

EUROPEAN COMMITTEE

Tuesday 14 December 1999
(*Afternoon*)

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EUROPEAN COMMITTEE 10th Meeting

CONVENER :

*Hugh Henry (Paisley South) (Lab)

COMMITTEE MEMBERS :

Dennis Canavan (Falkirk West)

*Bruce Crawford (Mid Scotland and Fife) (SNP)

*Dr Winnie Ewing (Highlands and Islands) (SNP)

*Dr Sylvia Jackson (Stirling) (Lab)

*Cathy Jamieson (Carrick, Cumnock and Doon Valley) (Lab)

*Ms Margo MacDonald (Lothians) (SNP)

Maureen Macmillan (Highlands and Islands) (Lab)

*David Mundell (South of Scotland) (Con)

Ms Irene Oldfather (Cunninghame South) (Lab)

Tavish Scott (Shetland) (LD)

*Ben Wallace (North-East Scotland) (Con)

*Allan Wilson (Cunninghame North) (Lab)

*attended

THE FOLLOWING MEMBER ALSO ATTENDED:

Mr Keith Raffan (Mid Scotland and Fife) (LD)

WITNESS:

Mr Jack McConnell (Minister for Finance)

COMMITTEE CLERK:

Stephen Imrie

ASSISTANT CLERK:

David Simpson

Scottish Parliament

European Committee

Tuesday 14 December 1999

(Afternoon)

[THE CONVENER *opened the meeting at 14:02*]

The Convener (Hugh Henry): Welcome to this meeting of the European Committee. Apologies have been received from Irene Oldfather. Tavish Scott will be late, as he is travelling from Shetland. I do not know what the weather there is like, but if it is anything like it is here, he might be some time.

Objective 3 Operational Plan

The Convener: This afternoon we meet to discuss the objective 3 operational plan and we welcome again the Minister for Finance, Mr Jack McConnell. As this is our last meeting before Christmas, we asked whether Santa Claus could attend, but he sent his deputy, Mr McConnell, instead. I do not know what goodies he has to give us this afternoon.

I shall ask the minister to introduce the plan and I will then open the debate up for discussion. We have submitted to the minister some general comments from our previous committee meeting and some views that were developed in discussions between Mr Chalmers and representatives of each of the political groups. This afternoon we have the opportunity to develop that dialogue further.

The Minister for Finance (Mr Jack McConnell): Thank you, convener. Once again, I am pleased to meet the committee to continue our constructive discussions as we prepare for the new round of structural funds. The objective 3 plan is part of a package to ensure that we continue to get a good deal for Scotland in the allocation of structural funds. In Scotland, we will receive 9.7 per cent of the UK's total objective 3 allocation, compared with our population share of 8.65 per cent. Looking towards the future, the Highlands and Islands plan has been received by the European Commission and we have been able to suggest some amendments to our objective 2 map, on which the Commission will soon make a decision.

The plan that is before the committee today is the work of the objective 3 plan team, which has had to perform a considerable and detailed task. Like all the plan teams it included representatives of the key partners in the programme, including

the Scottish Council for Voluntary Organisations, the Convention of Scottish Local Authorities, Scottish Enterprise, the further and higher education sectors and the Equal Opportunities Commission. The plan team has been meeting fortnightly since February. That has required a massive commitment of time and effort by all those involved. On behalf of the Scottish Executive I thank them for their efforts.

I would also like to say something about the consultation process that has played such a significant role in shaping the document. Pages 254 and 255 of the document include a table that summarises the consultation process. I hope that the committee will note the number of workshops, seminars, focus groups, information sessions and so on that were held. Members might also note the number of participants, which is set out in the right-hand column. It has taken 10 months to prepare the plan, and that table shows why. This is the kind of open and transparent consultation process with which the Scottish Executive is pleased to be associated. I appreciate all the contributions to the consultation.

The committee has had the opportunity to consider the document and will have questions to ask me, so I do not intend to take up too much time with my opening remarks. There are, however, some issues that I want to draw to members' attention.

