

Financial Scrutiny Unit Briefing

Impact of International Expenditure

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As part of the European and External Relations Committee's inquiry into international engagement the Financial Scrutiny Unit presented an analysis of international spend by the Scottish Government and associated bodies at its meeting on 14 June 2010. The aim of this briefing is to follow up on that report by providing an analysis of the impact of the international activities of the Scottish Government and other public sector organisations.



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EXECUTIVE SUMMARY

The Scottish public sector funds a wide variety of activities overseas. Some of these activities focus on generating direct economic benefits for Scotland, such as attracting inward investment, attracting inbound tourism or generating income from foreign students. Others may have less tangible intended benefits, such as raising the profile and reputation of Scotland in a global marketplace.

The wide range of activities with a mix of economic, social, environmental and cultural objectives makes it impossible to capture the overall impact of these activities in a single figure. The evaluation of international activities is not always routine and the quantity and quality of evaluation evidence varies. Even where impacts can be quantified, different methodologies, time frames, definitions and coverage mean that results cannot be simply aggregated.

Reflecting these complexities, this report separately reviews the impact of the four organisations with the highest level of international spending in 2009-10: Scottish Development International (SDI), the Scottish Government, VisitScotland and the Scottish Qualifications Authority (SQA). Together, these four organisations accounted for 93% of all international spending in 2009-10.

Measuring the impact of Scotland's international activities is complex and as such it is difficult to make meaningful comparisons between organisations. However, the key findings for each major area of spend are:

- **SDI** – SDI is targeting its support on a smaller number of projects and businesses and is meeting its own internal targets. In terms of the standard of care and delivery of services, SDI was recently assessed as one of the best investment promotion intermediaries in the world. However, SDI's 'gross value added to cost' ratio and cost per job are slightly less favourable than those of the English Regional Development Agencies (RDAs). SDI assistance is one of a multitude of factors which influences overall levels of inward investment and exports, and Scotland's international trade performance is likely to be largely driven by exogenous factors such as tax rates, economic conditions and exchange rates.
- **Scottish Government** – the International Development Fund is the main area of international spend for the Scottish Government and within that the Malawi programme accounts for over half the spend. An evaluation of the Malawi programme indicated that 80% of the projects were relevant, efficient and effective and a review of end of project reports is underway to assess the impact of subsequent IDF projects. Other Scottish Government activities, such as the running of overseas offices, are difficult to evaluate in quantitative terms, being largely focused on 'softer' objectives, such as building relationships and trust, profile raising, reputation building, sharing knowledge and changing attitudes.
- **VisitScotland** – VisitScotland's own figures indicate that the "return on investment" from international marketing campaigns and the 'advertising equivalent value' of their PR work are substantial and, broadly speaking, both have increased in recent years. At a wider level, data from the International Passenger Survey shows Scotland's tourism sector performing above the UK average on international visitor numbers between 2005 and 2009, but slightly below on international visitor spend. It is difficult to ascertain the

influence of VisitScotland's activities on these trends as distinct from exogenous factors, such as exchange rates.

- **Scottish Qualifications Authority (SQA)** – international awarding and consultancy activity has increased significantly since 2005-06. These activities form part of an international strategy which recognises the need to generate income to support core activities at a time of constrained public sector funding and projected falling income from SQA activities within Scotland. The majority of international activities generate a surplus, and in 2009-10, international awarding and consultancy income exceeded the associated costs by £0.2m.

The evidence available suggests that the international activities of the Scottish Government and its agencies are having a positive impact. However, these impacts reflect the scale of the inputs and should be seen in the context of wider economic trends (e.g. the economic performance of countries Scotland exports to, trends in international tourism, and the full extent of poverty in countries like Malawi). This implies there should be realism in setting targets and measuring impacts.

This report focuses mainly on the economic impact of Scotland's overseas activities. However, the impact of Scotland's international work goes far beyond its immediate monetary value. It builds relationships and trust, raises profile and awareness, increases knowledge and changes attitudes – factors which cannot be captured in purely financial terms, but may nonetheless represent valid objectives for international activities.

BACKGROUND

The Scottish public sector funds a wide variety of activities overseas, including trade missions, cultural events, international tourism marketing and international aid projects. The Scottish Parliament's European and External Relations Committee is undertaking an inquiry into International Engagement, focusing on the following core questions:

- Is there a clear, coherent, co-ordinated and well-resourced strategy for international relations within the Scottish Government and its agencies?
- What successes have there been so far? What can we learn from the successes of other regions and their initiatives?
- How do the international offices operate and what do they achieve?

As part of this inquiry, the spending associated with the Scottish public sector's international activities was reviewed in an earlier report on [International Expenditure](#), by the Scottish Parliament's Financial Scrutiny Unit (FSU 2010). This follow-up report considers the economic and wider impacts of this international spending.

SCOPE OF THE ANALYSIS

This report focuses on the four organisations with the highest level of international expenditure in 2009-10. These are:

- Scottish Development International (SDI)
- The Scottish Government
- VisitScotland
- The Scottish Qualifications Authority (SQA)

In total, these organisations accounted for 93% of international spending in 2009-10 (£27.7m).

APPROACH TO ANALYSIS

DEFINING IMPACT

An impact assessment measures returns on a specific investment. Returns can be measured in different ways, including economic, social, environmental and cultural. The organisations included in this study are for the most part undertaking activities with the primary objective of increasing economic growth in Scotland - in line with the Government's Purpose. Accordingly, this report focuses on the economic impacts resulting from international spend – such as an increase in exports, additional business generated, additional tourism spend generated and additional income from students overseas studying for Scottish qualifications. This allows a high level assessment of economic output generated from spend. However, in some areas of spend there are wider objectives and the returns may be non-financial.

CHALLENGES IN MEASURING IMPACTS

Measuring impact is not a straightforward exercise, even for a single organisation. The challenges are much greater when looking at a range of different organisations with differing remits and very different activities. Some of the main challenges are described below.

Differing approaches to measuring impacts

Within organisations

Even within a single organisation, impact measurement practices vary. This can be as a result of changing objectives (for example SDI changed from providing support to all businesses to focussing on supporting high-growth businesses), different approaches applied to different assessments. In addition, the range of different international activities can make measurement of overall impact a complex question. As such, this report considers individual activities within individual organisations and makes no attempt to add these together to provide an overall impact figure for each organisation.

Across organisations

A further issue relates to differing methodologies and terminology between organisations. Even the term 'return on investment' can have different interpretations in different organisations. For example, in assessing the return on their marketing expenditure, VisitScotland captures all spending by tourists who have been influenced by VisitScotland materials whilst SDI defines 'return' more narrowly as the proportion of additional value of sales and employment that can be attributed to their investment. These different approaches mean that the return on investment figures quoted by the two organisations cannot be directly compared.

Frequency and quality of evaluation

Ideally, evaluation should be a part of every programme, with the resources put into it reflecting the size and scale of the programme. However, rigorous and comprehensive evaluation can be an expensive exercise. Limited resources do not always allow for evaluation to become a routine part of all Government programmes. This makes it difficult to assess the performance of different programmes as there is not always sufficient evaluation evidence to allow the assessment of impact for individual activities, or the benchmarking of impacts with other activities. For example, SDI undertook an evaluation of its activities in 2010, but, as this is the first time this type of evaluation has been undertaken, performance cannot be compared over time. Furthermore, where evaluation studies have been undertaken, these do not always allow for separate identification of expenditure incurred overseas.

Apportioning impacts to 'overseas' expenditure

The previous FSU report defined international expenditure as "all spend relating to international activities that is incurred overseas (including salaries for staff located overseas even if paid in the UK)". Ideally, the assessment of impact would relate to the same definition of international spend, but in practice this has not been possible to achieve. For example, the assessment of VisitScotland's impact relates to all spending in relation to international activities – including both the spend incurred overseas as well as spend within Scotland on developing marketing activities. It would be unrealistic (and not very meaningful) to try and assess the impact of overseas spending separately from domestic spending in this area. As a result of such factors, the impacts described in this report will relate to a different definition of international spending than was covered by the previous FSU report.

Estimating impact of spend through third parties

For a number of organisations, a significant proportion of their international spending is incurred via third parties through grants to support international activity. This includes SCDI, who are part-funded by SDI to undertake trade missions and NGOs who receive international development funding from the Scottish Government. This adds a layer of complexity to the analysis.

Exogenous factors influencing impact

The impact of international spend can vary considerably from year to year. However, observed changes may not reflect overall trends but may simply reflect particular circumstances in the specific years. For example, with SDI and VisitScotland, broader economic trends and exchange rates are key factors influencing the impact of international spending, but are outwith their control.

