

# **Re-creating a domestic territorial cohesion policy post Brexit: alternatives and risks**

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**REGIONAL POLICY IN SCOTLAND AFTER BREXIT**

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# Personal Background

- PhD European Union, Thesis on “*Subsidiarity and Multilevel Governance in the EU Institutional Framework*”
- Published as book by Routledge, 2019
- 20 years Specialist of comparative devolution across Europe & Cohesion policy – book covers key case-studies.
- MA Politics Public Administration, Santiago de Compostela (Galicia)
- Master EU Policies, Univ. Basque Country
- University of Wales-Cardiff , SOAS London
- Advisor Basque Government, Galician Government, East of England RDA
- Manager of COSLA EU team & Brussels Office since 2007
- Member, Subsidiarity Expert Group, Chair CEMR Cohesion Expert Group & SF forums, ENRD, CLLD Advisor, Council of Europe

*Speaking on a personal capacity*



*Routledge Studies on Government and the European Union*

# **SUBSIDIARITY AND EU MULTILEVEL GOVERNANCE**

**ACTORS, NETWORKS AND AGENDAS**

Serafín Pazos-Vidal



**ROUTLEDGE**

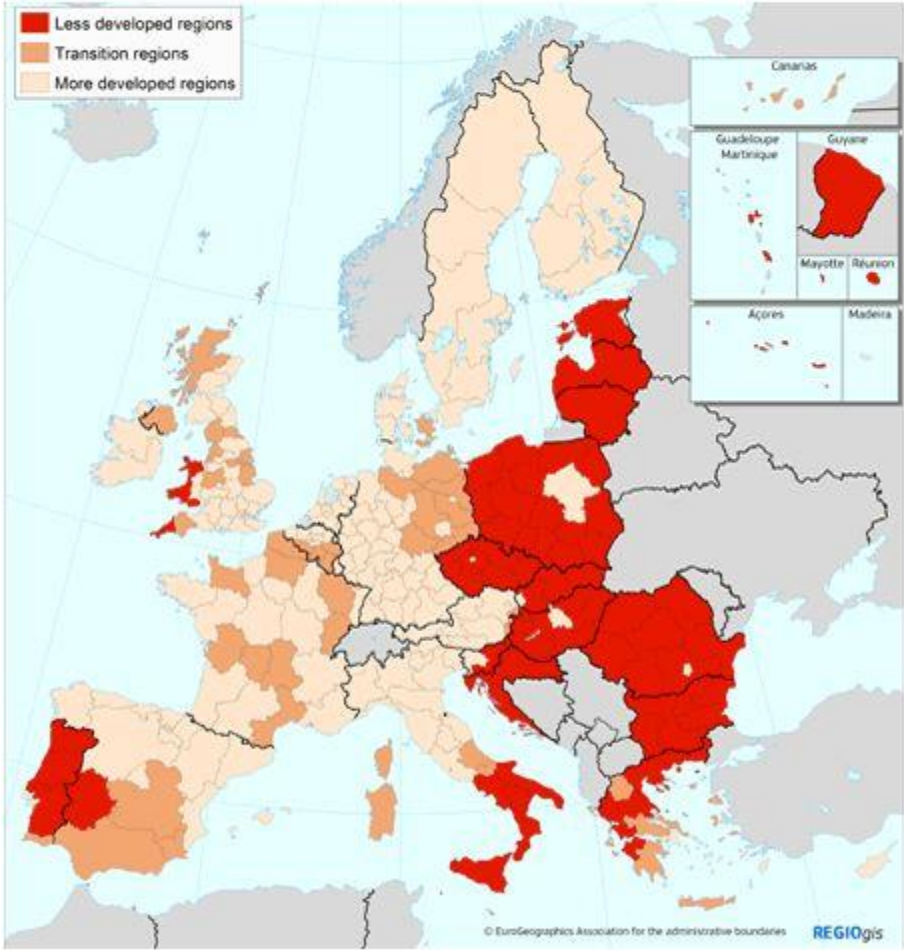
# Cohesion Policy 2014-2020

## Investment policy supporting Europe 2020: growth, jobs, quality of life and sustainable development

- European Regional Development Fund (ERDF)
- European Social Fund (ESF)
- Cohesion Fund (CF)

**Total: Around € 322 billion of EU funds, concentrated in less developed regions**

The map shows eligibility simulation for the ERDF and the ESF. Approximate overall amount and classification of regions based on political agreement on EU Multiannual Financial Framework reached between EP and Council June 2013.