First, I have publicly exhorted all the plan teams to ensure that, as far as possible, the new structural fund programmes support and enhance the Scottish Executive's policies and priorities. That is reflected in the objective 3 plan. The plan's main priorities—lifelong learning, a competitive economy, raising employability and addressing social exclusion and the gender balance—originate from the European social fund regulations and the national action plan for employment, but many of the measures in the plan are a direct response to the Executive's policies. I am pleased that our programme for government is recognised in the plan and that the measures proposed will complement our policies on such matters as social justice, "Opportunity Scotland" and the Scottish skills strategy.

My second point relates to the horizontal themes of the plan: equal opportunities, the information society, sustainable development, lifelong learning and support for local initiatives. I would particularly like to commend chapter 9 of the plan, which sets out strategies for ensuring that the programme takes full account of those horizontal themes and that it does so in an innovative but systematic way. On pages 150 and 151, for example, the plan sets out measures to ensure that equal opportunities are fully integrated into programme delivery. It does so by breaking down the broad aim of equal

opportunities into three specific objectives that are then translated into specific activities to ensure that the objectives and the overall aim are delivered. I welcome that approach.

Thirdly, although the plan is a lengthy and detailed document, it remains strategic in nature. Our aim is to use the objective 3 money to build a prosperous Scotland in which those who are out of work can get into work and in which those who are in work can gain new skills to stay there. More generally, we aim to reduce our reliance on those funds for the future. Objective 3 money is, of course, only one element of the Executive's package for delivering money for training and development in Scotland, but it is an important one.

The plan does not discuss in any depth how the programme will be implemented. There are brief sections on management and control arrangements and on monitoring and evaluation, but little is said about how the programme will be delivered. The plan does not say what the advisory group structure will look like, whether there will be scoring panels or whether we will continue with application forms or interactive disks. It does not address how we will ensure that the appraisal process rewards good projects rather than well-written applications, or how we intend to have more multi-annual projects. Those and many other administrative matters are being taken forward separately in consultation with the partnership. Although such matters might seem mundane, they are of great importance to potential applicants to the partnership and to me in ensuring that we select the best projects—projects which add real value to the programme in Scotland.

Although this is a seven-year programme, the plan that we are considering today—which will go on to the Commission for consideration and approval—will not be set in stone. Experience of previous programmes has shown that we need to be prepared to adjust the priorities and measures of the programmes and to reallocate financial resources in the light of developing needs and circumstances. The mid-term evaluation of the programme provides us with a formal occasion on which to make those adjustments, but I reassure the committee that we will not hesitate to seek changes in advance of the mid-term evaluation if it emerges that the programme is in any way failing to meet Scotland's needs. Review, evaluation and flexibility are vital tools that will allow us to adapt to changing economic circumstances and to complete a successful programme.

Convener, I am happy to listen to the committee's comments and to answer questions with the help of my colleagues, who were more involved in the creation of the plan. I will consider the plan in the light of those questions and

comments, before arranging for it to be submitted to the Commission as soon as possible.

The Convener: Thank you, minister. As you say, this is a bulky document. However, I found the way in which the information is structured helpful. I note what you say about the document remaining strategic in its approach.

You mentioned implementation and monitoring. You will note that in the letter I wrote to you on behalf of the committee I emphasised that, for us, this is not the final stage in the process. We want to come back not only to this plan, but to the other plans, to see how they have been implemented and to ensure that the monitoring and operational issues are considered closely. We will, no doubt, discuss that again.

Before I open up the discussion, can I ask you to confirm the legal deadline for submission of the plan to the Commission?

Mr McConnell: There is no formal legal deadline for the plan. Any deadlines should be self-imposed, because the sooner we get the plan agreed, the sooner we will have authority to move forward with the new programme. Our wish has always been to submit the plan before Christmas. If we go on past Christmas and new year, we could lose up to a month in the final stage, which is securing of approval and getting projects under way.

The Convener: Are you concerned that, if there is a delay in getting the plan approved, the shift from one programme to the next might cause redundancy problems for people currently associated with objective 3 projects?

Mr McConnell: We have taken great steps to try to bridge the gap between the two programmes, and contingency arrangements are now in place. I would not want to alarm anybody by suggesting that the situation is as serious as you have described, but the sooner the plan is submitted and discussions with the Commission can be initiated, the sooner it can be approved. That would ensure the minimum risk to existing projects and the people involved in them.

The Convener: In other words, you want to resolve this matter as soon as possible to avoid any disruption.

