

EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

Tuesday 20 January 2004
(*Afternoon*)

Session 2

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EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

2nd Meeting 2004, Session 2

CONVENER

*Richard Lochhead (North East Scotland) (SNP)

DEPUTY CONVENER

*Irene Oldfather (Cunninghame South) (Lab)

COMMITTEE MEMBERS

*Dennis Canavan (Falkirk West)
*Mrs Margaret Ewing (Moray) (SNP)
*Phil Gallie (South of Scotland) (Con)
*Mr John Home Robertson (East Lothian) (Lab)
*Gordon Jackson (Glasgow Govan) (Lab)
*Mr Alasdair Morrison (Western Isles) (Lab)
*Mr Keith Raffan (Mid Scotland and Fife) (LD)

COMMITTEE SUBSTITUTES

Ms Wendy Alexander (Paisley North) (Lab)
Murdo Fraser (Mid Scotland and Fife) (Con)
Nora Radcliffe (Gordon) (LD)
Nicola Sturgeon (Glasgow) (SNP)

*attended

THE FOLLOWING GAVE EVIDENCE:

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

CLERK TO THE COMMITTEE

Stephen Imrie

ASSISTANT CLERKS

Nick Hawthorne
David Simpson

LOCATION

Committee Room 1

Scottish Parliament

European and External Relations Committee

Tuesday 20 January 2004

(Afternoon)

[THE CONVENER *opened the meeting at 14:03*]

Regional Development Funding Inquiry

The Convener (Richard Lochhead): Good afternoon and welcome to the second meeting of the European and External Relations Committee in 2004. I have received no apologies and I expect that some members of the committee will arrive in a few minutes' time.

The first item on the agenda is further evidence in the committee's inquiry into the impact on Scotland of the current proposals on regional development funding and the United Kingdom Government's proposal to repatriate regional funds to the UK.

This afternoon we will hear from witnesses from the Wise Group, Scottish Natural Heritage, the Scottish Council for Development and Industry, the Scottish Environment Protection Agency and Highlands and Islands Enterprise. I welcome Abigail Howard, Richard Robinson, Roland Diggins, Dr Calum Macleod and Frank Gaskell.

I invite witnesses to make a brief statement of no more than three minutes—if that is possible—before we move on to questions from members. Would Abigail Howard like to kick off on behalf of the Wise Group?

Abigail Howard (Wise Group): Thank you for giving me the opportunity to attend the meeting and to present our position on the issue, which is of critical importance to the voluntary sector. Although the Wise Group co-ordinated the production of the written evidence, we represented the views of five voluntary organisations: the Scottish Association for Mental Health, One Plus, the Claverhouse Group, West Fife Enterprises and the Wise Group itself, all of which have made a lot of use of structural funds—about £27 million-worth in the current programme—to deliver important outputs for the most disadvantaged groups in Scotland.

As I work for the Wise Group, I am most qualified to give that organisation's perspective. I am not sure what members know about the group,

so I will provide some brief information. The Wise Group was established in 1983—we have just celebrated our 20th anniversary—and its key focus has always been about helping the unemployed to move into sustainable employment. Over our 20 years in existence, the way in which we have done that has changed and developed, but the key focus has not changed. At the core of our work is the importance of access for all to good-quality, paid employment, although we have a far broader regeneration and anti-poverty remit.

We have used structural funds in virtually every aspect of our project delivery over 20 years. If we had not received European structural funds, we could not have achieved anything, which is why we always refer to the Wise Group as an ESF organisation. ESF is the glue that has held together what have been often complex and contradictory funding packages. It has provided added value for our beneficiaries and mainstream regeneration funding that we have been able to use in a way that we would not otherwise have been able to use it.

It is quite telling that the five organisations that are represented in our submission to the committee found it easy to come together and form a view on the issue. Structural funds are crucial to the existence of those organisations and to the provision of the services that they offer. Most voluntary organisations do not receive core funding and not many other large-scale regeneration funding sources are available to us. Although there are positive moves afoot, such as the futurebuilders initiative, which I hope will help voluntary organisations and which represents a step towards recognition of the contribution that they make to public services, there are not viable alternative sources of funding.

Our views on the matter are pragmatic. We are more concerned with the simple issue of what funding will be available and how it will be distributed than with ideological issues about whether we are pro or anti-European. However, we regard much of the programme as very strong and we believe that it should be maintained. That might surprise some people who work in the field of European funding, as I think that the voluntary sector often complains about matters such as payment delays and audit and administrative burdens. Those are real issues, but they should not be allowed to detract from the real strengths of the current system.

We have four main concerns. Obviously, the first is about the amount of funds that will be available under any new system and the duration of that funding. I know that other witnesses have often raised that issue with the committee, so I will not go into detail on the matter.

Secondly, we are concerned about the policy drivers that would be behind any new funding regime. The current system allows the policy behind the funding to be set at a European level for a seven-year period and allows us to use the funding towards the aims of the Lisbon agenda and other long-term strategies. Any move away from funding with a European source would have to provide funding with ring-fenced regeneration and social inclusion targets. We would welcome reassurance that there will be a continued emphasis on social inclusion and employment under any new funding regime.

Our third area of concern is about the continued provision of funding that would allow added value, innovation and flexibility in the way that the current structural funds system does.

Our fourth and probably most crucial concern is about how the funds would be distributed, wherever they came from. The key strength of the ESF system in Scotland, which sets it apart from other funding regimes in the UK, is the fact that it is an open, accountable, accessible and inclusive system that has clear eligibility criteria. The model encourages partnership and allows local people to scrutinise projects via the advisory group system, thus avoiding duplication. It also promotes a culture of best practice. For the voluntary sector—certainly for the organisations that I have spoken to—the worst-case scenario would be the incorporation of future regeneration funds into mainstream budgets. That would lead to the danger that shorter-term, politically-motivated priorities might direct funding.

The Wise Group is a national organisation that works in the ESF system both in Scotland and in England. I have experience of both models and I think that the Scottish system is far more open and easily accessible to the voluntary sector. In England, where European funding has moved towards a co-financing system, it has been much harder for us to access funds. We are not alone in having that experience. Our fear is that the proposed renationalisation of funding would move towards a model more like the co-financing system, which we would be concerned about.

To summarise, our key concerns are: that funding should continue to be available at as high a level as possible, which I am sure everyone would wish for; that it is distributed in the most transparent and open way possible; that funding is ring fenced for regeneration activity; and that emphasis remains on social inclusion and the employment agenda, so that we can maintain the positive features of the current system, wherever the funding comes from.

The Convener: I invite Richard Robinson from SNH to give us a few words.

Richard Robinson (Scottish Natural Heritage): I thank the committee for inviting SNH to give evidence today. Some of the evidence that we are providing and some of the written contributions that the committee saw in the summer do not comment directly on the questions that you are asking in the inquiry. That is partly because the state of policy development is in such a confused state that it is unclear how the options will pan out. We have tried to focus on the main possible implications for the natural heritage of changes to regional funding. Dealing with the basic issues should inform the debate about the funding processes that will be set up at European or UK level.

We have been involved in the structural funds programme since 1994. We have participated in partnerships and contributed staff time to programme planning, programme management and the advisory committees. We have also provided match funding to natural heritage-related projects and run some of those projects ourselves. Over the period, we have collaborated increasingly with the Scottish Environment Protection Agency. Since 2001, we have had a joint project officer, whose role is to assist in mainstreaming the structural funds' horizontal theme of sustainable development. That officer is Calum Macleod, who will be speaking later.

The main requirements of regional funding programmes in future will be: to retain and enhance the partnership approach; to increase the contribution of funding programmes to sustainable development; to retain a regional approach that responds to Scotland's varying geography; and to ensure better linkages with other policies and programmes, particularly the common agricultural policy programmes. There is wide support in Scotland for partnership and taking a regional approach, so I will not say much about those at the moment, but I will say something about sustainable development and about how regional funding programmes could contribute most to regional sustainable development, which is surely their aim.

A number of improvements could be made to build on the progress that we have made so far. The first of those would be to have better strategic planning of the programmes. There are opportunities to focus more on what might be called win-win outcomes, rather than separate the economic, social and environmental aims of the programmes. There is also a need for better implementation methods, to ensure that the best-quality project proposals come out at the top of the list. That builds on past practice. We have made progress, but there is further to go.

To achieve those aims, there is above all a need to widen the range of targets, outputs and

indicators that are used for programmes, so that they include environmental issues much more explicitly, and not just economic and social issues. In addition, there is a need to build skills and understanding in the public and private sectors to assist in planning more sustainable projects and to make them work in practice. All those points depend on local knowledge and responsibility and taking an integrated approach, which links back to the question of having regional partnerships.