- The largest local and regional development fund in the WORLD
- The largest EU Budget heading (alongside CAP)
- EU Treaty Objective of Economic, Social AND TERRITORIAL Cohesion
- Decentralised management (EU sets rules, MS oversight, most spend is managed at regional & even local level)
- Mostly grant based



Broad stakeholder positions over ESIF 2014-2020 negotiations	
Member State	<ul style="list-style-type: none"> <li>+ Increase freedom to design priorities</li> <li>-Avoid binding and detailed Partnership obligations, conditionalities</li> </ul>
Commission (SG)	<ul style="list-style-type: none"> <li>+ Use ESIF as a way to influence EU2020 implementation</li> <li>+Increase consistency via CSF as a way to increase legitimacy over the EU budget</li> </ul>
DG REGIO	<ul style="list-style-type: none"> <li>+ Keep substantive budget</li> <li>+ Be the lead DG in ESIF and Partnership negotiations</li> <li>-Avoid reduction of budget towards thematic funds</li> </ul>
DG AGRI	<ul style="list-style-type: none"> <li>+ Keep managing Rural Development fund</li> <li>-Resist CSF, ESIF Common provisions</li> </ul>
DG EMPL	<ul style="list-style-type: none"> <li>+ Increase share of ESIF, at least 20% ring-fence for ESF</li> <li>+Increase visibility, separate identity of ESF</li> <li>-Resist any provision that undermining identity of ESF, e.g. Multi-fund</li> </ul>
Thematic DGs	<ul style="list-style-type: none"> <li>+ Increase budget to the detriment of ESIF</li> <li>+ Alternatively increase access of ESIF to finance own policies</li> <li>-Resist CSF, Integrated approach to be directly binding upon them</li> </ul>
European Parliament	<ul style="list-style-type: none"> <li>+ Increase ESIF budget</li> <li>+ Increase ability to scrutinise and accountability over ESIF decisions, implementation</li> <li>+Widen legitimacy from LRAs (territorial instruments, partnership provisions)</li> <li>-Resist MS watering down regulations, cut down budget</li> </ul>
CoR	<ul style="list-style-type: none"> <li>+ Increase budget, partnership provisions, CoR own scrutiny role</li> <li>-Reduction of budget, conditionalities</li> </ul>
LRAs	<ul style="list-style-type: none"> <li>+Access funds</li> <li>+Territorial Development instruments (CLLD, ITI), sub delegation of powers</li> <li>-Additional audit/regulatory burden, Conditionalities</li> </ul>
Civil Society	<ul style="list-style-type: none"> <li>+Increase earmarked funds</li> <li>+Increased partnership provisions (visibility of decisions, access to decision making)</li> <li>-Limit additional obligations (audit, co-financing) in exchange for enhanced partnership provisions or fund allocation</li> </ul>

Pazos-Vidal 2014, 2019

Broad stakeholder positioning over CLLD		
Stakeholder	+/- Interest	
Local community	+	Socio-economic development
	+	Community Empowerment
	-	Additional audit and reporting requirements
Practitioner	+	Continuity & extension of LEADER/FLAG approach
	+	More efficient and simple management of several funds
	-	Possible dilution of LEADER/FLAG identity
Municipality	+	New integrated locally target funding source
	+	Additional EU match-funding rate
	-	49% rule in decisions discourages involvement
	-	Capacity strain, Audit risk
Regional Administration	+	More cross-funding integration
	-	Loss of control over sub-regional budgets, decisions, audit risk
Member State	-	Loss of control over sub-regional budgets, decisions, audit risk
	-	Transactional, coordination costs among separate ministries
	+	Potentially more integrated EU-funded interventions
European Commission	+	Inter-Directorate General transaction and coordination costs
	-	Increased audit risk
	+	More integrated, coherent EU interventions, critical mass.
	+	More public visibility of EU funded interventions

Pazos-Vidal 2014, 2019

## EU Partnership Principle:

“Each Member State should organise a partnership with the representatives of competent regional, local, urban and other public authorities, economic and social partners and other relevant bodies representing civil society [...]

The purpose of such a partnership is to ensure respect for the principles of multi-level governance, and also of subsidiarity and proportionality [...]

a well as to ensure the ownership of planned interventions by stakeholders and build on the experience and the know-how of relevant actors.” (Recital 11, CPR Reg. No. 1303/2013)

## Partnership in Scotland

“[Local Government and the Scottish Government] often use the term ‘Partnership’ to describe their relationship.

Arguably [the former’s] usage is more aspirational and [the latter’s is] more of a public relations exercise to mask its dominant role” (McConnell, 2004: 14)