Mr McConnell: Absolutely. This is about the people who are employed in the programmes and the continuing viability of the projects, as well as being about those who benefit from them.

Ben Wallace (North-East Scotland) (Con): I have a number of questions about the plan. In one part of the document, you concentrate on re-employment of people aged between 40 and 50. Did you consider widening the age bracket to 60 or 65, given that the number of older people is

rising? For people over 50, it is very difficult to get a job, and I do not see much that is targeted at them.

Mr McConnell: By specifying an age bracket in the plan, we were not ruling out support for other age groups or for people who fall outwith the 40 to 50 age bracket—which I am soon to join. It was important that the plan reflected the priorities in terms of age groups and other matters. The 40 to 50 age bracket is a priority for us, but it is not an exclusive priority that rules out people who are either younger or older.

Ben Wallace: The global grant—which I notice is, in effect, a 1 per cent top slice—goes straight into the voluntary sector. Are you targeting specific areas of the voluntary sector? Considering that that income stream may be cut off in 2006, do you think it is appropriate that you are stringing the voluntary sector along rather than preparing it for the next stage when funding might be drastically reduced?

14:15

The Convener: How does the *Official Report* show a long pause? [*Laughter.*]

Mr McConnell: I am sorry—I am taking advice. Obviously a number of detailed discussions have taken place in meetings that ministers have not been involved in, and if I am to try to explain the thinking behind some of these issues it will be better for me to reflect and to be accurate.

Ben Wallace: A lot of us are aware that the funding will reduce in 2006. I am keen for much of that funding to go towards preparing the way for sustainable projects. The global grant is designed to cut through a lot of red tape and to get money straight into the voluntary sector; but will there be help for the voluntary sector to develop other means of funding, for when that money goes?

Mr McConnell: I am sorry—I understand the answer that is being whispered to me, and I hear your question, but I am not tying the two together. May I answer your question in writing?

Ben Wallace: Okay. I have one final question. Is it intended that the Executive review the plan half way through the seven-year implementation programme? Have any times been fixed for that, or will the review be on-going?

Mr McConnell: A mid-term evaluation has been built into the new programme; but I want to build in more frequent evaluation. As the convener suggested, we should build in a regular process of review and evaluation, which is in line with the committee's thinking. With the amount of money that is available, and with the changes that are constantly taking place in the economy and among the work force and those who are out of work, it is

important that we respond to developments, that we discover where the plan is successful and where it is less successful, and that we shift either resources or emphasis accordingly.

The Convener: As I mentioned, the committee is keen to have regular reviews and monitoring, not just for this plan but for others. Could your officials let the clerk to this committee know about suggestions for your timetable for considering reviews and monitoring, so that we can plan accordingly? I do not want the committee to fix a timetable, only to find that yours is different. We will discuss that at a future meeting, but it would be helpful to work together.

Mr McConnell: Yes, I am sure that that would be possible. I hope to come forward with proposals at an early stage; although the committee will be aware that we have yet to set up the monitoring committees. We are at an early stage of putting together the structures that will oversee the implementation. However, reviews would certainly be built into those structures, and I hope that the role of this committee can be clarified early in the new year.

Allan Wilson (Cunninghame North) (Lab): My questions are on the same theme, minister. In your statement, you talked about getting people who are out of work back into work, which is a laudable objective that is shared by this committee. Given that the medium to short-term prospects of the Scottish economy are, in so far as they can be predicted, favourable; and given that, at any time, company development and industrial programmes can change, in either a European or a global context, and can threaten the livelihoods of hundreds if not thousands of our fellow citizens; and given that no constituency is immune from such market fluctuations, will the minister give further consideration to the support that can be provided to redundant workers via objective 3? Will he look closely at whether objective 3 funds can be used as part of a support package for people newly made redundant by large-scale industrial closures, market fluctuation or whatever? And will he publish a feasibility study of such a use of those funds?

Mr McConnell: I am conscious of the fact that the committee has discussed this issue, and that it has come up on the past two occasions on which I have been here. I am happy to consider suggestions from the committee on what we should be looking at.

There are two or three relevant things to say. Structural funds can play a role as part of our overall package in situations such as those that Allan referred to, but we must be careful not to increase the expectation of those funds because much larger support might be available from other sources, for example, Scottish Enterprise. While

structural funds can play a role, it is likely that we could respond more quickly and produce more resources through other funding sources.