The direct role of the natural heritage in regional development is often undervalued. In some areas, the natural heritage is a key economic resource and in others it contributes significantly to regional competitiveness through its contribution to quality of life. It affects inward investment, community confidence and the extent to which skilled labour can be retained.

In the past, structural funds have provided investment in natural heritage-related development projects, two examples of which spring to mind. One is the visitor facilities at Knockan national nature reserve in the north-west Highlands, and the other is the Hamilton to Larkhall access network in Lanarkshire.

Urban green space, remote rural areas and countryside around towns all offer opportunities for regional funding investment and we believe that that should continue after 2007. We also think that European Union policy is likely to make a particular priority the Natura 2000 network of protected areas that require investment to maintain their condition. Wider development projects around those and other areas, such as national parks and national scenic areas, could generate considerable local benefit. There is also increased recognition at EU level that remote, island and mountainous areas have particular problems with costs, communications and community sustainability. Those areas also contain some of Scotland's best natural heritage. The right kind of investment could combine social, economic and environmental benefits through, for example, sustainable tourism or quality food production. I emphasise that it would need to be the right kind of investment, because it is important to take a broad and long-term view of the sustainable development opportunities in such areas if the sensitive environment and quality are not to be undermined.

The common agricultural policy has an important role to play. We believe that from 2007 there should be a real attempt to develop integrated programmes that bring together regional funding and CAP investment. That would help to ensure that the investment that the CAP will be making in the environment and agricultural diversification is of greatest benefit to local and regional economies and communities.

14:15

Roland Diggins (Scottish Council for Development and Industry): I thank the committee for giving me the opportunity to come along. The SCDI is a pro-economic development organisation with a broad membership base from the private, public and voluntary sectors. We do not receive funds sourced through regional policy, but many of our members do, or they are involved in the management and partnership arrangements for such funds in Scotland. Those include my fellow witnesses' organisations.

Our evidence is based on evidence that we submitted to the UK Government consultation and to the wider European Commission consultation on regional and cohesion policy. During 2003, the evidence was discussed thoroughly and agreed at our executive committee, which is our top-level policy-making committee.

I draw to the committee's attention four aspects of our submission. The first is the lack of support for the UK Government's proposed renationalisation of regional policy as it stands. The devolution settlement, election cycles and changes in governing parties and in budget priorities seem to suggest that a regional policy package would be unstable if it were renationalised to the UK or member-state level.

The second point is that we continue to be unhappy with the use of the criterion of 75 per cent of EU gross domestic product per capita that is used to identify lagging regions, as we think that it is an extremely blunt economic indicator. The SCDI believes that the UK should press its European Union partners and the Commission to develop a wider basket of acceptable economic indicators that could be used to identify the trigger levels for participation in regional policy and other programmes.

The third point is that we believe that the forthcoming EU-level regional policy package should go further in taking into account the combination of increasing peripherality and other distinct issues with which Scotland must cope in achieving a level economic playing field with the other regions of the enlarged European Union.

My last comment is on the allocation of funds. We suggest that it is possible to develop a thematic approach at strategic EU level and to combine it with a subsidiarity-driven, bottom-up, zoning approach at national and sub-national level. For example, all projects could meet the Lisbon agenda themes, but greater targeting and concentration of funds could be achieved through more local decision making.

The Convener: I invite Dr Calum Macleod from the Scottish Environment Protection Agency to say a few words.

Dr Calum Macleod (Scottish Environment Protection Agency): On behalf of SEPA, I express my thanks for the opportunity to comment on and participate in this relevant inquiry. Rather than rehearse the main points made in our written submission, I will explain briefly SEPA's role in structural funds, talk about the mainstreaming agenda that we are pursuing within the current structural funds programmes and explain what value that has in the context of the debate that we are having today.

SEPA's main aim is to provide an efficient and integrated environmental protection system for Scotland that will both improve the environment and contribute to the Scottish ministers' goal of sustainable development. The agency's corporate approach to achieving that aim is based on seven outcome objectives, one of which is entitled "Creating the environmental framework for the economic well-being of Scotland". We view regional policy as an important tool with which to pursue that outcome, within the broader framework of the agency's aims.

Like SNH, SEPA has participated in Scotland's structural funds programmes and partnerships since its inception in 1996. That has included contributing staff time to programme planning, implementation and management. As Richard Robinson mentioned, it has also involved co-funding the post that I hold.

In our written submission to the committee, we indicate that we view the current programme's emphasis on mainstreaming sustainable development as one of its key strengths. In practice, mainstreaming involves encouraging programmes to undertake decision making that places the consideration of sustainable development at the very heart of the process. Perhaps more important, it involves encouraging applicant organisations to incorporate sustainable development considerations into projects' design and delivery as a matter of routine.

The overall aim of the mainstreaming agenda that the Scottish programmes are undertaking is to facilitate cultural change that will lead to practical results, which is never easy. Of relevance to this inquiry, another concern is to learn the lessons of the Scottish mainstreaming experience, so that they can subsequently be transferred and applied to other regional policy frameworks.

Some of those lessons are already emerging. The recently completed mid-term evaluations of the Scottish structural funds programmes report that the approach that is being taken has raised the profile of sustainable development in the context of the structural funds programmes. It has led to organisations reporting greater competitiveness because of the increased use and scholarship of their environmental assets. Other

organisations report that the delivery of local environmental schemes has added value to community development initiatives.

Other issues remain to be addressed in the current programmes and in future frameworks. Those include the relatively weak mainstreaming performance of small-business support schemes, especially in relation to environmental performance; the suitability of the targets and indicators that are used to measure progress in relation to sustainable development; and the degree of uncertainty that some applicants experience in relation to the fit between sustainable development and their projects' aims and objectives.

In summary, the structural funds programmes are making significant progress in mainstreaming sustainable development. We hope that the features that we have identified in our written submission will be retained and acted on in the context of any new policy framework.

The Convener: Thank you. I invite Frank Gaskell, from Highlands and Islands Enterprise, to speak.

Frank Gaskell (Highlands and Islands Enterprise): On behalf of Highlands and Islands Enterprise, I thank the committee for the opportunity to share our perspective with members—a perspective that is consciously partial to the specific issues of the Highlands and Islands. Copies of a briefing document that was prepared with our regional authority partners, which summarises the critical significance of structural funds to our area, are being sent to you. In the interest of brevity, I propose not to deal with that aspect now, although I would be delighted to respond to questions on any issue that is covered.

Although Highlands and Islands Enterprise welcomes all proposals for radical review of the extremely complex and heavily administered field of structural funding, we have concerns about the deliverability and policy content of the UK Government's approach. We are not convinced of the feasibility of the proposed model, not only in respect of the multi-annual guarantee, but in relation to achieving the fundamental prerequisite of the European framework for devolved regional policy. There must be doubt about whether the proposed means—the open method of co-ordination—is robust enough to produce a meaningful strategy in the complex area of structural funding.

We are equally concerned about elements of the policy approach that has been outlined. The consultation paper stresses throughout that the aim is to support the Lisbon agenda. We recognise the importance of the Lisbon agenda, with which we associate the sustainable

development element that was added by the Gothenburg conclusions. However, we fear that the strength of the commitment in the UK proposal to the Lisbon outcomes suggests a horizontal approach, which clearly gives more emphasis to growth opportunities than it does to spatial disadvantage. At its extreme, the argument is that funding should be directed not to the poorest regions, as it is now, but to projects that are designed to achieve optimum growth, regardless of their location.

That concern is reinforced by the lack of any reference in the proposal to territorial cohesion and balanced, equitable, regional development. We would find it difficult to support the UK Government's proposal unless a considerably stronger element of spatial strategy was to be incorporated in it.

There are only two references to the criteria that might be used for allocation of the increased domestic funding under the UK proposal. Both cite GDP and unemployment, apparently in combination. That is perhaps appropriate in a general UK context, but it is entirely inappropriate in the context of the Highlands and Islands. We have a falling GDP but a low level of unemployment, which is the consequence of a high level of part-time employment under which multiple job holders nevertheless earn low reward. There is serious underemployment rather than unemployment. The unemployed tend to leave the area to seek a future elsewhere. Many of our islands have lost more than 10 per cent of their population in the past 10 years.

From a more strategic point of view, we value the absolute guarantee of a multi-annual programme period that the current structural funds system affords. Most of all, we value the degree to which the entitlement of the Highlands and Islands can be ring fenced during that period. For various understandable reasons, those features would be extremely difficult to replicate within the UK proposal.

Moreover, issues that are of fundamental significance to the Highlands and Islands, such as mountainousness, insularity, sparsity of population and peripherality, are naturally of varying interest to individual member states but quite appropriately justify strategic recognition at a European level. We feel that that is more achievable under the existing mechanism than through the less tested, open method of co-ordination and the EU framework for devolved regional policy that it is intended to deliver.