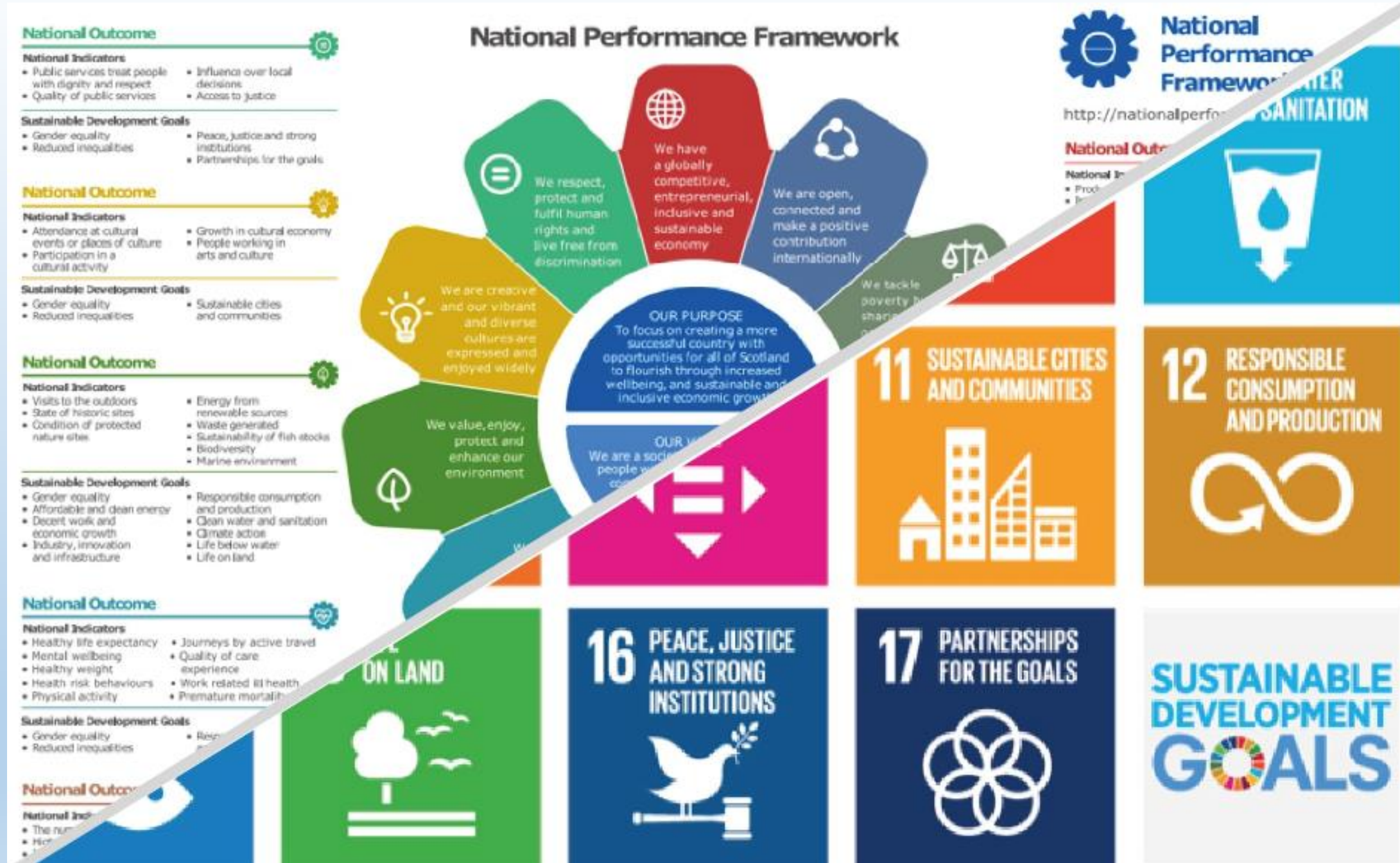
Basic diagram of EU support for local development 2007-2013				
	Rural Development EAFRD-incl. LEADER	Maritime Policy EFF Axis 4	Employment	Economic Development
			General Regulation	
			ESF	ERDF, CF
European Commission	DG AGRI	DG MARE	DG EMPL	DG REGIO
Member State	Agriculture Ministry	Fisheries /Agriculture Ministry	Employment Ministry	Finance/ Economic Dev Ministry
	National Strategic Plan	National Strategic Plan	National Strategic Reference Framework	
	MS Operational Programme	MS Operational Programme	MS Operational Programme (part of all allocations)	MS Operational Programme (part of all allocations)
Regional	Regional Operational Programme	Regional Delivery body	Regional Operational Programme (optional)	Regional Operational Programme (optional)
Local	LEADER LAG (5% ringfence of EAFRD)	FLAG	Beneficiary, Spatial targeting. (optional)	Beneficiary, Urban actions, Financial Engineering, Sub delegation, (optional)

Basic diagram EU support for local development 2014-2020				
	Rural Development	Maritime Policy	Employment	Economic Development
	Common Provisions Regulation			
	EAFRD-incl. LEADER	EMFF	ESF	ERDF, CF
European Commission	DG AGRI	DG MARE	DG EMPL	DG REGIO
Member State	Agriculture Ministry	Fisheries /Agriculture Ministry	Employment Ministry	Finance/ Economic Dev. Ministry
	Member State Partnership Agreement			
	MS Operational Programme	MS Operational Programme	MS Operational Programme (part of all allocations)	MS Operational Programme (part of all allocations)
Regional	Regional Operational Programme	Regional Delivery body	Regional Operational Programme (optional)	Regional Operational Programme (optional)
Local Development			Beneficiary, Spatial targeting Financial Engineering, Joint Action Plans (optional)	Beneficiary, 5% ERDF for Urban areas Financial Engineering, Sub delegation. (optional)
			Integrated Territorial Investments (ITI) (optional)	
	Community Led Local Development			
	LEADER LAG (5% ringfence of EAFRD)	FLAG	Optional	Optional (10% match-funding premium)