This round of structural funding may be particularly helpful in averting redundancies by using the funds that are being made available for reskilling or improving skills in the work force to keep companies viable. Across different departments—and not just in relation to European structural funds—we need to identify those areas of the Scottish economy where funding can help to support long-term viability, and then move in with a package, which might include supporting a reskilling exercise. The programme will be important to ensure that fewer people are out of work and more people maintain the work that they are in.

Allan Wilson: So structural funding could be used as part of the reskilling process for workers who are made redundant through large-scale industrial closures. You are saying a definitive yes to the use of objective 3 funding as part of an overall package.

Mr McConnell: There is no problem with that funding being used, but the judgment that we have to make on each occasion is whether it is the right tool at the right time.

Allan Wilson: Therefore a feasibility study would be a good idea.

Mr McConnell: I said that I would be happy to consider any proposals that the committee has.

The Convener: Some of those issues are not unrelated to the points that Ben Wallace made about sustainable development and a more strategic approach.

I indicated that I would bring Bruce Crawford in. Is your point on the same issue, Margo?

Ms Margo MacDonald (Lothians) (SNP): Yes. I apologise for being thick on this issue, minister, but I am trying to get a handle on how we interpret the use of these moneys. The committee's draft report states that one of the priorities of the programme is

"promoting entrepreneurship and supporting individuals engaged in new business formation".

Briefly, are there some examples of that? I am not sure what that means. I can see the good intentions, but how much money is there and how do we explain this funding to people so that we direct them to either the general fund or the specific programmes? I am not sure.

Mr McConnell: The different financial allocations are shown in the plan. Tables break the funding down to different degrees of detail.

Ms MacDonald: I apologise for being thick.

[Laughter.]

Mr McConnell: Under the heading of competitiveness and entrepreneurship, for example, the figure for different programmes is £70 million. That sounds like a substantial amount of money, but it is over seven years. In the context of other departmental expenditure and programmes that the Executive supports, whether that be through Scottish Enterprise and local enterprise companies or colleges and other organisations, that is a small amount of money. It is important that, while we try to target that money as effectively as possible, we do not move away from the real responsibility, which lies with our mainstream Scottish Executive funding, to deal with these large-scale problems.

Bruce Crawford (Mid Scotland and Fife) (SNP): I thank the minister for his opening statement. I shall refer to the issue that Ben Wallace raised of global funds, and then move on to an issue of training for small to medium enterprises.

We discussed how important global funds might be to voluntary groups. It might be useful for them to be outlined to a sub-committee, if there is such a thing, of the European Committee, or at a pre-meeting briefing. Ben Wallace is quite right. The urban renewal funds—which you will remember with some pleasure, I am sure, from your time as the leader of Stirling Council—had a cycle of three years, at the end of which often either the project went to the wall or the local authority had to mainstream it into its budget profile.

That might have been okay when there was a bit of slack in local authority budgets; however, we all appreciate how difficult it would be to achieve that now. Ben Wallace was trying to get assurances that, whichever organisation's money the global funding is being used to pump-prime in the voluntary sector, at the end of the life of the funding, that organisation will not be left high and dry, unable to continue, and that a proper business plan will be developed to ensure that the organisation will have a life beyond the funding package.

I turn to the issue of positive action for work force training and learning. There is an interesting statement in the Executive documentation, in a paragraph that quotes the "Skills for Scotland" report. The statement reads:

"It is important that Scotland's workforce is equipped with the skills and the flexibility necessary for the economy to flourish in the twenty first century."

The statement refers to the training that is required to raise the level of skills in the Scottish work force. All members would agree with that statement, but the question is how we can translate that into reality for small to medium

enterprises. We should look to the Italian experience, how quickly SMEs have been growing there and the rate at which they continue to flourish. The Italian economy is not so exposed to large-scale downturns in the world economy, as it is not so reliant on inward investment as the economy of this country. I am not trying to knock inward investment; I am trying to establish a process by which we can help SMEs more effectively.

Would it be possible, under the programme, to consider direct support for small to medium enterprises to bring on temporary recruits, for instance, to allow them the capacity to release employees for proper training and to increase the skills of the work force? If not, I suspect that a lot of SMEs will say, "What has all this to do with me?" or, "I cannot really afford it all", even though they are getting support in that their employees' skills are being enhanced while they are not needed at the coal face.