Finally, we welcome the assurances of the UK Government regarding future preservation of the added value of the European approach. We are currently in possession of and confident about the continuance of the recognised benefits of the

existing structural funds regime. The benefits include partnership, multi-annual programming, networking and international co-operation. It is not clear how efficient the UK proposal would be in sustaining those precious tools, which have been particular features of the Highlands and Islands programmes.

Of course, considerable simplification and improvements in the efficiency of delivery could confidently be expected of the UK model. However, the European Commission has already embarked on a radical rationalisation to achieve similar ends and, most particularly, to deliver proportionality of administration.

Structural funds have had a significant effect, both direct and catalytic, on our efforts to develop and sustain the Highlands and Islands over the past decade. It is our earnest desire to be allowed to secure and build on that real added value.

The Convener: Thank you very much. I have to say that your oral evidence was easier to understand than HIE's written evidence, which I do not think would win many awards for plain English.

I ask committee members to indicate if they want to ask questions and to indicate whether they want their questions to be answered by the entire panel or by individual members of it.

Irene Oldfather (Cunninghame South) (Lab): I will start with a general question for all panel members. The presentations were thorough, but our witnesses seemed to be comparing the UK proposal with the current system. I gather that there is a lot of support and enthusiasm for the current system. However, as there will be changes when enlargement takes place, would our witnesses like an increase in the overall EU budget? Have they conducted an analysis of how the proposed system post-2007—when moneys will move east—might have an impact on their organisations? Roland Diggins from the SCDI said that he would like a wider basket of indicators. If he could elaborate on that, it might help us to tease out some of issues around where we would be post-2007.

I recognise that our panel members are comparing the current system with the UK Government's proposals. The Commission's proposals are not yet on the table, but I gather that the Commission will meet next week to fine tune its position and to decide what proportion of the budget might be allocated. I realise that our witnesses would be predicting in the dark, but it would be helpful if they could say how they envisage matters in their organisations post-2007, when there will be a new system in which much of the money will move towards the east. It would also be helpful to know whether any organisation has considered partnership projects with organisations in the east.

14:30

The Convener: Roland, do you want to kick off?

Roland Diggins: Certainly. Irene Oldfather is right that we are trying to comment on a shifting situation. We recently received a note from Scotland Europa that said that the leading contributors to the overall EU budget had asked for contributions to be dropped down to 1 per cent of gross national income. Obviously, if there is a larger area to look after, that makes things more difficult, but there is pressure from the biggest budget contributors to cut the budget. It seems likely that regional policy funding for Scotland will be squeezed rather than grow, especially given the regional imbalances between the new and existing members of the EU. I think that we all accept that it is more likely that the Scottish share of regional policy funding will drop off significantly. However, that calculation is too difficult for us to make just now.

Virtually every economist would agree that the criterion of 75 per cent of GDP is a blunt instrument. If we consider Scotland as a region, we see that there are even disparities within Scotland—for example, between council wards, in relation to mountainous areas and between urban and rural areas. GDP does not help to pick out those disparities. We suggested that the UK Government might work with the Commission and other partners to develop a new basket of indicators. One reason for using GDP as an indicator is that the figure is available in all the member states. Obviously, we would need time to develop a new set of indicators that could be used by all the member states.

Given that the current programmes run for several years at a time, it is possible to think ahead and to try to develop more sophisticated indicators. The UK has an index of multiple deprivation. We know about population and depopulation rates, levels of research and development in the private and public sectors, levels of entrepreneurial activity and employment rates. Frank Gaskell also mentioned underemployment. There can be many indicators, but currently only one recognised indicator can be used throughout all the member states. We argue that there is time to develop a small basket of new indicators to help to set more appropriate triggers for allocations of regional policy funding.

Irene Oldfather: As well as the indicators that you mention, I know that the Commission is considering the criterion of technological advances, which would compare how technologically advanced regions are. That would lead us back to considering issues such as the knowledge economy. Regrettably, it appears to me that, even with most of the suggested alternative indicators, Scotland would still do

significantly better than, for example, southern Mediterranean countries and the accession countries in the east. I am struggling to find proposals post-2007 for indicators, measures and a budget that would deliver to us what the current programme does. I am trying to offset that against what might be on the table in relation to the UK Government's proposals. We need more information. I am just picking people's brains today for their thoughts on how we should take the process a bit further.

Roland Diggins: Population change, which happens for a range of reasons, could be an indicator that would favour the Scottish situation.

Frank Gaskell: To answer the question whether we want more money, I would say that of course we want more money. However, we have to accept the realities. We have to accept enlargement, although I am not sure whether the EU itself has recognised the scale of what is happening. The number of member states will go up to 25 in 2004 and to 27 in 2007. That is a huge increase in population, with not too great an increase in GDP. In fact, there will be a great fall in average GDP per capita, which we cannot ignore. We know that, at the same time, there is a budgetary constraint—coincidentally, finance ministers all over the euro area are under very tight constraints. We would like more money, but everybody recognises the reality and knows that we have to work with the figure of 0.42 per cent of EU GDP, or whatever comes out of the financial perspective.

In answer to your question about whether we will get money to recognise our circumstances, I see a real and compelling opportunity in the parallel with state aids. State aids use the same criteria to decide who should get the highest priority and the greatest derogation from the rigour of the state-aid regime. Just as an area applying for objective 1 funding has to demonstrate that its GDP is less than 75 per cent of the average per capita GDP of the current 15 states, to get the highest level of state-aids eligibility—87.3(a) status—areas must comply with the same rules. There are definite, severe and understandable budgetary constraints on structural funds. However, there is no budgetary constraint whatever on state aids and no implications for any European budgets. There is nothing to prevent the European Union from acknowledging that and recognising that the situation in many areas will not change one iota between the day before enlargement and the day after it.

You also mentioned working with other areas. That has not been done as much as it could have been, but our long experience of working with nordic European Union partners is extremely encouraging. We have also worked with eastern

Europe. We worked through Euromontana—the European association of mountain areas—with counterpart areas throughout Europe, as far afield as Georgia. The challenge, not just for Highlands and Islands Enterprise but for everybody involved in transnational working, is not simply to get their own organisations involved, but to learn the things that can be learned. Believe me, many things can be learned from east Europe—although the people there may be deprived economically, they are not deprived intellectually. In our experience, many of their innovative responses are lessons to us. In order to ensure the greatest benefit, however, EU funding will not work, or make as direct a transfusion into our economies as it could, until we get our companies involved.

Richard Robinson: We have not really tried to predict how much money we could lose, because we felt that things are too uncertain at the moment. However, we have assumed that we will lose money to a greater or lesser extent.

If you look at the kind of projects that SNH funds, you will see that we do not rely solely on European funding; we often fund projects on a partnership basis. We might put in 25 per cent of the funding, HIE might put in 25 per cent of the funding and we might then get 50 per cent European funding. The partnership structure that goes along with the European funds is a catalyst for forming those projects. It certainly delivers a lot of benefits for us and I am sure that it does for HIE, too. We need to consider that factor.

As I said, we are keen that there should be more and better environmental indicators, which could be relevant to how the funds are allocated. Such indicators would help to identify environmental degradation and the need for environmental investment. They could also identify environmental quality and opportunities for development based on the environment. That could influence the allocation of regional funding at European level, within the UK and within Scotland.

Dr Macleod: SEPA is in a slightly different position from that of the other organisations represented on the panel. We do not directly draw down funds from the programmes. However, we clearly have an interest in what the financial perspective will be following the publication of the cohesion report.

In that context, the UK regional policy proposals refer to matching what Scotland would have after 2007, were it still to be in the structural funds loop according to the current model. SEPA is keen to ensure that Scotland as a whole can benefit in that way and we would be interested to hear more about how the UK Government intends to guarantee that that will be the case. We are all interested in knowing how the money can be spent.

We would certainly welcome the opportunity to discuss in greater detail precisely how the funds will be implemented and, more particularly, how the good work that has been undertaken on mainstreaming through the current programmes can be continued. That is important, because Scotland has invested a great deal of effort in the mainstreaming agenda, in relation both to sustainable development and to equal opportunities. Much can be learned entirely in Scotland, as well as from elsewhere in the European Union. I am pleased that the committee noted that in its final report following its previous inquiry. All those issues are important.

Without labouring the point on indicators, I reiterate what my colleague Richard Robinson said on developing a set of indicators that enable the impact of sustainable development to be measured more clearly. However, we must ensure that the amount of red tape does not become cumbersome—I am sure that no organisation represented here would be interested in imposing such burdens on the stakeholders in the various programmes. Further indicators that pick up on sustainable development as a whole—on its economic and social elements, as well as on its environmental components—would be very welcome.

Abigail Howard: Over the past few years, many voluntary organisations have been anticipating a decline in funding. The Wise Group has been reducing the amount that it has applied for each year, as well as our intervention rate. That is in anticipation of a significant decline post-2006, although we do not feel qualified to speak about what the situation will be beyond that.