ANALYSIS BY ORGANISATION

SCOTTISH DEVELOPMENT INTERNATIONAL (SDI)

(a joint venture between Scottish Enterprise, Highlands & Islands Enterprise & the Scottish Government)

Key points	<ul style="list-style-type: none">▪ SDI spending overseas increased by 47% over the period 2004-05 to 2009-10. This has been driven by an increased staff presence overseas.▪ SDI has met or exceeded its internal targets for inward investment and internationalisation over the period studied.▪ SDI has narrowed its strategic focus over the time period to actively targeting strategically important inward investments (e.g. high value jobs) and those projects with the most growth potential.▪ The Ernst and Young Investment Monitor shows that the number of inward investment projects in Scotland has reduced by 24% over the period (although the number of R&D projects has increased). However, the Global Connections Survey shows that Scottish exports have increased by 19.5%. SDI assistance is one of a multitude of factors which influences overall levels of inward investment and exports. Overall Scottish performance is likely to be largely driven by exogenous factors such as tax rates, global economic conditions and exchange rates.▪ When benchmarking performance against competitors SDI achieves higher GVA returns on spend than the RDAs on internationalisation, but lower returns relative to the RDAs on inward investment. Across both areas the cost per job is higher for SDI than it is within the RDAs.
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Summary of international expenditure

SDI spends more public money overseas than any other organisation in Scotland. In 2009-10, spending overseas totalled £12.85m, up 47% on the international spending recorded in 2004-05. SDI has 22 international offices and these (along with associated overheads) accounted for almost three quarters of international spend in 2009-10.

Strategy and objectives of international spend

[Scottish Enterprise's 2010-13 Business Plan](#) (Scottish Enterprise, 2010a) explains that SDI's focus is on helping Scottish companies to grow overseas and attracting new investment and jobs to Scotland through:

- Its programme of trade missions and learning journeys.
- Support for international strategy development, sales and marketing skills and in-market intelligence.
- Partnership working across the private and public sector to expand the range of support available and deliver training to businesses. This includes the roll out of the Intelligent Exporter initiative in partnership with Scottish Chambers and SCDI as well as a range of projects with UKTI and Enterprise Europe Network¹.
- Developing propositions based on Scotland's competitive advantages in its key sectors to attract new investment that will create high value employment.

¹Note that since the business plan was published the Intelligent Exporter initiative has been launched and is now called Smart Exporter. Although still supportive of it, SCDI is no longer a formal partner in this initiative.

Impact of activities

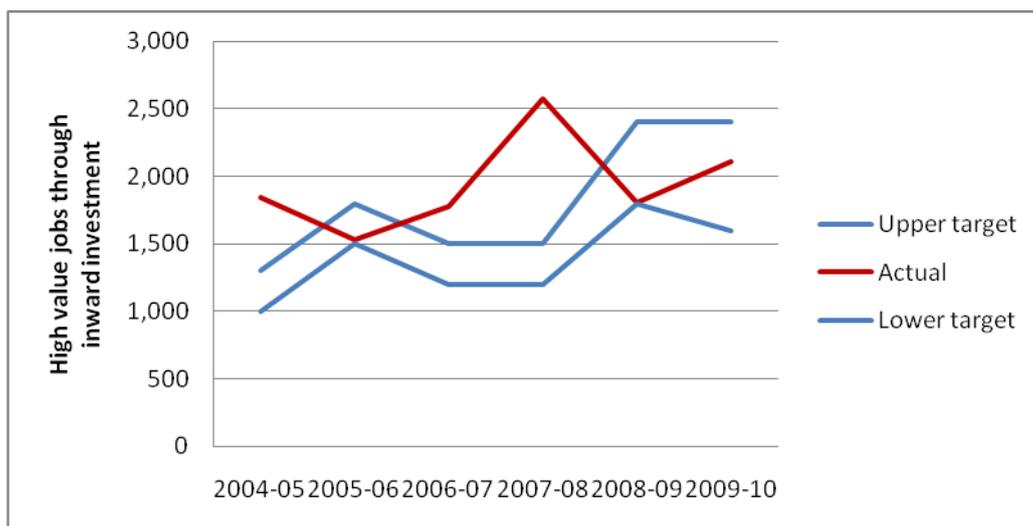
SDI undertakes separate measurement for its two main streams of work – internationalisation (helping companies in Scotland to trade overseas) and inward investment (attracting foreign companies to locate in Scotland).

Performance against internal targets

SDI performance targets for both inward investment and internationalisation are set internally on an annual basis by SDI and agreed with Scottish Government Ministers.

Inward investment performance is measured by SDI through recording the number of high value jobs (paying 20% or more above the average wage and/or involved in R&D) attracted to Scotland. Upper and lower targets are set. The target range has widened in recent years, partly in recognition of the variability of performance that can be caused by exogenous economic conditions.

Figure 1 – Inward investment performance against targets 2004-05 to 2009-2010



Source: [Scottish Enterprise Annual Reports](#) 2004-05 to 2009-10

Figure 1 shows that SDI has always performed either within the target range or above it, thus delivering outputs in line with internal aspirations. The variable nature of performance against targets is often driven by a small number of large projects in certain years. E.g. in 2007-08 three large investments accounted for over a third of jobs.

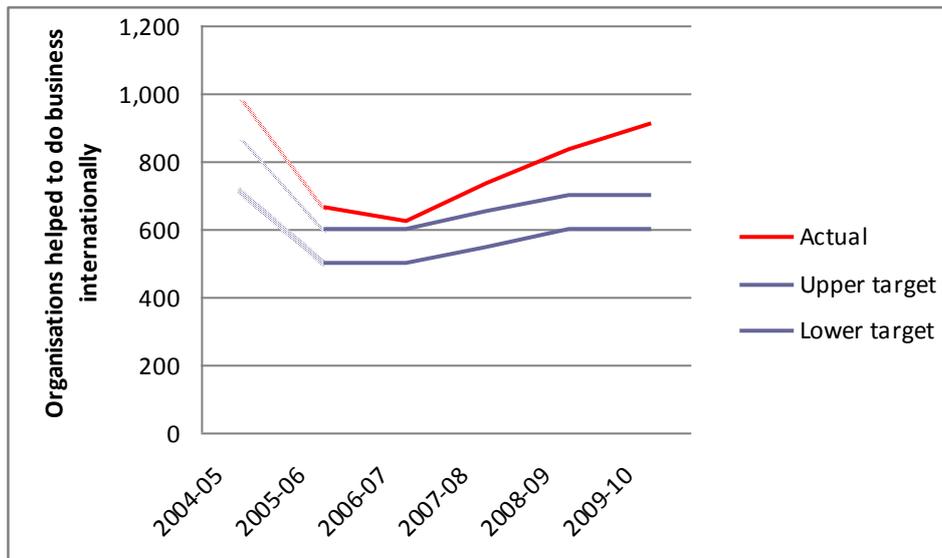
Over the period 2004-2005 to 2009-10 there has been a 14% increase in high value jobs supported. In 2009-10, 2,100 high value jobs were supported. Scotland has around 2.3 million people in employment ([Scottish Government](#), 2010a), so this represents almost 0.1% of jobs in Scotland.

Although SDI attracts a very small number of jobs to Scotland, relative to the size of the workforce, the recent [SDI Policy Evaluation](#) (SQW Consulting, 2010) highlighted that SDI assisted businesses have higher wages and above average labour productivity. SDI also try and focus their support toward key companies that they recognise as important in the strategic development of a sector, unlocking wider supply chain opportunities and helping to develop clusters. However SDI assisted inward investments had lower than average “Total Factor Productivity” (productivity related to inputs other than labour) – which may be driven by interventions to safeguard jobs within foreign-owned companies in Scotland which are also

counted as inward investment projects because, if the support was not given, the jobs would be lost from Scotland.

Internationalisation performance is measured by recording the number of organisations helped to do business internationally

Figure 2 – Internationalisation performance against targets 2004-05 to 2009-2010



Source: [Scottish Enterprise Annual Reports](#) (Scottish Enterprise, 2004-05 to 2009-10) and SDI correspondence

Data on the actual number of businesses assisted is measured and shown in **Figure 2**. Performance has exceeded the target range set by SDI in every year shown, with little evidence of the difficult economic climate in recent years having had a negative impact on the demand for exporting assistance – perhaps helped by the favourable exchange rate which has prevailed.

While on first glance it appears that over the period shown there has been a decrease in businesses assisted to export, the 2004-05 figures include all companies assisted, whereas the performance figures for subsequent years only include account managed (high growth) companies reflecting the move towards more focussed interventions. SDI provided 2009-10 figures which include all businesses assisted to allow a like-for-like comparison with 2004-05. It showed that a total of 1,100 businesses were assisted in 2009-10 – an increase of 11% from 2004-05. Looking at high growth businesses only, there has been a 26% increase in the number assisted to export over the period 2005-06 to 2009-10.

As with the jobs supported through inward investment, SDI is working with just a small proportion of total businesses in Scotland (0.35%). However, SDI estimate that there are around 5,500 exporters in Scotland which would mean that in 2009-10 SDI were assisting around 20% of exporters. When it comes to internationalisation, the recent [SDI Policy Evaluation](#) (SAW Consulting, 2010) highlighted that “the principal difference that SDI support has made is in helping to speed up and increase the scale and quality of firms’ international plans rather than through making non-international firms international”. It may be of interest that the Economy, Energy & Tourism Committee, in their recent [report](#) (Scottish Parliament, 2010a) on the public sector’s support for exporters, international trade and the attraction of inward investment, recommended that “SDI and the enterprise network support all firms interested in exports, not just their account-managed firms”.

Performance in an external context – inward investment

Although SDI international spend has increased (driven in particular by an increased staff presence overseas) and the number of high value jobs supported by SDI has increased, the Ernst & Young European Investment Monitor shows the number of overall inward investments has reduced by 24% since 2004/05 as shown in the final column of **Table 1** below. This compares to growth in the number of inward investment projects in Wales, Northern Ireland and England over the same period. SDI urges caution when drawing conclusions from these figures given that they do not allow comparison of the quality of inward investment projects. For example, the number of R&D inward investments actually increased over the period. In addition, SDI reports that 2004-05 was an exceptional year for inward investments in Scotland – and thus is not an ideal baseline. It should be noted that SDI’s assistance is one of a multitude of factors which would influence inward investment decisions in Scotland. Other factors could be exchange rates, corporation tax rates in competitor countries, labour productivity and tax reliefs for specific sectors.