Mr McConnell: I do not think that we can guarantee that funding that we now provide for capacity building in groups would eventually become core funding that we could guarantee in the future. The whole idea of capacity building funding is to try to ensure that the groups become sustainable, either with or without public funds, in the long term. I strongly support the adoption of a long-term planning approach to that, as you have indicated.

On the subject of SMEs, I reiterate the point that the European structural funds can provide added value to support for SMEs and can complement what we are doing to create more small businesses and to grow medium enterprises in Scotland. However, they cannot direct that. They cannot be central to that, given the amount of money that is available here. In that context, your suggestion falls within the eligibility rules. It would be possible for that kind of project to be considered, and some of the descriptions in the plan include that sort of idea. You have raised an issue that I hope will be taken on board by decision makers in years to come.

14:30

Bruce Crawford: I thank the minister for that encouraging response. In terms of added value, I entirely accept that reply as far as objective 3 structural funds are concerned. I am not aware of any programme that gives the local enterprise companies, or any other regional development bodies, support to cover temporary leave for their employees. If the plan's structure is innovative enough to give added value in doing that, that is useful.

The Convener: There was no suggestion that

voluntary sector groups should not get European funding unless there was a commitment to funding at the end of the process. However, it was implicit in the minister's comments that the Executive wants to encourage more strategic use of the funds. That touches on Ben Wallace's point about sustainability. We should not see that money as funding substitution; investment through the programme must lead to longer-term sustainable development. If that allows innovation in the voluntary sector, so much the better. This committee should ensure that those groups do not see funding just as a short-term expedient, but as part of a long-term development.

Dr Sylvia Jackson (Stirling) (Lab): Section 10.5 of the operational programme addresses gender imbalance. Paragraph 10.5.10 lists:

"The barriers to labour market entry resulting in women being unable to access training and / or employment".

This morning, I visited the Women's Technology Centre in Stirling, to find out about the key barriers to women who want to enter the labour market. One barrier is the number of available training places, which at the moment could be filled four or five times over. Provision is inadequate. We like to think that—[*Interruption.*] What is happening?

The Convener: Someone is being buzzed on their pager.

Dr Jackson: It is not always possible to provide more places. However, the type of training that is given at the Women's Technology Centre is vital to getting back into the labour market.

My second point concerns what happens once the training is complete and work has begun. There should be a more holistic approach. The Stirling unit tries to give support and considers whether some of the women could undertake voluntary work if they are unable to get a job right away. It helps them to consider the opportunities that are available, and arranges job placements as part of the training.

Although the document does not cover implementation, we should take a holistic approach, following women through. I know that Cathy Jamieson will mention child care, and that is the sort of issue that we should consider. Child care may be stopped after the training period and there may be a lull before a job becomes available. The document does not take as holistic an approach to such issues as it could, but perhaps that is coming later.

Mr McConnell: I am advised that discussions have taken place on those issues. The approach will be in line with the approach that we have tried to encourage throughout the Executive, throughout local government and in the voluntary sector too. Given the added value role of those

funds in relation to the Executive's overall priorities, I certainly hope that that kind of approach will be central to our work. At the moment, I will leave the details of implementation to those who are responsible for that in the months ahead. However, I want to give them a firm steer that that approach is the right way to go.

Mr Keith Raffan (Mid Scotland and Fife) (LD):

Thank you, convener, for allowing me to join you from the Social Inclusion, Housing and Voluntary Sector Committee. My question is on how the plan relates to the Executive's social inclusion strategy. How do you see objective 3 funding being used, in particular in relation to social inclusion partnership projects? I am concerned, as members of the European Committee are, about sustainability beyond 2006. Rather than embarking on new projects, should we be enhancing existing provision, so that expectations are not raised, only for them to be dashed, and so that we do not start projects, only for them to end prematurely?

Mr McConnell: I am certainly in tune with those views. As we have in different circumstances, I hope that we will enhance the work of the existing SIPs in those areas, rather than duplicating or contradicting what the SIPs do. There needs to be a complementary role—enhancing and adding value—as much at local level as there is at national level.

