serious flaws and must be reformed, but we need ongoing support for farming especially in our most fragile and vulnerable areas. Scotland fares particularly badly under the current arrangements for allocating EU rural development funding. The Scottish Government is concerned that the right decisions are taken on the overall size of the EU budget, the allocation between Member States, and the sub-allocation within individual Member States, in order to avoid disproportionate impacts on rural areas in Scotland.

On fisheries we also agree with the Committee’s view that CFP reform will have proportionately greater impact on Scotland and recognition of this must be reflected in future arrangements.

Peripheral parts of the EU face significant challenges and recognition of this should continue to inform the development of EU Cohesion policy. We share the Committee’s view on the sub-national approach of EU regional policy. While proportionately more support should go
to less wealthy Member States, regional policy should continue to target disadvantaged areas across the EU.

As well as ensuring Scottish organisations are geared up for future opportunities, we need to make sure those who may lose structural funding support are equally prepared. We will be working with a range of organisations to ensure regional development is encouraged.

Sustainable growth and jobs should be at the heart of EU policy with a focus on developing the low carbon economy across all sectors. The Scottish Government agrees with Universities Scotland, STUC, HIE and SEGEC on the need to support economies based on skills, knowledge, innovation and research. Working with key stakeholders, we will be taking a more strategic Scottish approach to influencing all aspects of future research and technology development at the EU level, including the development of the next framework programme for research and development (FP8 or equivalent). We would like to see, for example, a greater investment in developing renewable energy technologies, including marine renewables.

Finally, as we look towards Europe in 2020, we agree with the Committee that we need more resources to tackle climate change and EU spending needs to be better focussed on working towards a low carbon economy. We fully support the points made by Environment LINK, Friends of the Earth Scotland and Scottish Natural Heritage that suggest European streams of funding are essential for supporting Scotland’s ‘natural capital’ and to help address the challenges of climate change. Scotland is well placed to attract increasing EU funding to support the development of world-leading renewable, carbon capture and storage technologies and we need to encourage this in every way possible.

I look forward to working with the Committee on these issues over the coming months.

JOHN SWINNEY