Table 1 – Inward investment: tracking inputs to outcomes

Area of spend	Change in spend 04-05 to 09-10 (real terms)		Change in input 04-05 to 09-10		Change in impact 04-05 to 09-10	
	£	%	Staff	Offices	Output –overall SDI inward investment job assists	Outcome – overall number of Scottish inward investment projects
International offices & other overheads (including staff)	4,392,600	89.5%	57.8%	10.0%	Internal context: 14% increase in inward investment jobs supported by SDI	External context: -24% change in overall Scottish inward investment ¹ (although an increase in R&D inward investment)
Marketing, trade missions and events	-299,400	-7.8	n/a			

Ernst & Young European Investment Monitor: 2004/05 to 2008/09 (Ernst and Young, 2010)

Performance in an external context – internationalisation

Against the backdrop of increased investment by SDI, the number of high growth businesses assisted by SDI for internationalisation has increased by 26%. The overall value of Scottish exports has also increased as shown in the second last column of **Table 2**. While SDI was estimated to have assisted 20% of exporters in 2009-10, and that support will have helped boost export performance, it is likely that overall export performance has largely been driven by external economic factors such as worldwide demand and exchange rates.

Table 2 – Internationalisation: tracking inputs to outcomes

Area of spend	Change in spend 04-05 to 09-10 (real terms)		Change in input 04-05 to 09-10		Change in impact 04-05 to 09-10		
	£	%	Staff	Offices	Output – number of businesses assisted by SDI	Outcome – export value	
						All	Manufactured
International offices & other overheads (including staff)	4,392,600	89.5%	57.8%	10.0%	26% increase in number of businesses assisted ¹ 25% increase in exhibitions	19.5% ²	-1.5% ³
Marketing, trade missions and events	-299,400	-7.8%	n/a				
Trade missions only	561,000	18.5%					

Sources: Scottish Government [Global Connections Survey](#): 2005 to 2008 (SG, 2010b), Scottish Government [Index of Manufactured Exports](#): Q1 2005 to Q1 2010 (SG, 2010c)

Benchmarking

Two studies which allow top level analysis of the impact of SDI activities relative to similar organisations are highlighted below.

Benchmarking against England’s Regional Development Agencies (RDAs)

Price Waterhouse Coopers (PWC) was appointed by the Department for Business, Enterprise and Regulatory Reform (BERR) to provide an independent assessment of the impact of the different spending streams within the RDA network as a whole. The results relating to their inward investment and internationalisation activities are compared with those from the recent [SDI Policy Evaluation](#) in **Table 3** below. A recent impact assessment of overall Scottish Enterprise activities is also provided. Care should be taken in making direct comparisons as each of the agencies have calculated returns on investment using different methodologies and refer to different time periods, as highlighted in the table.

Table 3: GVA and cost per job across different agencies

Details		RDAs	SDI	Scottish Enterprise ²
Internationalisation	Cost per job	£8,600	£11,000	GVA:cost ratio £9:1
	GVA:cost ratio	£5:1 ¹	£7:1	
Inward investment	Cost per job	£11,500	£14,000	
	GVA:cost ratio	£14:1	£11:1	
Time period over which impact is achieved		5 years	Internationalisation: 4.25 years Inward investment: 7 years	10 years

¹ Figure estimated by Scottish Enterprise using information from, & methodology consistent with, the original study

² SDI activities are included in the overall assessment of Scottish Enterprise’s activities

Sources: [SDI evaluation](#) (SQW Consulting 2010), [BERR](#) 2009 and [Scottish Enterprise](#) 2010b

Table 3 shows that when benchmarking performance against competitors SDI’s GVA to cost ratio for internationalisation is higher over a shorter time period. However, with regard to inward investment SDI’s GVA to cost ratio is slightly lower over a longer time period. This indicates that SDI achieves higher GVA returns on spend than the RDAs on internationalisation, but lower

returns relative to the RDAs on inward investment. Across both areas the cost per job is higher for SDI than it is within the RDAs.

Benchmarking against other investment promotion intermediaries (IPIs)

The UK’s sub national IPIs have existed for longer than sub national IPIs in many other countries, many having been created as long ago as the mid-1980s (Locate in Scotland, SDI’s predecessor, was established in 1981). A recent study by the World Bank measures the overall effectiveness of IPIs in terms of the usefulness of their web sites and their ability to manage and respond to investment inquiries (see Figure 3 below).

Figure 3 – World Bank study: top 25 national and sub national IPIs: overall performance

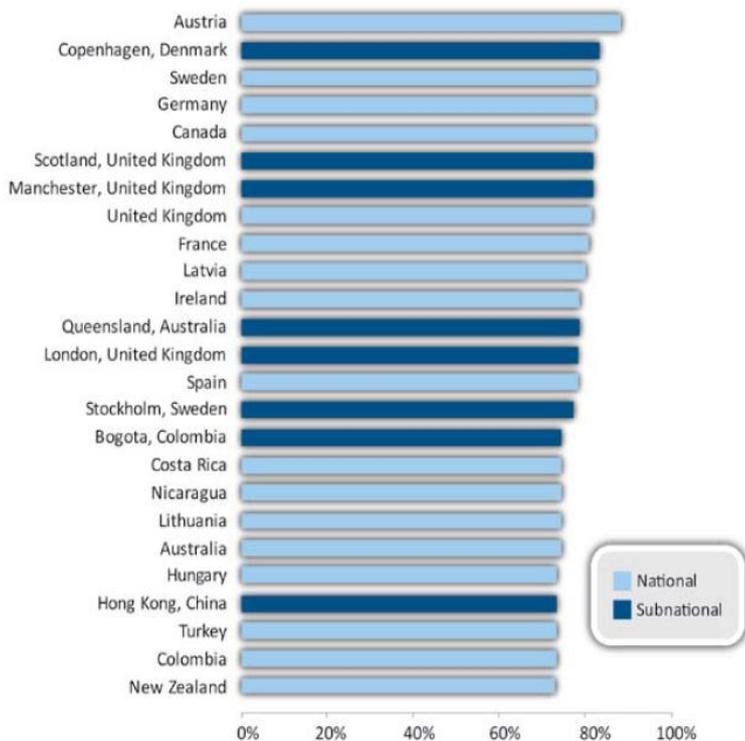


Figure 3 taken from the report shows that UK IPIs are now some of the best-performing in the world with SDI the highest performing in the United Kingdom and MIDAS (Manchester) coming a close second out of over 210 IPIs assessed.

SDI performed particularly well in the area of customer care and follow-up. The study reported that “The strongest area of United Kingdom subnational performance was in the quality of the information itself and the tailoring of responses to meet investor’ needs, a significantly different position from many IPIs, where quality of information is typically the weak component” (2010).

Source: [World Bank](http://www.worldbank.org), 2010

While this does not measure the impact of SDI’s activities, it is a positive insight into the quality of service delivery.

SCOTTISH GOVERNMENT DIRECT SPENDING

Key points	<ul style="list-style-type: none">• Over two thirds of the Scottish Government's direct spending overseas is allocated towards the International Development Fund. Most of the remaining funding is spent in promoting Scotland and international relations and specifically the running the Scottish Government offices in Brussels, Washington and Beijing.• Analysis of performance relating to work in countries where the Scottish Government has offices indicates that monitoring and evaluation frameworks are in place through the European, USA and China plans. However, due to the nature of their work it can be difficult to assess the specific impact of these offices.• Over half of the Government's International Development Fund (IDF) has been allocated to Malawi. A review of the Malawi programme commissioned by the Scottish Government indicated that over 80% of projects were relevant, efficient and effective, and that the Malawi programme overall was making a contribution to achievement of the Millennium Development Goals.• Whilst the Scottish Government requires six monthly project monitoring reports for all grants concluding with a more detailed 'end of project report' it is not yet possible to provide an overview of programme level-impacts for the Sub Saharan Africa (block grants) and South Asia programmes. A review is however underway of 'end of project reports' for projects that have completed since the Malawi review.
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Summary of international expenditure

Scottish Government international expenditure is focussed on a variety of activities including the IDF, overseas offices, marketing, events and support to the national performing companies. This analysis focuses on the two main areas of spend – the IDF and overseas offices. Annex 1 considers the impact of spend relating to Scotland Week.

The Scottish Government directly spent £7.6m overseas in 2009-10, making it the second highest public spending body in terms of international expenditure. Over two-thirds of this, some £5.3m, was through the IDF. The other main item of spend relates to running overseas offices in Brussels, Washington and Beijing (approximately £2.2m). Other activities include the running of Scotland Week (previously Tartan Week) and awards from the International Touring Fund to the national performing companies.

Strategy and objectives of international spend

The Scottish Government has both an [international engagement framework](#) (Scottish Government, 2008a) (to help focus international relations activities) and an [international development policy](#) (Scottish Government, 2008b) (to help focus aid to some of the world's poorest countries).