Mr Raffan: How are you going to deal with groups who are excluded throughout the population, not just in urban or rural areas, who do not have a territorial base?

Mr McConnell: Measure 2.1, addressing exclusion of thematic groups, can be found on page 185 of the plan. The measure targets exclusion across the whole of Scotland rather than urban or rural exclusion, which are covered in other sections of the programme. The plan team has been conscious of the need to take an approach across Scotland, but has been keen to do that in a way that adds to what is on the ground. When we establish the monitoring committees and do the initial work to develop criteria for projects, every effort must be made, given the decline in resources, to use resources to complement what is already on the ground.

Mr Raffan: Like Allan Wilson, I am concerned about large-scale redundancies such as those at Continental, BARMAC and so on. How can objective 3 funding be used to help those work forces, not only through reskilling, which Allan mentioned, but by setting up a mobile hit squad that could help workers who are threatened with redundancy by providing a one-stop shop for counselling, benefits and the range of advice services that are required at that stage?

The Convener: I know from previous

experience how such measures operate. The issues are not to do with the injection of European funding, but, as the minister has said, with the concentration of funding from Scottish Enterprise, local enterprise companies and local authorities. That part of the debate is not within the remit of the discussion on this plan. Objective 3 funding can only help to underpin such measures and enhance them.

Mr Raffan: That is what I asked. I want to know to what extent the minister thinks that objective 3 funding can be used, not exclusively to resource such measures but to underpin them.

Mr McConnell: The committee's suggestion that there should be a specific study into that is useful. It has sometimes been possible for European funds to be used on a case-by-case basis as part of a package to help an area. However, some large, well supported budgets are already available at short notice for that purpose. Those budgets should be used first.

If projects backed by European funding can play a role, that is fine and well, but they should play a complementary role rather than be perceived as measures that rescue an area. They should not replace concerted Government and local government action with much larger budgets and wider responsibilities.

The Convener: Before I bring in other committee members, I want to pick up on the funding for groups. Nearly £47 million has been identified under the area headed "addressing exclusion of thematic groups", which suggests that that element is important. What percentage of the funding for the total project will be made up of objective 3 funding?

Mr McConnell: A maximum of 45 per cent.

The Convener: So the matched funding will double the total amount to address that issue, which means more than £92 million will be available. That is a considerable sum of money and highlights the significance of European funding. Are the people who have drafted the plan confident that the matched funding will be available to make it work effectively? The last thing we need is for sums of money to be allocated for critical projects, only to find that potential partners do not have the funds to make them work.

Mr McConnell: I understand that concern, which is partly why we have to continue to review the programme's performance. If decisions made elsewhere block matched funding for this programme, or if the programme fails to deliver, we need to respond to those problems. However, the allocations have been identified in terms of the priority given to each area and of the availability of matched funding.

Cathy Jamieson (Carrick, Cumnock and Doon Valley) (Lab): I want to echo Bruce Crawford's points about capacity building in the voluntary sector and in small and medium enterprises. I have talked before about the benefits of people being trained for work opportunities in those sectors to have some form of temporary employment in organisations, which would enable people who are already in those organisations to undertake training. I am sure that this programme will allow that to happen.

Section 14.3 of the draft report says that the objective 3 operational programme will

"be co-ordinated with any European Social Fund financed activities"

and specifically mentions objective 2 programmes. Will the Scottish Executive give a higher priority to areas that receive objective 2 funding or that just missed out on such funding because of particular geographical considerations?

Mr McConnell: The plan team has recommended that there should be a 55 per cent allocation to areas with objective 2 status, a 30 per cent allocation to areas in transition and a 15 per cent allocation to areas that fall into neither category. I will obviously take on board the committee's views before I make any final decisions. However, even if those are the final percentages, I will want to be clear that the 30 per cent allocation for transitional areas is targeted on projects that benefit the geographical areas in most need.

After three months of this, we are all well aware that there are a number of communities across Scotland that missed out—Girvan being one, he said trying to put a smile on Cathy Jamieson's face—

14:45

Cathy Jamieson: And I did not even mention it.

Mr McConnell: Stirling is another—as Sylvia Jackson is here too. Barrhead, East Renfrewshire, some parts of Edinburgh and East Lothian are others. Different parts of Scotland missed out, largely because of their geographical position rather than their level of deprivation. It is important to target those areas and to ensure that money is not too thinly spread across too vast an area. With objective 3, I would take the same approach to prioritising funding in transition areas as I did with objective 2.