Basic diagram of proposed EU support for local development 2021 -2027				
	Rural Development	Maritime Policy	Employment	Economic Development
	E AFRD & CAP Pillar I	Common Provisions Regulation		
		EMFF	ESF	ERDF, CF
European Commission	DG AGRI	DG MARE	DG EMPL	DG REGIO
Member State	Agriculture Ministry	Fisheries /Agriculture Ministry	Employment Ministry	Finance/ Economic Dev. Ministry
	CAP Plan	Member State Partnership Agreement		
	MS Operational Programme	MS Operational Programme	MS Operational Programme (part of all allocations)	MS Operational Programme (part of all allocations)
Regional	Regional Operational Programme?	Regional Delivery body	Regional Operational Programme (optional)	Regional Operational Programme (optional)
Local Development			Beneficiary, Spatial targeting Financial Engineering, (optional)	Beneficiary, 5% ERDF for Urban areas Financial Engineering, Sub delegation. (optional)
			Integrated Territorial Investments (ITI) (optional)	
	LEADER LEADER LAG (5% ringfence of EAFRD)	Community Led Local Development		
		FLAG	Optional	Optional (10% match-funding premium)

Source: draft Common Provisions Regulation, and author.





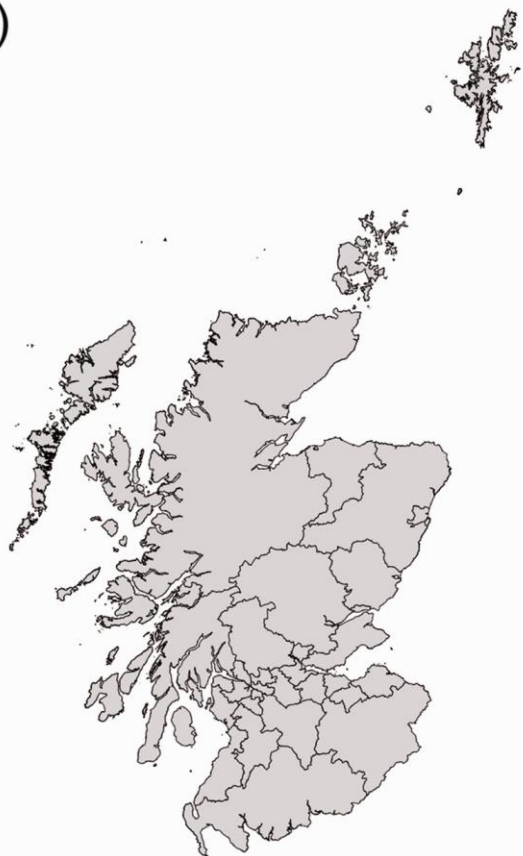
# NUTS are “nuts”



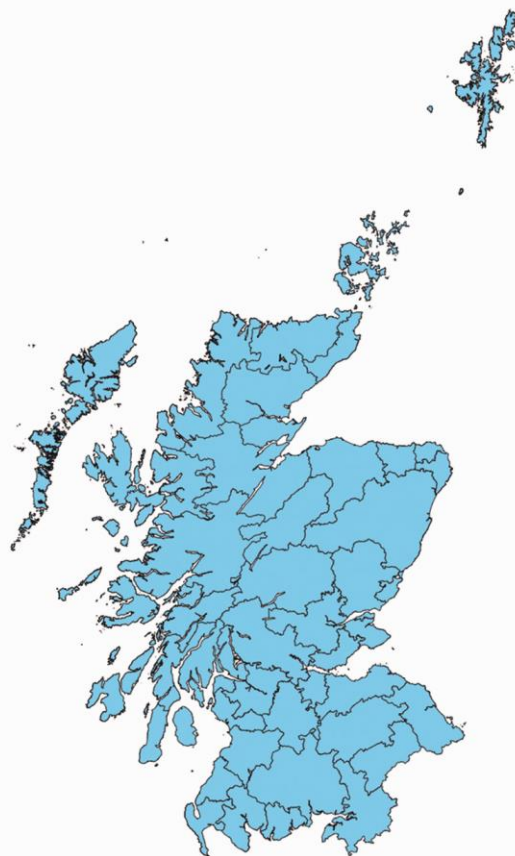
NUTS II  
and  
NUTS  
III  
Eurosta  
(2016)