International relations

The objectives of the international engagement framework (2008) are:

- “Creating the conditions for talented people to live, learn, visit, work and remain in Scotland - so that Scottish population growth matches EU average;
- Bringing a sharp economic growth focus to the promotion of Scotland abroad - so that the Scottish GDP growth rate matches the UK's by 2011; and

- Managing Scotland's reputation as a distinctive global identity, an independent minded and responsible nation at home and abroad and confident of its place in the world.”

The international engagement framework is currently underpinned by specific plans for Europe, the USA, China, India and Pakistan. These outline areas of focus for Scottish Government engagement – such as educational links, promotion of Scotland’s image and culture and economic linkages. A summary is provided below of the plans being delivered by the Scottish Government and its partners utilising office and other networks in Europe, the USA and China.

European plan

The [Action Plan on European Engagement](#) (Scottish Government, 2010d) identifies three main areas of focus for the Scottish Government:

- Tracking EU legislation and developments.
- Strategic engagement on key issues, such as energy and climate change.
- Raising Scotland’s profile.

USA plan

In 2006 the previous administration published a USA Strategy entitled [Scotland’s Strategy for stronger engagement with the USA](#) (Scottish Government, 2006). The current Scottish Government published an updated [USA Plan](#) in 2010 (Scottish Government, 2010e). Strategic objectives of the plan are broadly listed under the headings of the international engagement framework:

- **To bring a sharper focus on economic growth**, e.g. promoting key sectors, attracting Foreign Direct Investment and increasing the value of tourism.
- **To create the conditions to live, learn, visit, work and invest in Scotland**, e.g. increasing educational links, encouraging the diaspora to maintain links.
- **To manage Scotland’s reputation as a distinctive global identity**, e.g. promoting Scotland as a nation in the USA, promoting Scotland’s cultural heritage, building Government links and exchanging best practice.

China plan

Actions identified under the refreshed [Plan for Engagement with China](#) (Scottish Government 2008c) include the promotion of learning about China, including language skills, in Scotland, collaboration between universities and on R&D projects and programmes, promotion of tourism, internationalisation of Scottish companies in China and increased business connections, and promoting Scottish national identity and cultural awareness. The China Plan contains a monitoring and evaluation matrix which sets out the aims and objectives of actions being taken and supported by Scottish Government.

International development

The broad aims of the [International Development Policy](#) (Scottish Government, 2008b) were refreshed in 2008 with a movement towards more focussed activities in Africa and Asia. The policy comprises the six elements set out in Figure 5 below. The Scottish Government (Scottish Government, [2008d](#)) summarised the new approach as follows:

“The new policy strengthens the Scottish Government's commitment to Malawi and recognises the importance of this relationship, cemented by a Co-operation Agreement between our two countries.

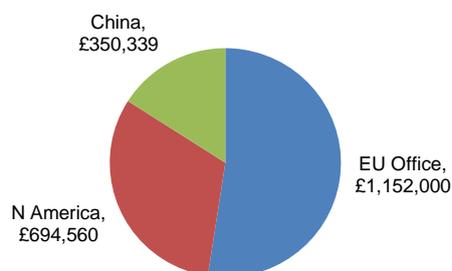
The policy sets out the framework for our engagement with some of the poorest countries in Sub-Saharan Africa which have historical, and in some cases, contemporary relationships with Scotland. These countries will be supported through block grants delivered by the Government's partners in development.

The policy also recognises the Indian Subcontinent's strong links with Scotland, and the programme will build on strong, fair and inclusive national identity and express solidarity with communities represented in Scottish society. This programme will be developed with key stakeholders.”

Impact of activities – international relations

A key component of the delivery of Scotland's international engagement plan is the operation of offices overseas. In general terms, the objectives of maintaining a physical, permanent presence is the development of a profile, building relationships with key stakeholders, providing a conduit for high quality, timely information and intelligence, and co-ordinating the collective efforts of Scotland's public and private sectors. Details of overseas office costs in 2009-10 are outlined in Figure 4.

Figure 4 – Cost of Scottish Government overseas offices 2009-10



The EU office (within Scotland House in Brussels) accounted for over half of overseas office costs in 2009-10, amounting to £1.1m. The North America Office in Washington accounts for a further £0.7m and the China office in Beijing accounts for £0.35m.

These costs for the most part relate to staff costs and office overheads.

Performance against internal targets – international relations

Due to the nature of their work, it is very difficult to identify the specific impact of the overseas offices. However, the Scottish Government has established varying degrees of measurement frameworks within individual country plans to gauge performance. Details of internal targets and performance in relation to them are provided for each plan in the section below.

European Plan

Specific targets are not set within this plan, although the [Annual Report 2010](#) (Scottish Government, 2010f) summarises activities undertaken relating to the three work streams and provides results from a survey of stakeholders on their views of progress relating to these work streams. The results show a general satisfaction with work streams, while highlighting specific action points under each work stream. The Government has committed to a full evaluation in the long term.

USA Plan

The USA plan has a specific monitoring and evaluation matrix with measures of success linked to each work stream and the objectives of the international engagement framework. Targets relate to measures such as inward investments, visitor numbers, the number of US students studying in Scotland, etc. The Scottish Government states that it will report annually on progress towards meeting targets. However, as the refreshed plan was only published in July 2010 performance data is not yet available for the first year. No evaluation of the first USA plan, published in 2006, has been carried out by the Scottish Government.

China Plan

Like the USA plan, the China plan has a specific monitoring and evaluation matrix with measures of success linked to each work stream and the objectives of the international engagement framework. Targets generally run to 2011 and relate to measures such as increasing the number of students studying Chinese language in Scottish schools by 2011, expanding the awarding of Scottish qualifications in China, and raising the share of Scotland's exports to China by 2011 in relation to the European OECD average. The Government indicates that assessment of performance can only be taken retrospectively and after sufficient time has elapsed to realise their intended results.

Performance in an external context – international relations

Part of the Scottish Government's [National Performance Framework](#) (Scottish Government, 2008e) looks to assess efforts to "improve people's perceptions, attitudes and awareness of Scotland's reputation" and the international offices have a role to play in supporting this objective. The Scottish Government uses the [Anholt- GFK Roper Nation Brands Index SM](#) (Scottish Government, 2010g) to assess and monitor how Scotland's reputation is perceived around the world in comparison to 49 other nations.

Table 4 – Nation brands index, rank out of 50 in 2009

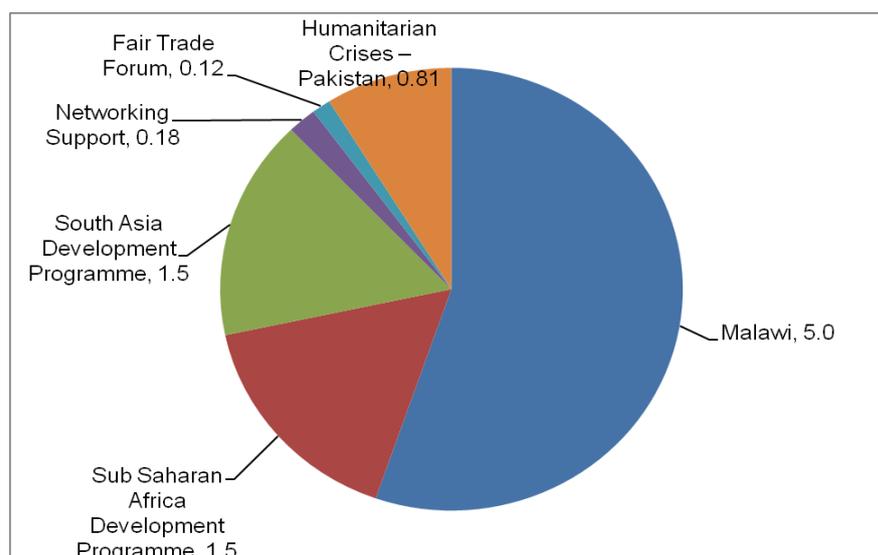
The Anholt GFK-Roper's Nation Brands Index	
1	United States
2	France
3	Germany
4	United Kingdom
5	Japan
6	Italy
7	Canada
8	Switzerland
9	Australia
10 =	Spain, Sweden
14	Scotland

As Table 4 indicates Scotland's overall 'brand' is ranked 14th out of 50 nations, and is ranked marginally ahead of comparator countries such as New Zealand, Denmark, Finland and Ireland. Scotland's position has changed little since 2008 (the first year that Scotland was included within the index).

The Anholt GFK-Roper's Nation Brands Index is based on interviews with 20,000 adults across 20 countries (mostly high and middle income countries) examining six 'dimensions of national competence in terms of favourability and familiarity, The six dimensions are; exports, governance, culture, people, tourism and immigration & investment.

Activities and impacts – international development

Figure 5 - Breakdown of IDF spend: 2010-11



Source: Scottish Government correspondence 2010

The IDF is administered through the provision of grants to NGOs with a presence in Scotland to deliver a variety of projects with their partners overseas. A breakdown of IDF spend by programme in 2010-11 is provided in Figure 5. Over half the IDF was allocated towards Malawi (£5m of £9.1m). Other areas of spend in the current year include the Sub-Saharan Africa and South Asia development programmes, networking support, the Fair Trade Forum and humanitarian crises. Table 6 below summarises funding and numbers of projects for the IDF since 2005. Over the period nearly £36m has been allocated to over 250 development projects.