To pick up on what has been said about eastern European countries, we can view their accession as an opportunity for a lot more joint working. We have been involved in projects in the Czech Republic and Slovakia through the Equal programme. I hope that there will be more such projects after 2006. That is an exciting opportunity, which should not be overlooked.

Dennis Canavan (Falkirk West) (Ind): The SCDI's submission—and perhaps those of the other organisations—seems to express an inherent lack of confidence in the Scottish Executive. It says:

“With complete devolution of budgetary control of the Scottish block funding, it is not possible for the UK Government to require Scottish Executive spending in a particular policy area.”

Is the SCDI suggesting that the UK Government should require the Scottish Executive to spend moneys in a particular policy area? Would you not agree that the Scottish Executive, which is accountable to the Scottish Parliament, is, or at least should be, in a better position to determine the spending priorities within Scotland?

Roland Diggins: We absolutely agree with your last comment, but not with your first. The submission is not a comment on our confidence in the Executive. We were trying to say that, if regional policy is renationalised to the UK level and the UK Treasury effectively sets the broad budget for regional policy in the UK, with national allocations going to the devolved Administrations, the Scottish Executive would still be entirely free, in that it has completely devolved budgetary control over what it spends the funds on. Even if a certain amount of money for regional policy is allocated to Scotland from the UK Treasury, that does not mean that the Scottish Executive has to spend it on regional policy, because it has devolved budgetary control. We were trying to get across the point that, because governing parties—and, with them, the priorities of the Treasury—change over time, it is difficult to envisage a multi-annual guarantee of funding for regional policy in Scotland if we were to accept the UK's renationalisation proposal. We do not regard that guarantee to be a long-lived one.

14:45

Dennis Canavan: It is part of the democratic process that Governments come and go and draw up different spending priorities in all sorts of areas. I do not see why regional development funds are such a special case.

Roland Diggins: The UK proposal argues that there will be allocations of regional policy funding, but the Government in Scotland might choose to spend its allocation of regional policy funding on another budget area, such as education or health. I agree with you that it would be the Scottish Executive's right to do that, but that is our problem with the UK proposal of renationalising the regional policy budget. At the moment, because the budget for the European Union is set in Brussels and the member states receive their allocations, the money comes down through the system to Scotland, but, in future, under the UK Government proposal, there is no guarantee of that happening.

Mr Alasdair Morrison (Western Isles) (Lab): In your submission and your subsequent responses, you talk about the European Commission as if it were a constant—as if it never changed and it never altered its priorities. However, the Commission has clearly indicated that it is moving to five-year programmes and Patricia Hewitt has stated that, if we renationalise, the UK will mirror the timescale and the budgetary levels, so I do not fully understand your apprehension.

Roland Diggins: The next regional policy programming period is, I think, 2007 to 2013. There will be another UK election before 2007 and at least one Scottish Parliament election before

2013, so governing parties will change and their priorities will change. The SCDI agrees that it is important to have continuity of funding over a six or seven-year period if possible and that appears to be what people in Scotland are looking for. However, once we factor in the electoral cycle and possible changes of Government, the continuity of that programme seems to be put at risk.

Frank Gaskell: Because the structural funds are administered through the European Commission at the moment, there is a de facto absolute guarantee. To make an observation on that is not to make a political judgment; it is simply to state a fact. When we compare what we are being offered with what exists, it is a natural conclusion to draw.

Mrs Margaret Ewing (Moray) (SNP): I must say that I enjoy taking oral evidence much more than trying to read the papers several times to try to comprehend the jargon. I have a general question for the whole panel. Throughout all the submissions, references are made to bureaucracy. It is fine to talk about things such as partnership projects, joint working and joined-up working, but has bureaucracy eaten into some of the structural funds? Are you all satisfied that you receive matching funding for the projects on which you decide in your various spheres of activity? Are you well down the road with negotiations with the Department of Trade and Industry?

I have a subsequent question specifically for SEPA—it is a nice one.

The Convener: We will come back to that in two seconds. Who wants to go first?

Dr Macleod: I will give the warm-up to Margaret Ewing's follow-up question. I reiterate that SEPA does not have the same relationship with match funding as the other organisations that are represented here have, although clearly we have an interest in how the funds are directed towards strategic imperatives in Scottish public policy. Comments have been made from various sources about the overly bureaucratic nature of structural funds programmes and that point has been borne out in independent research. However, I make a distinction between an overly bureaucratic and onerous system and a system that provides meaningful information within the context of what projects and, ultimately, programmes are trying to achieve.

In that context, I suggest that the approach that is taken in the Scottish programmes, for example, in relation to the mainstreaming agenda, whereby projects are asked to consider the core sustainable development criteria—which are social, economic and environmental—is legitimate. That approach enables projects to frame their rationale within the broader context of sustainable development and it has been picked out in the

mid-term evaluations as an important aspect of the mainstreaming agenda.

From some perspectives, that approach might be seen as putting more onerous responsibilities on projects on themes such as sustainable development, but I think that it is worth while because it provides greater transparency about what projects are trying to achieve. I hope that the process feeds back into the broader goals of integrating and reinforcing economic development, environmental well-being and social cohesion, which ultimately are what the programmes should be—and to a large extent are—designed to achieve.

Richard Robinson: There is no doubt in my mind that a tension exists between getting the most out of structural funds money and reducing bureaucracy. Given that we are talking about spending public money, we must do everything possible to maximise the benefits of that money. Therefore, at the project selection stage, it is important that there should be sufficient information to allow the best projects to be selected, which means that there is a limit to the amount of bureaucracy that can be done away with. At the evaluation stage, it is important that we measure whether projects have achieved anything; if we did not do that, we would not be able to improve the programmes. Again, that means that a minimum level of bureaucracy must be in place.

My project manager colleagues would probably raise issues about some of the other audit requirements that arise in European programmes. Given that public bodies stick to the accepted auditing procedures for public bodies in Scotland, there is already a fair degree of confidence about the expenditure. That is the area in which there is the most potential to reduce bureaucracy. However, I emphasise that we must be careful about where we try to thin down bureaucracy.

Frank Gaskell: We should all recognise the added value of the European system, which is significant. People have talked about partnership, transnational working and multi-annual programming. I add that the European system has brought some operational innovations, such as the LEADER approach, which is groundbreaking; it is magnificently dynamic and we should be forever grateful for it.

However, if we are—rightly—willing to admire aspects of the European system, we also ought to be allowed to criticise what ought to be criticised. The way in which some of what we admire is implemented creates the bureaucracy that afflicts European funding programmes. As we said in our introduction, we are convinced that the UK Government's proposals could radically improve that system, which is difficult to operate.

From conversations that we have had with the European Commission, we are convinced that the Commission has recognised that problem and that it is embarking on an exercise with real will. We are not the only people to say that. The European Commission has hit the wall on the complexity of the administration of its systems. It is now embarking on an exercise to assure proportionality of administration. We cannot pretend that there is no problem. The bureaucracy is a serious problem but, cleaned of those problems, the system would definitely be worth it.

The adequacy of match funding was discussed. Obviously, we do not have limitless match funding, as it is constrained, which means that we must be careful about value for money. Often, people aggregate the money that partners in the Highlands and Islands or public authority partners in any programme receive and say that that aggregate budget dwarfs the amount of money in any European programme. The significant point is that the added money that we receive from Europe, which is in a separate package, is our disposable income, much more so than the other money for Highlands and Islands authorities. Those authorities have lots of money, but it is already spoken for and earmarked to a great degree. The flexibility is the added icing on the cake and is extremely valuable to partners.

Abigail Howard: I agree with what Richard Robinson said about bureaucracy. We cannot avoid the fact that the money is public and that we must be accountable for it, but the audit and administrative burden on voluntary organisations is so big that many smaller organisations do not apply to the structural funds.

As I said in my introduction, European funding has often been the glue that held together funding packages. European funding has attracted other funders to our projects. That has been a valuable experience.

Mrs Ewing: My question is to Dr Macleod and arises from my reading of SEPA's submission. You want support for specific activities, including flood defence work, to be incorporated in regional structural funds. As I speak, huge chunks of my constituency are under flood alert again and people are moving their furniture upstairs. Have you made any submissions to the European Commission? According to Romano Prodi, the common agricultural policy and the structural funds have flexibility to help in times of natural disaster. The solidarity fund, which was approved last September, is also available. Are you working that in? I have a close personal interest, as my home has been flooded.

Dr Macleod: That is by no means a pleasant experience. I will have to check whether SEPA has made representations. I am not aware that

representations have been made, but I will confirm the position.

You are absolutely right about flood defences; it is possible to use the structural funds to improve flood defence mechanisms. The reason why we included that in our written submission along with the waste minimisation element is that issues such as climate change have implications for increased flooding. The issue has a high profile in the Water Environment and Water Services (Scotland) Act 2003, which places a duty on SEPA, the Executive and local authorities to undertake sustainable flood management schemes.