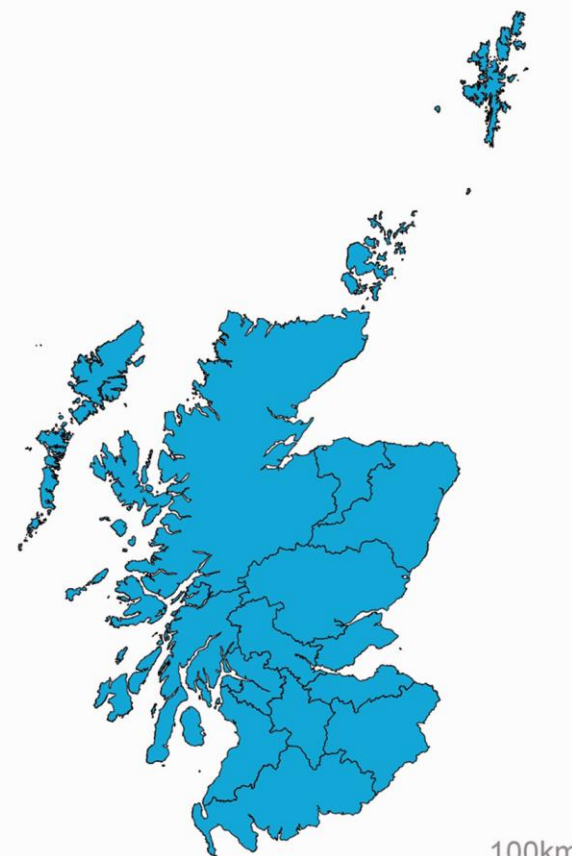
(a)



(b)



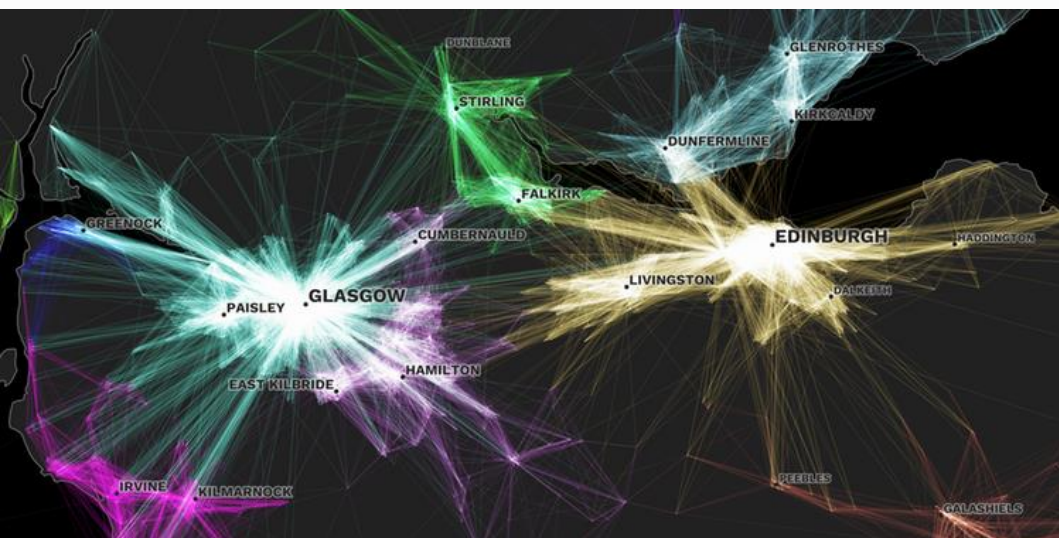
(c)