Table 5 - IDF: Summary of Programmes

FUNDING ROUND	START/END DATE	TOTAL FUNDING	TOTAL PROJECTS
International Development Fund - Round 1 - Malawi	April 2005-March 2008	£3,408,708	29
International Development Fund - Round 1 - Non-Malawi	April 2005-March 2008	£1,498,841	15
International Development Fund - Round 2 - Malawi	April 2006-March 2009	£2,542,157	28
International Development Fund - Round 2 - Non-Malawi	April 2006-March 2009	£879,994	7
Small Grant Scheme - Malawi	April 2006-March 2008	£341,392	17
Small Grant Scheme - Non Malawi	April 2007-March 2008	£85,061	5
Humanitarian Health Fund - Round 1	April 2006-March 2007	£35,172	10
Humanitarian Health Fund - Round 2	February 2007-March 2007	£49,888	13
Humanitarian Health Fund - Round 3	April 2007-March 2008	£174,972	14
Malawi Development Programme 2008-11	April 2008-March 2011	£6,988,081	29
Malawi Development Programme - One Year - 2009-10	April 2009-March 2010	£1,084,036	9
Malawi Development Programme 2010-13	April 2010-March 2013	£7,206,775	22

FUNDING ROUND	START/END DATE	TOTAL FUNDING	TOTAL PROJECTS
South Asia Development Programme 2010-13	October 2010 - March 2013	£5,540,027	19
Sub Saharan Africa Development Programme	April 2008-March 2011	£4,000,000	4
Humanitarian Crises - Gaza	2008-2009	£427,996	8
Humanitarian Crises - DRC	2008-2009	£200,000	3
Humanitarian Crises - Haiti	2009-2010	£687,627	11
Humanitarian Crises - Pakistan	2010-2011	£807,243	15
TOTAL		£35,957,970	258

(Source: Scottish Government correspondence)

Activities within the International Development Fund

Within the different programmes highlighted in Table 6 the type and scale of projects varies substantially. Examples of projects in Malawi include:

- Edinburgh and St Andrews University working with Malawi College of Medicine to support the development of training for medical professionals.
- Concern Worldwide working with the Malawi Department of Health to combat child malnutrition, with results showing an early reduction in child mortality.
- Mary's Meals working with the Department of Education in Malawi, and feeding 10% of the school children in Malawi.

Performance in an internal context – international development

Detailed information is provided through a [review of Scottish Government projects focused on Malawi](#) (Scottish Government, 2008f). The review concluded that 32 of the 39 Malawi projects selected were considered “relevant, had been efficiently delivered, were effective in meeting their planned outcomes, had secured impact and were reasonably sustainable” (using standard OECD evaluation criteria). The remaining projects were considered partially successful. Some of the common themes relating to these projects were an insufficient initial problem consideration or needs analysis, or that the planning process was not fully considered.

Overall, the review found that projects relating to Malawi had been able to deliver real benefits on the ground when planned and targeted effectively. However, 74% of grantees sampled stated that there was scope for additional project monitoring. Local grantee partners stated that they would appreciate the opportunity for feeding back and sharing lessons and best practice generated through monitoring and evaluation. It was felt that this could improve further project quality, build social capital amongst the grantee community and motivate improved monitoring (Scottish Government 2008f).

Following this review the monitoring procedures were updated by the Scottish Government. Data is routinely collected on policy objectives through the end of project reports, and this is currently being collated for those where data exists. Additionally, progress on all Malawi projects are reviewed with the Government of Malawi on an annual basis. The Government also indicates it has a commitment to evaluate all programmes and will do so as end of project reports are received. The varied nature of the projects funded mean that it would not be meaningful to produce an overall ‘impact’ figure.

Performance in an external context – international development

The impact of international development aid can be measured as a whole through assessing the contribution of different programmes to the Millennium Development Goals (MDGs). Again, detailed information is provided through the Scottish Government's [review of the Malawi programme](#) (Scottish Government, 2008g) including a specific assessment of performance against MDGs in Africa. This was largely a qualitative assessment, linking case studies to individual MDGs. The review reported that:

“The Scottish Government’s International Development Fund (IDF) is making real contributions to the achievement of the Millennium Development Goals (MDGs) in Malawi. Through productive partnerships between organisations in Scotland and Malawi, together with effective advocacy and policy linkages, the opportunities for impact and sustainability are considerable” (Scottish Government 2009).

Benchmarking – international development

The Malawi review concluded that “in comparison to other programmes of this nature, the IDF projects performed well and this is a commendable achievement”.

Scotland’s support to Malawi (of £5m in 2010-11) compares to £80m of support to Malawi from the UK’s Department for International Development (DFID). DFID itself accounted for approximately one fifth of all aid to Malawi between 2003-04 and 2006-07. As a much bigger programme, DFID’s Malawi programme has been subject to detailed evaluation. The National Audit Office [report on DFID’s aid to Malawi](#) (National Audit Office, 2009) found that:

“DFID has made well-informed investment choices in Malawi, drawing on internationally recognised good practice ... DFID’s programme has clearly contributed to poverty reduction in Malawi, although it is not possible to attribute accurately a share of that progress to DFID actions” (National Audit Office 2009).

DFID acknowledges that full evaluations are expensive and are appropriate only for the larger and most strategic (or innovative) programmes and a review is carried out on all investments over £1m annually and at project completions stage. This is part of DFID’s [new evaluation policy](#) (DFID, 2009) which sets out what it sees as good practice for the evaluation of international development projects, including for much smaller programmes. In addition to the DFID guidance, a range of international bodies provide guidance on evaluation in relation to development, including the OECD, NONIE (the combined networks of evaluation associations in developing countries, DAC member states, UN and multilateral banks) and the World Bank.

VISITSCOTLAND

Key points	<ul style="list-style-type: none"> • In 2009-10, VisitScotland's international spend was £5.4m. Almost all international spend relates to marketing and promotional activity. The 2009-10 spend was 23% lower than in 2004-05, but this partly reflects additional marketing funds available in 2004-05 due to a range of factors. • Specific target measures have changed over time, but on the whole the data suggest that VisitScotland has either met or exceeded internal measures of performance relating to international marketing campaigns. • When comparing tourism performance in Scotland with other regions in the UK over the period 2005 to 2009 it appears that while Scotland is performing favourably when it comes to the change in the volume of tourists, there is weaker performance relating to the change in spend by international tourists. • More positively, between 2008 and 2009, the volume of visitors to Scotland increased 2.1% relative to a 6.3% decline for the UK as a whole. Tourism spending in Scotland increased 10.3% compared to a 1.8% increase across the UK as a whole.
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Summary of international expenditure

VisitScotland spent £5.4m in 2009-10. This was 23% lower than international spending in 2004-05, although this largely reflects the fact that VisitScotland benefited from additional marketing funding in 2004-05 due to a range of factors. Almost all of VisitScotland's spend relates to marketing and promotional activity – in particular the international marketing of leisure tourism. This includes spend on marketing campaigns such as Homecoming, the North American Spring campaign (incorporating Scotland Week) and the European Touring Campaign. The decrease in spend has been attributed to a range of factors including:

- Having taken on responsibility for Scotland's 14 Area Tourist Boards on 1 April 2005 forcing a squeeze on VisitScotland's funding for other activities.
- Exceptional increases to grant-in-aid for marketing between 2004 and 2006 when the new VisitScotland network came into being and in response to the foot and mouth crisis. This was part of an investment package aimed at increasing tourism revenue by 50 per cent over ten years ([Scottish Government](#), 2004).

Figure 6 - International expenditure 2004-05 to 2009-10 (£m in 2009-10 prices)

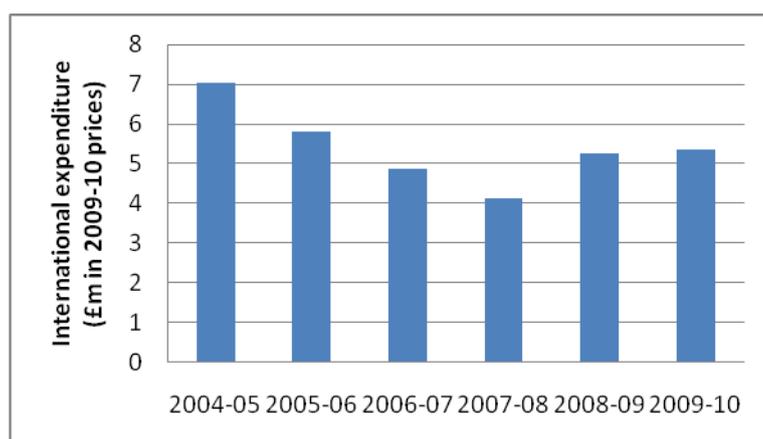


Figure 6 details how overseas spend by VisitScotland has varied over the time period studied. It shows that spending was highest in 2004-05, at £7m and lowest in 2007-08 at £4.1m. Recent increases will have partly been driven by spend on the overseas marketing of Homecoming.

Source: VisitScotland correspondence 2010

Strategy and objectives of international spend

Overarching strategy

In March 2006 the Scottish Executive published [Scottish Tourism: The Next Decade - a Framework for Change](#) (Scottish Government, 2006a). This was, and still is, the over-arching tourism strategy for Scotland which sets out what is needed to meet the shared ambition of growing tourism revenue by 50% by 2015. It was stated at the time “It is an ambitious - but achievable - target which will only be met if we all work together” ([Scottish Government](#), 2006b). An Implementation Group monitors progress. The target most relevant to international expenditure is:

Target 12: Tourism businesses, culture and heritage organisations, local authorities, VisitScotland and visitscotland.com will use effective marketing techniques **to increase the number of visitors who come to Scotland.**

VisitScotland’s measure of progress in relation to this target is its ‘Return on Investment’, discussed further below.