In considering regional development, I suggest that it makes sense to think about protecting our natural assets as a basis for economic development, sustainable development and social cohesion in our communities. One way in which to do that is to undertake this work, so SEPA is obviously interested in developments in the field.

15:00

Phil Gallie (South of Scotland) (Con): Almost everyone who has made submissions to us supports the present system. Why do you think that the chancellor and the DTI favour repatriation, given the almost unanimous stand against it? Everyone who has made submissions seems to take the view that, in effect, the structural funds will go on for ever, although it is recognised that expansion will have some effect. Given that stability and sustainable growth are key factors in the European Commission's work programme for 2004, do you think that the social elements that are included in the regional funding allocations will have to be removed to allow the Commission to achieve its goals?

There is a sudden silence, convener.

The Convener: Are there any volunteers to address that question?

Frank Gaskell: Why does the chancellor want to change the system? It is often the net payers who recognise the lack of logic in paying money into a fund and then having it sent back with a different label on it. That point of view might be relevant to your question; every constitution and state likes to have as much flexibility as possible.

A movement can be detected away from spatial development towards growth-pole development, not only in the United Kingdom but in many other countries, especially the nordic countries. That is a compelling movement because its macroeconomics are immaculate. If we have agglomerations and if we pay money to opportunities for growth and growth poles, that is more likely to work efficiently in an economic way than are the alternatives—that is true regardless of

whether the approach works efficiently in a social way. Given that Europe, as a unit, is concerned to improve its growth—in particular, as compared with that of the United States—we can understand the attraction of that approach. That was outlined in the recent Sapir report and it might be what you refer to when you talk about the social elements.

The Sapir report says that the emphasis that has been given to cohesion and to the social, spatial element might be one of the problems that has caused a lack of growth in the European Union. The report also says that that is detrimental to the efficiency of the market and to the pursuit of growth. In effect, although every citizen in Europe is entitled to equality of treatment, the philosophy says that equity, which we seek through territorial cohesion, is not efficient.

Highlands and Islands Enterprise might take the view that, over a longer period, equity is efficient because there is strong evidence from Nordregio—the research centre of the Nordic Council of Ministers—of the severe and increasing polarisation of economic activity in Europe. There was also evidence last year from Europa—the Paris-based think tank—that the acceleration of the polarisation of activity might cause problems for civil authorities because it might introduce pressure that is too difficult to deal with. Although one might achieve efficiency in an economic sense, it is far from proven that one will achieve efficiency in a social sense.

The Convener: Does anyone else want to respond to Phil Gallie's question before I ask him whether he has a second one?

Irene Oldfather: It is good to see Phil Gallie coming round to wanting to implement social policies, which the Tories neglected when they implemented the internal market in the first place.

Phil Gallie: I do not think that I admitted to anything. However, if Irene Oldfather wants to have a political debate, that is another matter. I would rather hear from our experts.

The Convener: May we have brief responses to the question, please?

Roland Diggins: It is difficult to guess what the Treasury and the chancellor are thinking, but they probably recognised the need to cope with the shifting budget. One of the reasons might be that national control brings a bit more in the way of national direction. We agree with Frank Gaskell that the UK document is more about growth themes and less about spatial themes. Those might be some of the more attractive elements for the chancellor.

The Convener: I ask witnesses to make their responses brief.

Richard Robinson: In her statement in December, Patricia Hewitt tried to explain the arithmetic arrangement—the difference between the amount that the UK pays into Europe and the proportion that it would receive back. In her statement, she tried to make the argument that a lot of money is involved in that. The debate revolves around whether that money would be available for regional policy in the UK.

Phil Gallie: I ask Richard Robinson whether any structural funds are involved in the SNH move from Edinburgh to Inverness?

Mr John Home Robertson (East Lothian) (Lab): SNH will need more than that.

Richard Robinson: No. I am sure that no structural funds are involved.

The Convener: Thank you for your brief answer. If you are happy with that, Phil, we will move on to Keith Raffan.

Mr Keith Raffan (Mid Scotland and Fife) (LD): I wonder whether I can be bold and perhaps a bit foolhardy. I ploughed through the dense, jargon prose in some of the submissions. I want to try to bring together three points that I gathered from those and from what you said today.

I will try to put it neutrally, but one of your points is that you want a European regional development strategy—perhaps a better word is framework—that would limit national discretion and perform a monitoring role, however narrow or, preferably, broad that might be. You want that because you are concerned about the direction in which the UK Government is going—maybe you do not trust it, but so be it.

The second point is about broadening out the criteria. We should not simply rely on the 75 per cent of GDP, low GDP or high unemployment rates, but on areas of low wages, depopulation trends, seasonality, the deprivation index and environmental degradation—in a sense, a basket of criteria, some of which might be difficult to measure. That appears to be what you want for the basis of the policy.

The third point is about continuity of funding. We all have to cope with Roland Diggins's point about electoral cycles and changes of Government—some of us more than others if we lose our seats—but that is not the point. You are concerned about money that comes through the block grant. I think that it was Abigail Howard who mentioned ring fencing or hypothecation, which are difficult to do in relation to a block grant, but that is what you are concerned about. It is a very difficult issue, particularly when we are getting into a period of extreme spending pressures—we have had it easy in the first four years of this Parliament—and huge increases in spending that

are unsustainable unless we start printing the bloody stuff ourselves.

So the three points are: the need for a broad framework that will be monitored and set up by Europe; the broadening out of the criteria—if that is measurable—and the need for continuity. Am I correct that those are the three principles that underlie what you are all saying? I would like to hear briefly from each of you; just a yes would be nice.

The Convener: I think that there were three questions, so good luck. You do not all have to answer all three questions.

Mr Raffan: I was talking about the three principles that underlie what the witnesses all want rather than asking three questions.

Abigail Howard: That is a very good summary of our approach. The third aspect is the biggest concern for us.

Mr Raffan: What would you ring fence?

Abigail Howard: I have no idea. That challenge is not for me.

Richard Robinson: We would answer yes to all three points, so we agree. On continuity, there is another issue that we have not really explored. Political changes of priority are not the only consideration; we also need to think about the project development cycle, because some projects take a long time to develop. Knowing that the money will be there for five or seven years can help the initiation process and allow us to be confident that when the project is ready we will still be able to fund it. That is another issue to take into account but, other than that, I agree with the three points that Mr Raffan made.

Roland Diggins: Broadly speaking, we would agree. Mr Raffan mentioned limiting national discretion, but I am not sure that we would put it that way. It is a question of finding the balance between achieving the strategic themes at European level and taking into account what local communities and regions want to be done to grow their regions.

Dr Macleod: I reiterate those points. Although I say yes to all three points, I agree with Roland Diggins on the need to have a balance between the European level and the national level. We should benefit from what we have, what we have learnt and what we have achieved through the current programmes generally and in relation to the horizontal themes rather than allow that to be eroded in any other future programmes or models.

Frank Gaskell: We are impartial in that we can respond only to what is shown to us. I accept that an external imperative is very valuable; if we are talking about a European strategy, an external

imperative is necessary. When the UK proposal for a European strategy on devolved development is further refined and exposed to us, it may produce such an imperative. There has not been a thorough enough explanation for us to know whether there is a sufficient external imperative.

I spoke about broadening criteria in my introduction. Having read the strategy carefully, we just worry that it tends towards measurement by a combination of GDP and unemployment—or even on the basis of the level of employment, which is relevant to the Lisbon conclusions. On both of those apparently compelling measures, we look rather well placed but, in fact, we are not. As I explained, we have a high level of employment and a low level of unemployment, but there is underemployment. We must be careful about the criteria that we use. There must be certainty and consistency.

The Convener: Are you happy with that, Keith?

Mr Raffan: Yes.

The Convener: I have a quick question on the voluntary sector for Abigail Howard. In your written submission, you outline the amount of funds that have been channelled through regional funding in the past few years. To what extent does your funding—full stop—come from Europe? Is your concern the fact that there will be no replacement for some of the cash that you will lose?

Abigail Howard: I cannot speak for the whole of the voluntary sector, but I know that the Scottish Council for Voluntary Organisations is doing a lot of research on the issue and has commissioned some work that might be of interest to the committee.

From the Wise Group's perspective, about 20 per cent of our current income comes from European structural funds. Although 80 per cent comes from elsewhere, the structural funds have an important role in pulling in that 80 per cent and pulling all our funding together. The amount of such funding is not as important as the role that it plays in the cocktail of funding that we pull together, which will be very difficult to replace.

The Convener: Okay, thanks. Are there any further questions?

Mr Morrison: I have an observation about the submissions, which members have said were difficult to read. The Scottish Environment Protection Agency's submission, which is jargon-free, brief and focused, was a noble exception. It was obviously written by someone who had a good Hebridean education.