100km

## Comparison of Scottish regional geographies.

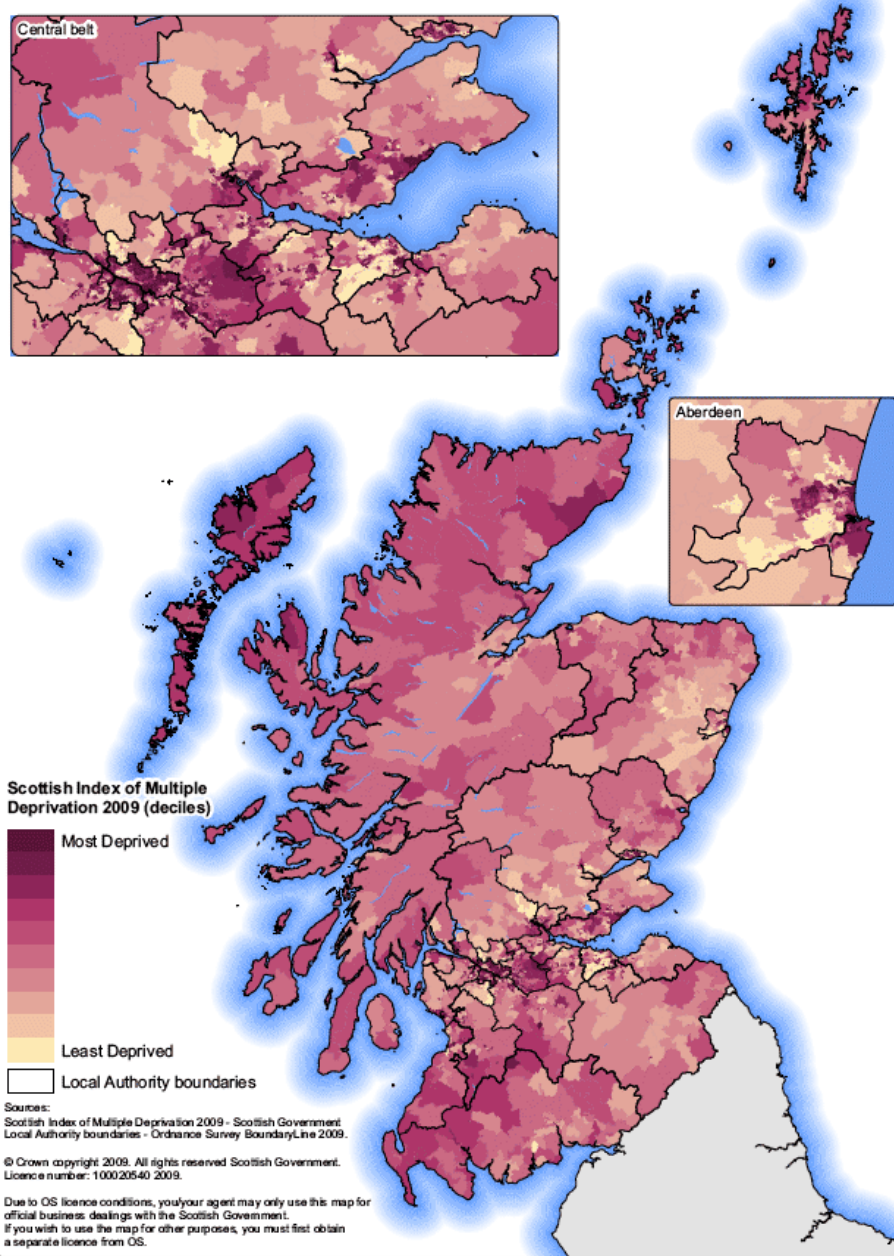
- (a) 32 Council areas;
  - (b) 45 travel-to-work areas (TTWA);
  - (c) 17 Combo regions.
- TTWA:



Rae and Hamilton, 2018



## Scottish Index of Multiple Deprivation 2009

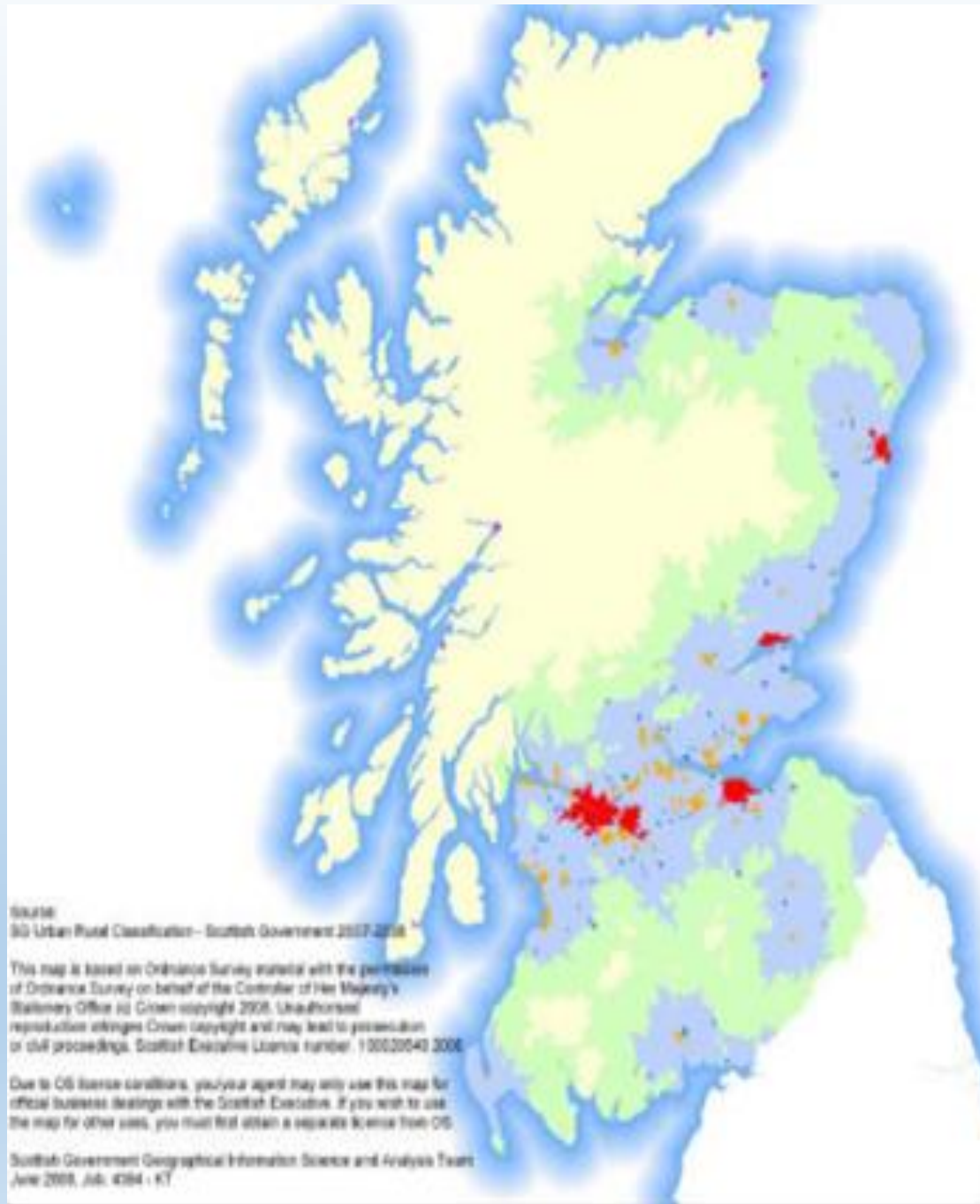


# Scottish Index of Multiple Deprivation

- 6,505 neighbourhoods
- Average 800 inhabitants
- 38 indicators across 7 domains: income, employment, health, education, skills and training, housing, geographic access and crime
- Overall index is a weighted sum of the seven domain scores
- Used for ESF , National funding allocation

# Scottish Urban Rural classification:

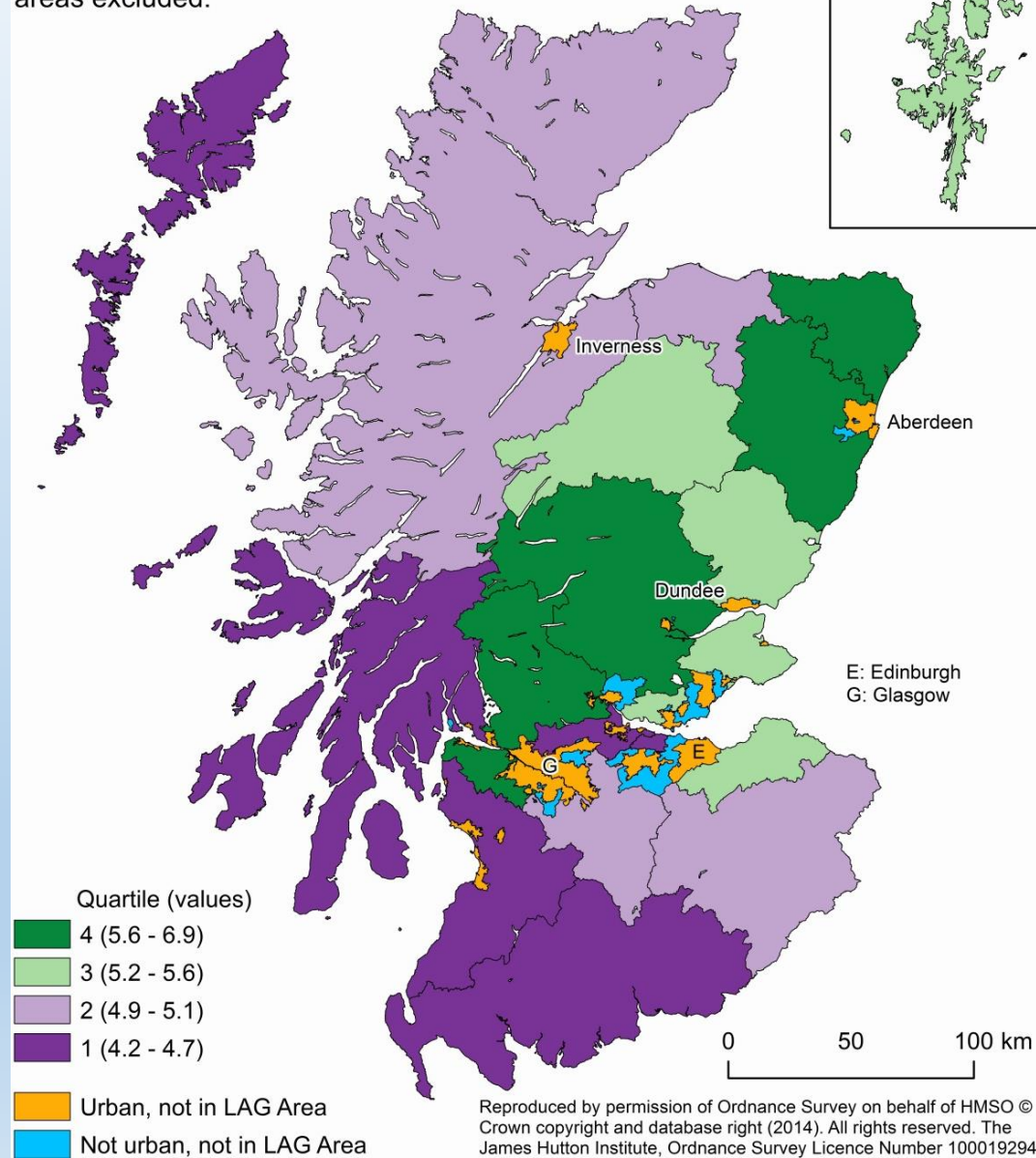
- **Large Urban Areas** (settlements over 125,000 people)
- **Other Urban Areas** ( 10,000 to 125,000 people).
- **Accessible Small Towns** (3,000 and 10,000 people and within 30 minutes drive of a settlement of 10,000 or more).
- **Remote Small Towns** ( drive time of between 30 and 60 minutes)
- **Very Remote Small Towns** (over 60 minutes drive)
- **Accessible Rural Settlements** ( less than 3,000 people and within 30 minutes drive of a settlement of 10,000 or more).
- **Remote Rural** (less than 3,000 people drive 30 to 60 to a 10,000 town)
- **Very Remote Rural** (idem but over 60 minutes drive)