Activities and impacts

VisitScotland runs a programme of international marketing campaigns and a variety of public relations activities. It regularly works with partners (including airlines such as Ryanair, EasyJet, Continental, Jet2 and Lufthansa), uses a variety of media (including online marketing), and develops contacts and partnerships with the travel trade through sales missions, attendance at key events and running workshop events in Scotland and overseas.

Performance in an internal context - targets

Key performance indicators are set each year by VisitScotland, and agreed with Scottish Government Ministers. In terms of international expenditure, the focus is on the additional tourism spending generated by international campaigns. Due to the costs involved, VisitScotland do not measure the impact of all international campaigns on an annual basis. The campaigns are evaluated in rotation, with two campaigns forming the focus for evaluation in any given year. For example, in 2009, the USA and Spain were the focus for evaluation.

VisitScotland measure the “return on investment” (ROI) relative to expenditure on a specific campaign. This is expressed either as the value of additional tourism spending resulting from a specific campaign, or as a ratio of this additional tourism spending relative to the cost of the campaign. Additional tourism spending resulting from a campaign is calculated using survey evidence. Those responding to a campaign or receiving campaign material are subsequently asked whether they visited Scotland and, if so, whether the VisitScotland marketing materials influenced their visit. Those who respond that VisitScotland marketing materials (including the website, DM communication etc) *influenced them a lot or a little* are considered to be the “additional” visitors and their spending is counted as additional visitor spend.

This analysis allows some insight into the relative performance of different marketing campaigns. Data from international campaigns over the period being analysed is shown in **Tables 7 and 8**. Table 7 shows figures for the ratio of additional tourism spend to campaign costs while Table 8 shows the additional tourism spending in monetary terms. Over the period 2004-2007, the former measure was used as the target, but the monetary value is now used as the target.

Table 6 – Return on investment for international campaigns 2004-2009

(ratio of additional tourism spend to campaign costs)

Year	Target	Geographic domain of campaign				
		USA	Spain	France	Germany	Netherlands
2004	15:1			38:1	18:1	
2005	33:1 (USA) 15:1 (Europe)	33:1	44:1			19:1
2006	23:1			35:1	20:1	
2007	30:1	86:1	211:1			151:1
2008	..			162:1	189:1	
2009	..	69:1	131:1			

Note: methodologies changed in 2007, so results for earlier years are not directly comparable with later years

Source: VisitScotland correspondence 2010

Table 7 – Return on investment for international campaigns 2004-2009

(additional tourism spend resulting from campaigns)

Year	Target	Geographic domain of campaign				
		USA	Spain	France	Germany	Netherlands
2004	..			£14.2m	£14.6m	
2005	..	£17.1m	£6.0m			£4.1m
2006	..			£9.3m	£11.8m	
2007	..	£23.7m	£32.9m			£14.3m
2008	£27.6m			£15.8m	£33.9m	
2009	£60m	£44.6m	£21.9m			

Note: methodologies changed in 2007, so results for earlier years are not directly comparable with later years

Source: VisitScotland correspondence 2010

Changes in survey methodology and exogenous factors such as exchange rates make time-series comparisons difficult and so the data is more reliably used to provide an insight into the relative in-year returns across different geographical areas. In particular, methodologies changed in 2007, so results for earlier years are not directly comparable with later years. In general, looking at performance in individual years, the data show that, since 2004, VisitScotland has either met or exceeded their internal targets relating to these measures.

The information suggests that European markets provide a higher ROI relative to long-haul/USA markets. This could imply that the European markets are more susceptible to influence than long-haul/USA markets. VisitScotland uses this information to develop and inform its campaigns and marketing activities.

It should be emphasised that VisitScotland's methodology for calculating its ROI is very different from methodologies used by other public sector organisations, such as SDI who report much lower figures. As a result, although VisitScotland's return on investment figures are useful for making internal comparisons of the returns from different markets, they cannot be directly compared with return on investment figures from other organisations.

Performance in an internal context – other measures

VisitScotland also undertake performance monitoring at project level to ascertain the effectiveness of different categories of spend. Some examples are shown below.

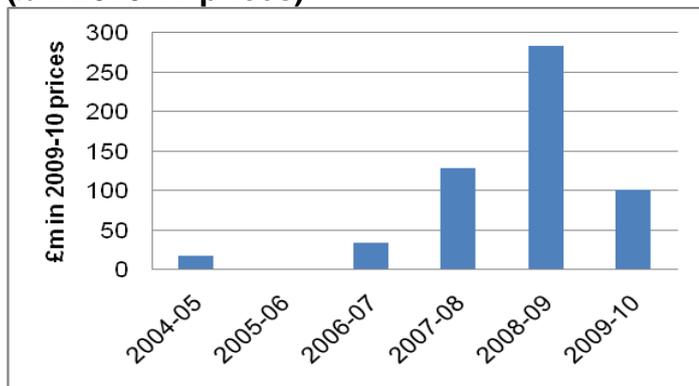
Public Relations (PR) activity

PR activity includes identifying and targeting writers and broadcasters (including TV or radio programmes, newspaper or magazine titles, online columns and bloggers) to generate indirect

advertising for VisitScotland. To do this the PR team sends out e- newsletters, news releases and features, runs events, hosts media and conducts interviews.

One measure VisitScotland use to monitor the success of this work is to monitor PR coverage as a result of these activities across print, radio and television. This is used to estimate the cost which would have been incurred if the space had had to be purchased for advertising. Data collated over the period being analysed are shown in **Figure 7**.

Figure 7 - Estimated advertising equivalent value of international PR activity (£m 2010-11 prices)



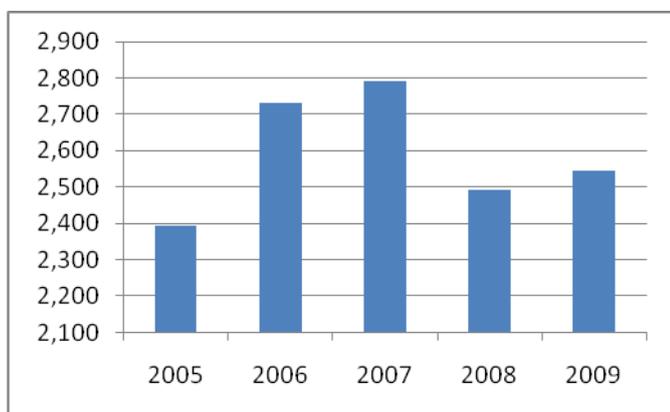
Source: VisitScotland correspondence 2010

The advertising equivalent value of the PR was at its highest in 2008-09, driven by the marketing leading up to Homecoming 2009. Although the advertising equivalent value for 2009-10 was lower, VisitScotland report that this was a result of more ‘tactical’ and focused PR activity related to specific Homecoming events. It should be noted that the value of PR activity is not always proportional to the ‘reach’.

Performance in an external context

Headline indicators used to gauge performance of the tourism sector as a whole include the total number of visits and total spend by tourists. Data for both of these indicators is provided in figures 8 and 9 below. It should be noted that this information is estimated using the International Passenger Survey. The sample sizes in Scotland are estimated by ONS (Visit Britain) to have a margin of error of +/- 5%, and this should be borne in mind before drawing conclusions from small changes in performance.

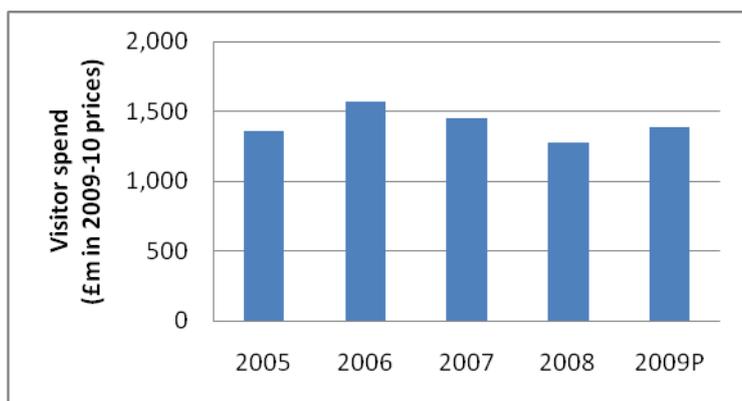
Figure 8 - Total international visits to Scotland 2005-2009



Source: [VisitBritain](#) 2010

Between 2005 and 2009 there has been a 6% increase in visitor numbers to Scotland. However, visitor number in 2008 and 2009 are lower than they were in 2006 and 2007. This is likely to have been strongly influenced by the economic downturn experienced in key markets. However, it is worth bearing in mind that the more favourable exchange rate which has prevailed over this period may have prevented tourism figures from falling even further.

Figure 9 – Total international visitor spend in Scotland (£m 2009-10 prices)



Trends in visitor spend are also influenced by economic conditions and exchange rates.

Between 2005 and 2009 there has been a 2.3% increase in visitor spend in real terms.