Dr Macleod: They are not in Gaelic, but they could have been.

The Convener: Perhaps SEPA could educate some other agencies.

I thank all the witnesses for coming to the meeting. The session has been comprehensive. Our comments on the written evidence and the jargon in that evidence should not be taken too seriously, although the witnesses should take on board what was said for the future, as it is important that submissions are understood not only by members of the committee, but by the public. The report will be published in due course and the witnesses will then get the chance to read it.

We aim to conclude the inquiry by late February or early March. We still have to take evidence from European Commission officials and Scottish and UK ministers, but we are finding it difficult to get a UK minister to appear before us, as members know. Ministers from the DTI and the Treasury have refused to appear before the committee for the time being—they have said that doing so would be inappropriate. There have also been diary issues. We have tried to be flexible, but that has not taken us any further forward. The clerks have e-mailed all members for their opinions on the way forward and on getting evidence from UK ministers, which we thought was essential given that we are responding to a UK consultation.

15:15

Gordon Jackson (Glasgow Govan) (Lab): I am not saying much, as I am feeling my way through the issue. However, the more I listen, the more I want some form of evidence to be taken from a UK minister, although I do not know how that can be done. Keith Raffan mentioned a lack of trust. I do not think that there is a political lack of trust—there is more a devil-you-know lack of trust. The lack of trust is irrational, but I would at least like to hear about the solution to it.

Mr Raffan: I agree. I did not necessarily mean that there is a political lack of trust, but there is obviously deep concern and we need to explore matters further. It is important to have a UK minister along; indeed, it is essential.

Mr Home Robertson: I would like to follow that point through. The UK Government is offering something positive, but there is a lack of understanding or lack of trust that it would be useful to deal with. Ideally, we should try to get the minister to come here, but diaries are a genuine problem and I suspect that there will be a reluctance on the part of the UK system to have people coming here too often. The alternative might be to get a DTI official to come to a meeting to explain their policy position. That is a possible fall-back position.

The Convener: The options that we considered previously included sending a delegation to meet the minister in London if the minister could not

come here and inviting the Secretary of State for Scotland—Alistair Darling—to appear before the committee if we could not get a minister from the DTI or the Treasury. There are other options that we have not discussed, such as a videoconference with one of the UK ministers.

Mr Home Robertson: That could be helpful.

The Convener: Other options have been put to the committee, but there was no consensus. It would be helpful to get an up-to-date view from members so that we can quickly take matters forward and conclude our inquiry.

Mr Raffan: Speaking to a senior minister is important. If that involves some of us going down to London, so be it. That might be a way of breaking the logjam. The session, which ideally would be with Patricia Hewitt, does not have to be long. Even half an hour or 40 minutes would be helpful, given that much has been said about concerns about the Government and its paper.

Gordon Jackson: I am not hugely enthusiastic about talking to officials. That is not because talking to them would not be better than nothing, but because an official will give the nuts and bolts and the technical arguments. However, suppose one says to an official, “These people do not trust you on this matter. Do you have anything to allay that lack of trust?” The official will answer that that is not their business and that they cannot answer the question. They will then simply hide behind technicalities.

Mrs Ewing: I very much believe that we should have a minister here to discuss an issue that will have a huge impact on the Scottish economy, social cohesion and so on. The Secretary of State for Scotland lives virtually around the corner from us and it seems ridiculous to me that he cannot find some time—as Denis MacShane did—to talk to the committee, even for just an hour one evening, rather than have us spend the Scottish Parliament’s money on sending committee representatives down to London. We must seriously consider the image of the Scottish Parliament. Are we serious or not? Must we go trailing down to London to hear evidence? Ministers should come here.

The Convener: I will take comments from the rest of the committee.

Phil Gallie: You said that the Treasury ministers thought that it was “inappropriate” for them to give evidence. That is different from saying that they are not available. Will you expand on why they think that that would be inappropriate?

The Convener: Have we a copy of the letter from Ruth Kelly in which that indication seemed to be given?

Stephen Imrie (Clerk): I do not have a copy to hand, but I will send a copy to all members. The

initial reply that we received from the Treasury indicated that there was a potential problem with the initial dates that we suggested because of the diary commitments of Treasury ministers. Subsequently, we received a second letter from the Financial Secretary, Ruth Kelly. She indicated that, in addition to potential diary issues, there was a question whether UK ministers were accountable to the Scottish Parliament. That is a basic overview of the content of the letter. I cannot quote from the letter because I do not have it in front of me, but I am happy to copy it to all committee members.

Phil Gallie: That would be helpful.

The Convener: I want to get agreement from the committee today on a way forward, albeit that that might be subject to people seeing the letter.

Dennis Canavan: Will Stephen Imrie clarify whether the suggested meeting in London between the committee and the minister—or between a delegation and the minister—would need to be in private? Does the committee have the right to meet outwith Scotland to take evidence in formal session? If it does not, the better option would be for the minister to come here so that the evidence was on the record. If the problem is that there is a lack of trust on the part of the witnesses, it would be better if they could see the *Official Report* of the minister’s formal evidence to the committee rather than that we just met the minister behind closed doors and afterwards made indirect reference to what the minister was supposed to have said.

Irene Oldfather: My initial understanding was that we could not take evidence from ministers because our aim of concluding the inquiry at the end of January caused genuine diary difficulties. However, as the Commission has not yet produced the third cohesion report or the accompanying financial perspective—it is expected that they may be published next week—our inquiry is now likely to be drawn out until the end of February or beginning of March. That perhaps gives us the opportunity to revisit that issue.

I was not aware of a letter that mentioned inappropriateness. I have not seen that letter—this is the first that I have heard about it. I thought that the genuine issue was that our inquiry would conclude in January whereas ministers were unavailable, particularly over Christmas and new year. It would be reasonable for us to revisit that issue and extend the timescale. We could then see whether ministers might be available in the light of that.

The Convener: Finally, I will let Gordon Jackson comment after we have heard from Alasdair Morrison.

Mr Morrison: I do not see why anyone can have any difficulty in understanding that UK ministers are not accountable to this place but to the UK Parliament, to which they are elected. They are not accountable to what is a sub-state Parliament. You do not have to be a Queen's counsel to explain that—although I am sure that Gordon Jackson will explain the exact relationship.

On Alistair Darling, Margaret Ewing is right to say that he lives just round the corner, as he represents this very constituency. However, Mr Darling will come home on a Friday. If Margaret Ewing's suggestion is that the committee should sit on a Friday evening, that is an interesting departure for a member from the Highlands and Islands.

On whether we should traipse down to London, I know that some members would rather not cross the border into England, but I personally have no difficulty with that. The issue has nothing to do with any image problem that this institution might have. If we want to put questions to the relevant UK ministers, let us do that in whichever forum the ministers are available. Let us not turn the issue into some constitutional nonsense. If three or four committee members are required to go down to London, so be it. If a UK minister finds the time to come to the Scottish Parliament—an institution to which they are not answerable or accountable—that is good and well.

For goodness' sake, let us keep the issue in perspective and keep a grip on what we are trying to do. We have some questions that have been raised by witnesses and we want to get answers from the relevant ministers. Frankly, where we do that is irrelevant.

Gordon Jackson: I was very concerned to hear what Stephen Imrie said about accountability. If there is any misunderstanding, we should make it clear when we do as Irene Oldfather suggests and write back that we are not suggesting that the UK ministers must come here because they are accountable to us. They would be quite right to take some kind of high position on that. We are simply asking for help in understanding their position; there is no question whatever about accountability. If they think that there is and that is a problem, we should make it clear to them that there is not.

The Convener: Okay. I do not want to labour the issue too much, as we should grasp the growing consensus on this while it exists.

Stephen Imrie: I would like to clarify the matter for members. I do not have the letters in front of me, so I am going on the basis of memory. The letter of invitation that was sent to UK ministers was phrased in such a way as to encourage UK ministers to turn up. It mentioned precedents set

by Peter Hain and, more recently, Dr Denis MacShane. It recognised the lines of accountability, but only as a means of trying to forestall that argument. I do not have the letter from the Financial Secretary at the Treasury in front of me, but I do not think that it is phrased in such a way as to offer that as an argument why they are not coming. It just regurgitates the phraseology that was used in our invitation letter, which stated that UK ministers are not accountable to the Scottish Parliament. The UK minister's letter simply recognises that.

Dennis Canavan: What about the question that I asked about whether a formal meeting of the committee could be held in London?

The Convener: We might have to get back to you on that unless Stephen Imrie has the answer.

Stephen Imrie: We cannot have a formal meeting outside Scotland. Committees can meet formally only within Scotland. The committee would have to do something similar to what it did when it heard evidence from Peter Hain at a private meeting and then had an agreed note of that meeting read into the *Official Report* as evidence. That is one possibility. It is up to the committee to decide whether to do that, but the committee could not meet formally outside Scotland to take evidence in the type of forum that you see here.