## SEP INDEX

Weighted average of data zone scores in each LAG area

Quartile calculations based on small town and rural data zones only. Large cities and other urban areas excluded.



## LEADER Rural LAG areas Socio Economic Performance Index

- Developed by independent rural research institute
- Based on Scottish Index on Multiple Deprivation and 20 other Indicators
- Data then filtered through Urban Rural Classification
- Data then aggregated in the 21 Local Action Group Areas
- *Resulting coefficient used to allocate LEADER EU Rural Development funding 2014-2020 to each LAG*



# Post EU Structural Funds

## *Options and Alternatives*

- **Compensatory budget transfer:** this simply means increase the local government grant to compensate for loss of EU funding. This would not retain the partnership nature of EU funds
- **Tax rebate** (e.g. City Deals): This has the disadvantage that each of the deals so far are very diverse in scope and detail, lacking the more strategic approach of EU programmes (Audit Scotland 2019).
- **Earmarked grants:** this often lacks the partnership element ensured by EU rules.
- New Integrated Local Sustainable Development programme (e.g. USKPF):

# Risks



- England-centred approach (e.g. focus on LEPs, Core Cities, Red Wall)
- Single Pot – repeat universal credit problems, “tragedy of the commons” between UK departments, closure/overlook/gaps for small programmes (e.g. LEADER)
- Weakening UK constitutional and Devolution settlement – Triangulation politics (e.g. City Deals)  $\leftrightarrow$  UK ESIF has historically been the most decentralised of any federal/Devolved State.
- UKSPF Rules & Multi-Annual Funding need to be under Act of Parliament – unlike EU Regs can be easily reversed by new Government due to Parliament Sovereignty
- Comprehensive OPs vs. “ad hoc” token programmes (e.g. USA urban policy programmes)
- Contractualisation vs Governmental discretionality (“pork barrel politics”)

# Lessons Learned

- “A proportionate approach to audit and compliance with a degree of trust in existing UK systems being incorporated as part of the design of the fund;”
  - *end French-style accounting, no separate audit tracks, rules can be designed together with UK Audit bodies.*
  - *upfront grants*  $\leftrightarrow$  *reimbursement cost*
- “A recognition of the match funding constraints that organisations delivering the UKSPF face”
  - *end match-funding/additionality*
- “The need for local input into the design of the fund with greater flexibility to take account of differing challenges in the various regions within Scotland;”
  - *Roll out SCOs as in England ESF*
  - *Community Planning, Community Empowerment, Regional Approach, Place Principle,*
  - *Subdelegation (= SoSA, H&I, Cornwall)*
  - *Local Loan Funds*
- “Innovation being recognised as an important element of the fund, but this should not be interpreted as being only about university spin outs;”
- “A priority to promote inclusive growth by tackling economic and labour market inequality;”
- “A focus on outcomes rather than inputs”
  - *end EU Performance Framework roll out NPF/LOIPs/SIMD/SEP as measure of progress*



# Post Structural Funds

## Possible Principles

- Scotland-based
- Central/Local Partnership
- Co-production
- Commitment beyond a single parliamentary term/two Spending Review periods
- Available funds at least commensurate with existing ESIF funding allocations
- Focused medium to long term objectives relating to inclusive economic growth and wider societal/international goals (NPF/SDG)
- Consolidates the scope and resources currently disbursed by the several existing EU funds (the single pot approach)
- Targets territorial inequality and opportunity, urban and rural
- Mainstreams reporting and audit using existing domestic arrangements
- Opts into territorial cooperation programmes with EU (INTERREG, European Network on Rural Development, etc)

*(Findings 2019 Scottish Parliament Finance and Constitution and 2018 Economy and Fair Work inquiries)*

# Thank you!

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