Source: [VisitBritain](#) 2010

[Scottish Tourism: The Next Decade - a Framework for Change](#) (Scottish Government, 2006b) was published in 2006, with the aspiration of growing tourism revenue by 50% by 2015. In 2009-10 prices overall tourism revenue (domestic and international) has gone from £4,550m at the 2006 baseline to £4,150m in 2009 – a real terms decrease of 8.5%. In a recent appearance at the Economy, Energy & Tourism Committee, Richard Arnott of the Scottish Government [stated](#)

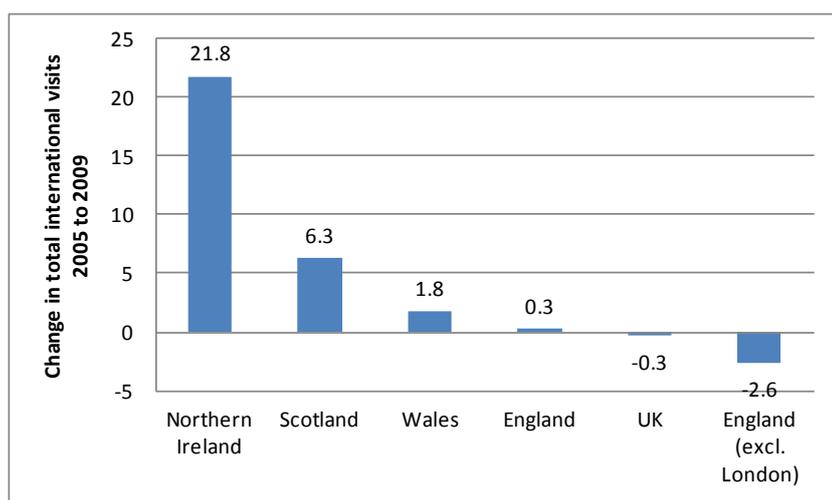
“It is clear that we are not on a trajectory towards achieving a 50 per cent growth in the decade up to 2015....That is probably widely accepted to be because there have been significant changes in world economics and several other events that affected tourism in the period. One never knows what would have happened if we had not done what we have done. That is one of the things that it is always difficult to analyse”

(Scottish Parliament, 2010b).

Benchmarking

Commonly used measures to benchmark tourism performance across countries include return on overall marketing activity investment and changes in the volume and value of tourism. Owing to variation in methodologies to calculate return on investment (even between VisitScotland and VisitBritain) this analysis considers how the overall volume and value of tourism in Scotland has change over the period 2005 to 2009 relative to other comparator countries.

Figure 10 – Change in international visits 2005 to 2009 in comparator countries



Source: [VisitBritain](#) 2010

Figure 10 illustrates that Scotland has performed relatively well when compared to other UK regions, with a 6.3% increase in international visits, relative to 1.8% in Wales, 0.3% in England and an overall decrease across the UK. While Northern Ireland experienced the highest increase at 21.8%, particularly small sample sizes in this region give rise to a larger margin of error.

Figure 11 – Change in international tourist spend 2005 to 2009 in comparator countries

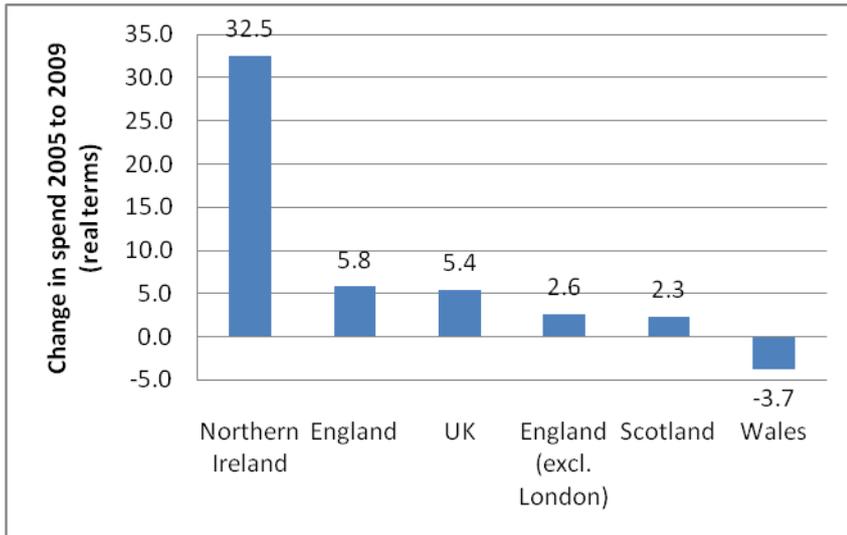


Figure 11 illustrates that Scotland did not perform so well relative to other UK regions when it comes to the change in international tourist spend over the period 2005 to 2009. Although in real terms, spend increased 2.3% in Scotland, spend across the UK as a whole increased 5.4%. Only Wales experienced worse performance than Scotland. However, the +/- 5% margin of error given sample sizes in Scotland should be borne in mind.

(Source: [VisitBritain](#) 2010)

Despite a mixed picture over the period 2005-2009, the figures for Scotland in 2009 show a stronger relative performance. Between 2008 and 2009, the volume of visitors to Scotland increased 2.1% relative to a 6.3% decline for the UK as a whole. Tourism spending in Scotland increased 8.8% in real terms, compared to a 0.4% increase across the UK as a whole.

SCOTTISH QUALIFICATIONS AUTHORITY (SQA)

Key points	<ul style="list-style-type: none"> • SQA's international activities aim to support the Scottish Government's international strategy; to promote Scotland and Scottish education; and to establish and maintain SQA's reputation overseas • SQA's international activities are also an important and growing area of work which provide valuable income streams • The majority of international activities aim to generate surplus income which is reinvested in SQA's core activities and role in Scotland. • In 2009-10, international income exceeded expenditure on international expenditure by £0.2m • A number of measures are used to monitor international activities, focusing on levels of activities and outputs • Benchmarking is complex due to the differing remits and status of other awarding bodies
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Summary of international expenditure

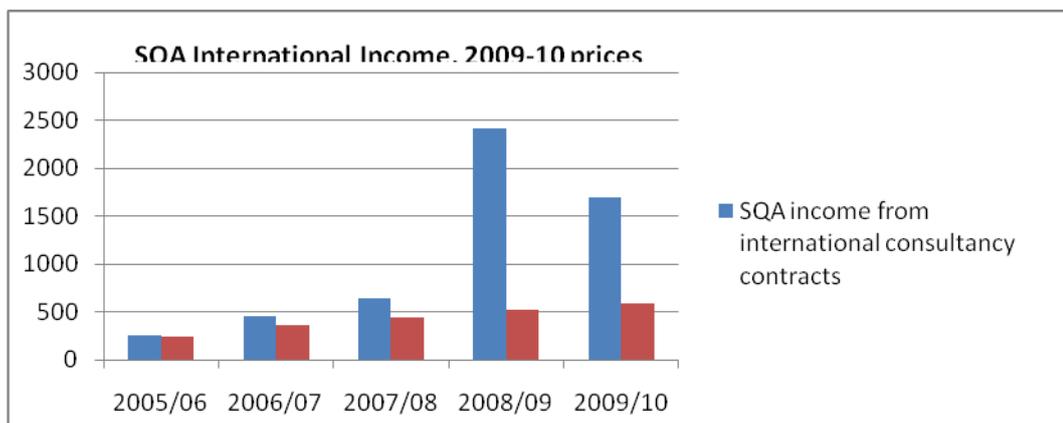
SQA's international awarding and consultancy activities generated income of £2.46m in 2009-10. The costs associated with delivering these activities totalled £2.25m in the same period, giving a surplus of £0.2m. This includes both costs incurred in Scotland as well as those incurred overseas.

Strategy and objectives of international spend

SQA and its predecessor bodies have been actively engaged in international activities for over 20 years. Over this period, the scale of international activities has grown considerably and international income now accounts for around 5% of all income generated by SQA. Income from both international awarding activities and international consultancy has grown over the period, although consultancy income has shown a less steady growth pattern, reflecting the nature of contracts won.

Income from the two main areas of international activity – awarding activities in China and international consultancy income is shown in **Figure 12**. These two areas of activity accounted for 93% of all international income in 2009-10.

Figure 12: SQA international income



(Note: due to the way in which SQA was structured in previous years, it has not been possible to isolate financial information for all international activities. However, the data above would account for the majority of international income)

SQA has a business team within the organisation dedicated to implementation of its international strategy. The current international team was established in October 2008 and currently has 10 staff whose focus is on international activities.

SQA's International Strategy is aligned to the strategies and objectives for international engagement laid out in the Scottish Government International Framework and in its plans for specific countries. SQA's International Strategy sets out five reasons for its international work:

- To support Scottish Government engagement plans and to inform and influence Government policy;
- To promote Scotland, Scottish ideas, qualifications and related services globally;
- To maintain and further develop SQA's position as a respected international awarding and accreditation body;
- To benchmark SQA's qualifications, policies and practices against other similar organisations worldwide, to help ensure that SQA products and services continue to be seen as leading-edge and innovative;
- To provide new income streams which are re-invested to support SQA's core activities in Scotland.

The provision of new income streams is an imperative for SQA, in the context of declining government funding and projections of lower domestic income due to demographic factors. In this context, achieving its objective of "maintaining a high quality portfolio and services which meets the needs of learners, businesses, the economy and people of Scotland" relies on the generation of significant levels of income. International activities are seen to make an important contribution in this respect.