Mr Raffan: I think that that is a ridiculous restriction. I am not sure that it applies to select committees of the House of Commons; I cannot recall. However, on trips abroad, although we may have had informal sessions, we certainly had transcriptions of those sessions. Is it possible for us to have a transcription or does it have to be a note? These are complex matters, and it might be easier for us if we had a transcription.

Stephen Imrie: Normally, the official reporters are present only for formal evidence-taking sessions. They have a list of priorities—I am looking over at my colleagues in the official report—regarding what gets preference in the production schedule of the official report. We would normally get an *Official Report* only of formal evidence-taking sessions, but I will inquire of the editor of the official report whether a transcript could be made available on that occasion. I recognise that members would be discussing complicated and jargon-heavy material.

Irene Oldfather: I wonder whether it would be helpful if, in the interests of transparency, all members of the committee were given copies of any correspondence between the committee and ministers. It would have been helpful if we had all seen the earlier letters. I ask that, in future, all members of the committee be given copies of such letters.

The Convener: I totally accept that. I mentioned the letters because I thought that all members had copies of them. I shall speak to the clerks about that.

There is a consensus view that it is not acceptable that we do not have a UK minister scheduled to give evidence. We all think that we should take evidence from a UK minister, as that is imperative to the inquiry. Given the fact that the inquiry can be extended by a few weeks, the proposal that we all favour is that we should approach the UK ministers again and try to persuade them that it is in all our interests for them to come and give evidence on this issue. If that fails, we can send a delegation to London. The third option—which we will leave on the table for the time being—is that we invite the Secretary of State for Scotland to the committee.

Mr Raffan: I agree with that. However, if a minister cannot come within a specified time but can come a week or 10 days later, we can always continue with other things and have a session with them then. That would show them that we are prepared to go out of our way to be flexible.

The Convener: Okay. We have outstanding diary issues, as we are still trying to get the European Commission to appear before the committee on this issue. Nevertheless, I am confident that we will get there. We do not have any set dates; we have to be flexible. Can we move on?

Irene Oldfather: I have one additional point of information that might be helpful to the committee. The Commission will meet on Sunday to discuss the cohesion report. If there is agreement at that meeting, the report will be published formally the following week. I am pleased that I have been invited to a private meeting with Commissioner Barnier and one or two others on the Tuesday following the Sunday meeting. I will be happy to keep the committee in touch with any developments in that regard. Hopefully, that will produce some progress on the matter.

Promoting Scotland Worldwide Inquiry

15:30

The Convener: Our inquiry into the promotion of Scotland worldwide is our major inquiry this year.

As members will see in the briefing paper supplied by the clerks—for which we thank them—we have had a wide variety of written submissions from bodies in Scotland and throughout the world, all of which are available on our website for public consumption. The next stage is to begin to give some kind of guidance to the clerks in relation to the scheduling of witnesses. I propose that we do not decide exactly whom we will have as witnesses now but do that by e-mail. I would appreciate an indication from members that they are broadly happy with the suggestions for some of the people whom we could invite as witnesses. You should feel free, in the next few days or couple of weeks, to e-mail the clerks if you think of new people whom you would like to be witnesses or if you decide that you are unhappy with any people who have been suggested.

Gordon Jackson: Is there any indication of how many sessions that might take? It looks like a massive list to me. When I saw it, I wondered how we could ever hope to hear from all those groups in a realistic timescale.

The Convener: Stephen, do you have any comment to make on that?

Stephen Imrie: There is a suggestion in the paper that it might be easier for the committee to handle the witnesses in panels that would be arranged round themes, such as economic matters, European matters and issues relating to arts, sport and culture. If we did that and, as is traditional, kept ministers separate, we would have around five or six sessions.

Irene Oldfather: I have added up roughly how many proposed witnesses there are. Being conservative and counting two people where plural witnesses are indicated, I estimate that there will be around 63 witnesses. That is far too many. We must bring down the number.

The Convener: No one is suggesting that we would have 63 witnesses giving oral evidence to the committee. The idea was that we would have a broad selection and that, if we agreed to break down our evidence-taking sessions into themes, we could return to the proposals. Members are free to give their comments at any stage on the composition of the panels or the list.

Mr Morrison: You are right, convener. We should not have 63 witnesses and we should have

panels covering the themes that have been identified, such as the arts, universities, businesses and so on.

My other committee, the Environment and Rural Development Committee, has been taking a lot of evidence in the past few months. To make the process more manageable, we have assumed that everyone has read their submissions and have therefore not allowed witnesses to make opening statements. If we had done that today, for example, we would have been able to have an extra 15 minutes for questions and discussion rather than hearing the statements, although valid points were made and it was not exactly dead time. If we want to take evidence from people, we should read the submissions and go straight to the question-and-answer session.

The Convener: This committee's experience is also teaching us that we should do that. There is a convention that witnesses can make opening statements, but it is clear that they do not always stick to their times, despite the fact that the need for them to do so is emphasised to them. I would be sympathetic to the suggestion that we do not allow opening statements in this inquiry.

Mr Raffan: I support the point that Alasdair Morrison has just made. It is up to us to read the written submission, which should do away with the need for witnesses to regurgitate what they have already written. That will save time. The suggestion that we group witnesses is good. It might be that we will be able to cover a couple of themes within one evidence-taking session.

It is important that we consider what other countries do. That gets only one line in our paper. In passing, I should say that I am not sure how much the consular corps—some of whose members are honorary—will be able to contribute to the process. How we are perceived by other countries is very important, but we must also consider what other countries of comparable size, such as Ireland, do to promote themselves. It is important to take a broader perspective and be less parochial.

The Convener: If we have four or five evidence sessions—as we would expect for a major inquiry—and we have two panels per session, I hope that that will be manageable. We will ask the clerks to e-mail all members with initial proposals for themes and witnesses. I emphasise that members are free to propose any other witnesses who are not on the list, or to offer comment on those who are. The clerks will liaise informally with members about our arrangements for overseas visits. We may come back to that later.

Irene Oldfather: I want to be clear on this, convener. You are not proposing this entire list; you are saying that there will be a few themed panels.

The Convener: Yes. As I said, the list has been prepared to attract comments.

Intergovernmental Conference

15:35

The Convener: The next item on the agenda is the update on the intergovernmental conference. We agreed in the past to have regular updates. Given that the IGC on the new constitution is somewhat in abeyance, I suggest that we do not have this item on every agenda from now on, unless there are developments. Circumstances have changed. Are there any comments on the update?

Phil Gallie: Yes—reschedule it for 12 months' time.

The Convener: I am impressed; I thought that you were going to say "12 years' time".

Phil Gallie: Okay then.

Mr Raffan: The meeting with the Irish ambassador will give us a chance to explore the paper that the Irish will present to the spring European Council. There are clearly contrary approaches. On the one hand, the Taoiseach and the Minister for Foreign Affairs, Brian Cowen, want to get ahead and make progress, fearing that the whole thing will unravel if they do not. On the other hand, Giscard d'Estaing fears that going ahead quickly will lead to things unravelling. Somehow, those contrary viewpoints have to be reconciled.

Irene Oldfather: There are three crucial things. The first is the elections in Spain—in March or May, I cannot recall—and the elections in Poland in October. Those elections could have a bearing on later progress. Secondly, there is the cohesion report. If the Commission identifies a budget ceiling of 1 per cent or 1.2 per cent and adds in objective 2 funding with menus and priorities and so on, some eastern European countries may be a little bit more flexible than they have been. A third crucial thing is the European Parliament elections. Those three things will dramatically change the landscape, although I could be wrong. I see that Phil Gallie is looking glummer than he was a minute ago.

Phil Gallie: Not at all.

Convener's Report

15:38

The Convener: The next item is the convener's report. I will start by giving a brief report back from the meeting of the European Chairs—UK Group. I met the chair of the European and External Affairs Committee of the National Assembly for Wales and the chair of the UK European Scrutiny Committee. There was also a representative from Northern Ireland—a civil servant—which was welcome. The meeting was held in Aberdeen. I think that all who were there found it very worth while. It was the first such meeting for me and the Welsh chair, so it was our first chance to meet each other. We discussed a variety of issues including all our agendas.

We decided that it might be a good idea for the committees to meet some time soon. It might not be logistically possible for all the committees to meet one another at the one time; however, if one committee met another committee each year, we would all be able to meet all the committees over a four-year period—if members think that that would be worth while. It would be worth while for this committee to go to the House of Commons at some point to meet our counterparts there. That was suggested by the committee chairs. We can leave the matter on the table for the time being, but if members have any comments, we can address them briefly now. It has been suggested that the clerks have a parallel meeting, so that they can discuss issues such as the early warning systems. Minutes will be issued, and every member will get a copy. I am happy to take any questions.

Mr Raffan: I would like to know who the various chairs are—but not necessarily now; that could be included in the minutes. Did you say that the House of Lords is represented on the group?

The Convener: Yes.

Mr Raffan: That is not unimportant, given the work that House of Lords committees do. They sometimes do a higher calibre of work than is done by the Commons on some issues.

The Convener: The second item under the convener's report is a reminder that we will be having our six-monthly visit from the ambassador of the country holding the EU presidency. In this case, it is the Irish ambassador, whose visit is scheduled for 12 February. More details will be sent round in due course.

Mr Home Robertson: How do you pronounce his name?

Mr Raffan: Yes—how do you pronounce it?

The Convener: I will ask the clerk to answer that excellent question, just in case I get it wrong.

Stephen Imrie: The correct pronunciation for the Irish ambassador, for a clerk anyway, is "His Excellency". I think that that is as far as I could go. *[Laughter.]*

The Convener: I think that we can discuss this informally.

Stephen Imrie: I will provide members with a phonetic pronunciation.

The Convener: We put on record our apologies for not being able to pronounce the ambassador's name.

Dennis Canavan: At what time will the meeting take place?

The Convener: Details will be circulated in the next couple of days, but it will be at lunch time.

Irene Oldfather: That coincides with the Committee of the Regions week, so I might not be able to attend, unfortunately.

The Convener: The third item under the convener's report is—wait for it—the Honey (Scotland) Regulations 2003 (SSI 2003/569) and the requirements for the labelling of the country of origin. The item has been referred to this committee by the Subordinate Legislation Committee. It appears to raise quite an important subject for the honey industry. The recommendation is that members thank the Subordinate Legislation Committee for bringing the matter to our attention and that we ask our committee legal adviser for a view on the matter. It is about honey producers in Scotland not being able to put "Made in Scotland" on their product. There appears to be some confusion about the labelling.

Irene Oldfather: I note that the last sentence of the response that the Food Standards Agency Scotland sent reads:

"Therefore, in addition to the mandatory provisions contained in regulation 5(1)(c), Scottish honey may be named as such if a producer wishes."

I am therefore not quite sure what the difficulty was.

The Convener: I felt it appropriate to put something on the agenda, given that the matter had been referred to us by another parliamentary committee.

Mr Home Robertson: When I saw this item among our papers, I took the liberty of consulting a neighbour who is a honey farmer. I have a note from him, which I will pass on to the clerk. He was perfectly happy about the proposals concerning UK honey. There is nothing to prevent people also putting on a label with "Scottish", "English" or

whatever they like. That does not seem to be a problem for the industry. However, he was very worried that the proposed draft regulations seemed to make it possible to classify some pretty dodgy material as blend honey. I will not go into the details, but it might be worth passing the matter on to our colleagues for further consideration.

The Convener: "Our colleagues" as in—

Mr Home Robertson: As in other committees, or indeed the Executive. I have given a copy of the note to the clerk, in any case.

The Convener: We could easily write to the minister, just for clarification.

Phil Gallie: Looking ahead to the sift documents, I see that there is a paper that seems to be on a very similar subject: COM(2003) 787 final, which is entitled "Green paper on the future of rules of origin in preferential trade arrangements". I wonder whether there is any link there. It might be worth investigating that matter at the same time.

The Convener: I suggest that we drop a line to the minister, as John Home Robertson kindly suggested, seeking clarification. We can easily incorporate the other issue that John Home Robertson brought to our attention.

Gordon Jackson: In case it is thought that the Subordinate Legislation Committee has nothing to do except find things that are not important, I should clarify that, in cases such as this, our policy would be to ask the Food Standards Agency Scotland about the matter. The answer might be that there is no problem, but we would refer the correspondence to the lead committee almost automatically. The Subordinate Legislation Committee is not necessarily saying that there is a problem, but it is as much that committee's job to tell us that it raised an issue and to pass on to us what happened, as it is to suggest to us that there is a problem.

The Convener: Okay. We could easily refer the matter to another committee, but that would be the second time that it had been passed from one committee to another. If no members object, we can write to the minister to seek clarification on that issue and on the one that John Home Robertson raised.

Phil Gallie: Will the letter pick up on my point about paper COM(2003) 787 final, too?

The Convener: It can certainly do that.

The fourth item in my report is our submission to the inquiry of the House of Commons Transport Committee, which raises two matters: the proposals for a Eurovignette; and public service obligations for air routes. Those matters were

raised by Alasdair Morrison and John Home Robertson respectively.

Mr Morrison: Alistair Darling recently made a welcome statement on public service obligations and I think that the clerks might have to rework paragraph 14 of our submission to the inquiry, which contains our recommendation, to take account of what the Secretary of State for Transport said.

The Convener: I think that the letter was sent after you and John Home Robertson approved it, so it is probably too late to rework it, but thank you for bringing the matter to the committee's attention. I am sure that we will get a response to our letter in due course.

Mr Morrison: Fair enough. It was a minor point.

The Convener: The final item in my report is the monthly report from the Parliament's external liaison unit on inward and outward visits to the Scottish Parliament. Do members agree that we welcome the report and thank all those who are involved in continuing to submit that useful information?

Members *indicated agreement.*

Scottish Executive (Scrutiny)

15:46

The Convener: The next item on the agenda is pre and post-council scrutiny. Members have the paper containing the Scottish Executive's submissions. Do members want to make any comments before we consider whether to accept the recommendations in the paper?

Phil Gallie: I have a comment about the paragraphs on the agriculture and fisheries council. The committee has expressed concern about the enforcement of current animal welfare regulations across Europe but—here we go again—new animal welfare regulations are being considered. It would be good to know that the Executive is still aware that the existing regulations are not being enforced.

The Convener: Will you clarify what action you would like the committee to take?

Phil Gallie: We should write to the Executive to say that if the Executive supports high standards and is prepared to consider changes to the system, it should also consider the implementation of existing animal welfare regulations across Europe.

The Convener: The level playing field argument.

Phil Gallie: Yes.

Gordon Jackson: This might be a silly question, but I am looking at annex A, which summarises our recommendations. We usually follow the same format for such recommendations; we welcome the information that has been provided and we add riders, queries or requests for more information or action. Annex A contains five recommendations, but a different form of language has been used in the first one, on the fisheries council, which says that we "note" rather than "welcome" the information that has been provided. Is that significant? Was the wording deliberate?

The Convener: Well spotted.

Gordon Jackson: I was not being pedantic. I wondered whether the wording was deliberate or just happened to take that form.

The Convener: Well noticed—I had not noticed that. I do not think that there is any significance in that at all—

Gordon Jackson: That is all right. I just wanted to be sure that it was not significant, as the fisheries council is such a touchy subject.

The Convener: That is right. This is the first time that I have noticed the difference.

The forthcoming agriculture and fisheries council has been cancelled, so the note that predicts the content of that meeting is now irrelevant.

Mr Morrison: I seek clarification on the third sentence of paragraph 6, on page 2, which says:

"It is here that the Committee may wish to have a final engagement with a minister prior to critical decisions being taken."

What is meant by "final engagement"? How would we slot such a final engagement, whatever that means, into the schedule for those critical decisions?

The Convener: Will the clerk briefly clarify the matter before I comment on that?

Stephen Imrie: Perhaps I should apologise to members for that paragraph, as I have an unfortunate habit of updating previous papers with new documents that have been received. Paragraph 6 was part of a pre and post-council report that the committee considered before the December fisheries council meeting.

Mr Morrison: So the paragraph should not have been included.

Mr Home Robertson: The clerk need say no more. We accept his apology.

The Convener: Since the paper was produced, the fisheries minister has provided feedback to the Environment and Rural Development Committee, which is another reason why that paragraph has been overtaken by events.

If there are no further questions on the report, I return to Phil Gallie's suggestion that we write to the minister to ask for information about the steps that are being taken to ensure that there is a level playing field in Europe in relation to animal welfare standards. Do members agree that we should ask for that information?

Members indicated agreement.

Sift

15:50

The Convener: The final item on the agenda is the sift paper. I invite comments on the paper.

It might be worth while to highlight one of the documents of special importance, which is the report from the European Commission "Better Lawmaking 2003', pursuant to article 9 of the protocol on the application of the principles of subsidiarity and proportionality". Given that the committee is concerned with early warning systems and subsidiarity, it might be useful for us to have a look at a copy of that report.

Irene Oldfather: The Committee of the Regions has published an opinion on the report. It might be helpful to circulate that with the report.

The Convener: If you pass the details of that to the clerks, I am sure that we can ensure that the opinion is circulated to members.

There are no further items of business on the agenda. I look forward to seeing members at our next meeting.

Meeting closed at 15:51.

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