Activities and impacts

Within the international strategy, there are four specific strands of work aimed at supporting the objectives of the strategy, namely:

- **International awarding and associated services:** enabling overseas students to obtain SQA qualifications, including through approved awarding centres in China and India.
- **International consultancy through winning and delivering contracts:** SQA staff use their expertise to provide support and advice to overseas countries in relation to awarding and assessment systems, especially in developing and transition countries
- **Training services commissioned by clients:** SQA staff deliver training to overseas clients in the delivery and development of qualifications and assessment frameworks
- **Supporting activities such as study visits:** this includes hosting visitors from other countries as well as supporting the visit programmes and international activities of other Scottish public bodies.

Financial surplus is realised to varying degrees in all four of these areas, taking into account the wider aims of SQA's international engagement. Certain consultancy and training activities may be undertaken on a cost recovery basis where these activities support other wider Government priorities such as the Scottish Government's objectives in developing countries. Income and

costs for the two main areas of international activities – awarding and consultancy are shown in Table 9.

Table 8: Financial information for SQA international activities, 2009-10

Area of activity	Income from activity (£m)	Costs associated with activity (£m)	Financial surplus (£m)
International awarding	0.78	0.70	0.07
International consultancy/other	1.69	1.54	0.15
Total	2.46	2.25	0.22

Performance in an internal context

SQA measures the impact of its international activities using a range of indicators reflecting the different nature of the various strands of international work. Key measures are summarised below. The performance measures are primarily activity and output measures rather than measures of impact and are monitored and reported regularly to SQA’s International and Commercial Committee and to SQA’s Board of Management. The measures can be seen to link with the stated objectives of the international strategy, although this link is not explicitly made. SQA’s international strategy is formally reviewed on an annual basis.

It should also be noted that where expenditure relates to the delivery of contracts, then these contracts will be evaluated against criteria stipulated by those awarding the contracts, rather than against the wider aims and objectives of SQA.

Table 9: SQA Performance Measures

Area(s) of activity	Performance measure	Assessment of performance
International awarding International consultancy Training services	Income generated	<ul style="list-style-type: none"> For all SQA’s international activities, costs are covered and, where appropriate, a surplus is generated Income generated from international activities has quadrupled since 2005-06 (in real terms) Overall, in 2009-10, income from international activities exceeded expenditure by £0.2m Profit generated is ploughed back into development and maintenance of core products and services for learners in Scotland
International awarding	Number of overseas students studying for SQA qualifications	<ul style="list-style-type: none"> In China, the number of candidates registering for SQA HNDs has risen from 645 being certificated in 2006 to around 17,000 having completed or being in the process of completing an HND in 2009-10
International awarding	Number of countries offering SQA qualifications	<ul style="list-style-type: none"> Awarding activities now extend to 10 countries
International awarding	Number of institutions accepting SQA qualifications	<ul style="list-style-type: none"> Over 200 universities across 12 countries have accepted students from China holding SQA qualifications
International consultancy Training services	Success rate in winning consultancy contracts	<ul style="list-style-type: none"> 1 in 2.5 success rate over period July 2009-July 2010 (relative to 1:6 – 1:8 norm)
International consultancy Training services	Range of countries where SQA has won consultancy contracts	<ul style="list-style-type: none"> 23 countries
Supporting activities	Number of inward study visits and delegations	<ul style="list-style-type: none"> 14 study visits involving 136 visitors (2009-10)

Performance in an external context

SQA's international activities are largely aimed at generating income to support its activities within Scotland. As such, it is not seeking to influence wider 'external' economic indicators in the same way as the other organisations covered by this report.

In addition to the aim of generating income to support other strands of work, SQA's international activities aim to support wider reputation-building objectives (both for SQA and Scotland more generally). Qualitative measures of impact are cited by SQA in relation to these broader objectives. For example:

- Engagement with other countries' ministries and governments e.g. partnership with the Chinese Service Centre for Scholarly Exchange;
- Involvement in high level strategic international events, conferences and workshops, including ministerial visits;
- Engagement with government departments and agencies to co-ordinate international activities, share information and identify synergies e.g. Learning and Teaching Scotland, Scotland's Colleges International

As with other activities with 'reputation-building' objectives, it is difficult to make an objective, quantitative assessment of impact.

Benchmarking

Although there are a number of other UK bodies with functions similar to SQA, their remits and responsibilities all differ, which makes benchmarking complex. For example, Edexcel, a UK-based awarding body, has extensive international activities and competes directly with SQA in international markets. However, as a private sector organisation, its strategic focus and organisational objectives will be very different from SQA's. Furthermore, as all of the bodies have commercial activities, the information that would be required for a benchmarking exercise is not in the public domain. As a result of these difficulties, SQA does not formally benchmark its international activities against other similar bodies.

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ANNEXE 1 - CASE STUDY: TARTAN WEEK/SCOTLAND WEEK

Key points	<ul style="list-style-type: none"> Funding levels for Scotland Week remain less than half what they were for Tartan Week. This reflects the sharper economic focus of the Scotland Week programme. Tartan week and Scotland Week host a wide variety of events and some of these are described below
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Table A1 provides details of expenditure on Tartan Week and Scotland Week from 2005 to 2010.

Table A1 – Tartan Week/Scotland Week expenditure 2005-2010

Funding source	Tartan Week			Scotland Week		
	2005	2006	2007	2008	2009	2010
Scottish Government	£480,101	£658,500	£483,000	£185,970	£160,775	£229,095
VisitScotland	£380,000	£384,300	£273,000	£86,000	£83,000	£62,670
SDI	£35,230	£37,230	£9,230	£62,755	£93,475	£77,954
TOTAL	£895,331	£1,080,030	£765,230	£334,725	£337,250	£369,719

The objectives of Scotland Week/Tartan Week have been adapted each year since 2005. Table A2 sets out the objectives for 2005 and 2010. The focus has shifted from wide ranging objectives, including the promotion of aspects of Scottish culture to a tighter range of economic objectives.

Table A2: Stated objectives of Tartan Week and Scotland Week

2005 Tartan week	2010 Scotland Week
<ul style="list-style-type: none"> To showcase Scotland and celebrate Scottish culture. To communicate 21st Century Scotland. To create opportunities for Americans to invest in Scotland/participate in Scottish events. To establish links and collaborations between the US and Scotland. To increase awareness of devolution and Scotland's new governance arrangements. 	<ul style="list-style-type: none"> To demonstrate confidence in the Scottish economy and promoting Scotland as an internationally competitive business location in two of our most important overseas markets; and, To promote Scotland as a great place to live, learn, visit, work and invest.

Activities and Outcomes

By its nature Tartan Week and Scotland Week have delivered a wide range of events and activities. Some events are one-offs, whilst others have been repeated annually. The outcomes from many of these activities are difficult to measure. Some examples of events that are part of, or associated with, the week are given overleaf:

Examples of Activity	Description and identified benefits
'Scotland Village' in Grand Central Station	<p>The Scotland Village ran in Grand Central Station in 2005, 2006 and 2007. In 2008 Vanderbilt Hall in Grand Central Station was closed for refurbishment during Scotland Week and this necessitated a change of direction. Subsequently the Scotland Week tactics changed with a primary focus on Business to Business activity representing a different approach from the predominantly consumer facing one with the Scotland Village. Some 60,000 visitors had 'engaged' with the village in 2006, rising to 71,000 in 2007.</p>
Dressed to Kilt (DTK)	<p>First took place in 2003, organised by the Friends of Scotland, an American non-profit organisation dedicated to advancing contemporary Scottish interests in the United States. From 2009 the Scottish Government, SDI and VisitScotland together negotiated a single sponsorship agreement (£37,000 in 2009 and £50,000 in 2010).</p> <p>The Government reports that in 2009 the sponsorship fee bought significant promotional profile for the Year of Homecoming Scotland and for Scottish textiles companies participating. In 2010, as well as providing a high profile platform for the Scottish textiles industry, the sponsorship agreement included access to a 'pop-up' store in Manhattan as a vehicle for displaying and promoting Scottish textile products in the run up to and immediately after DTK.</p> <p>For 2009, Friends of Scotland estimated that the media coverage of DTK was equivalent to \$5 million in advertising spend and additional TV coverage worth £2 million. Similar results were claimed in 2010.</p>
Tartan day Parade	<p>Not a Scottish Government event and no funding provided. Estimates of around 2,000 participants each year</p>
Scotland 10k Run	<p>The Scotland Run is a Scottish Government sponsored event, in association with the New York Road Runners Club. Sponsorship costs have been: 2008: £32,584, 2009: £32,776, and in 2010 £39,381 – the latter increase reflecting exchange rate movements. The numbers participating in the Scotland 10k (a qualifying event for the New York Marathon) has risen from around 3,000 in 2005 to over 8,000 in 2010. Interviews with participants provided some evidence of more favourable attitudes to Scotland as a result of their participation.</p>
Harry Benson photographic exhibition (2010)	<p>A one off exhibition that ran for 16 days, was viewed by 3,000 visitors who gave an 'overwhelmingly positive response'. The exhibition space was also used to host three other Scotland Week events. The cost to the Scottish Government was just under £23,500</p>
Ministerial Programme	<p>A ministerial programme has been a core aspect of every Tartan Week and Scotland Week (except 2007 due to the election). In 2010 three ministers attended 80 engagements across 10 cities. Impact is by its nature very difficult to measure.</p>

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