The Convener: I would like to throw that point open to the committee. The minister has asked to hear the committee's views on the suggested breakdown by block. Any comments?

Ms MacDonald: It sounds fair—but without the figures, it is very difficult to judge. I am not being

puir-moothed about this, but I want to put a word in for the wealthier people. Representing Edinburgh and the Lothians, I am aware that social needs are not as bad here as they are in some other parts of Scotland. On the other hand, unless the economy remains dynamic, and unless there is a continual renewal of skills and training, we will not be able to help. So we need to know how much money is involved.

The Convener: Will the minister clarify: is he talking about 55 per cent of the £321 million for objective 2?

Mr McConnell: Five of the priority programmes—1.1, 1.2, 4A.2, 4A.3 and 4B.2—would be covered in that way. For reference, the page number is 276 of the plan, where there is a fairly detailed explanation of the concentration of resources in objective 2 areas. The percentages have been chosen after a lot of discussion in the plan team; they have not just been plucked out of the air.

The Convener: Of those measures, are you suggesting that 55 per cent be allocated to objective 2 areas, 30 per cent to areas in transition, and 15 per cent to other areas?

Mr McConnell: That is the suggestion of the plan team, which I obviously have to consider.

Bruce Crawford: That raises another question. If 55 per cent is going to areas that already have objective 2 status, but objective 3 can provide only up to a maximum of 45 per cent of the total cost of a project, can we add objective 2 and objective 3 together in any one project?

The Convener: No.

Bruce Crawford: No, we cannot? So the maximum is 45 per cent from any fund?

The Convener: Some of the areas that qualify for objective 2 would be SIP priority areas, and therefore eligible for what could be described loosely as urban programme funding. That funding is often used to match the European funding. In my area, it has been helpful to bring the two together, as that allows us to go ahead with projects.

Mr McConnell: Also, objective 2 and objective 3 cover different kinds of project. Funding could be going to the same area, the same street, the same building, but to different kinds of project.

Bruce Crawford: I understand that, but why has 55 per cent been targeted into objective 2 if it might go to the same area but not be tied into the same projects?

Mr McConnell: Part of the effort to integrate the use of the various funds is to ensure that the use of objective 2 and objective 3 is complementary in any area. However, we have to be clear: the

purposes for which objective 2 is used are different from those for which objective 3 is used. Any objective 3 allocation to projects in areas on the objective 2 map would be because they are viable, necessary and desirable in those areas, and complement the other things that are going on.

The Convener: We will try to exhaust this issue.

Dr Sylvia Jackson: If I remember correctly, when we looked at the 116 most disadvantaged wards in Scotland, we found that 16 had not previously been accounted for in objective 2. Some of them have now been accounted for, but others have not. Those very disadvantaged wards should be taken into account for the 55 per cent from objective 2. As you know, the reason they have not been included is purely geographical.

Mr McConnell: Although some individual wards are covered by full status for the objective 2 fund, or by the transition stage for the objective 2 fund, we should recognise that a fair bit of objective 3 money will go towards projects that stretch across many wards and target people rather than geographical areas. The flexibility of decision making on individual projects will be important.

Given the nature of objective 3, I expect some priority to be given not just to the areas I mentioned in the wider reaches of the central belt, but to others, for example in the rural north-east, which were on the old objective 2 map. There are parts of the north-east community that will definitely require support from objective 3 in the new round. I hope that the decision-making teams that we put in place for individual projects will bear that in mind—they will certainly be guided in that direction by me.

Ben Wallace: I want to question the wisdom of this. Because of the type of projects with which we are dealing in objective 3, are you not tying your hands by insisting that some of them should be targeted in some areas? There is no accounting for where business start-ups occur, or for the types of business or training networks that there will be. You might tie your hands if you say that 55 per cent will go to a certain area.

Mr McConnell: We have to give guidance on how the two programmes complement each other, so we have to give an indication of where we think the allocation might fall. We will build in a programme of reviews so that we can adjust things along the way, if it is appropriate to do so. Also, it is important to recognise that giving guidance to the decision-making bodies in the new round about the level of priority to be given to certain areas is not the same as insisting that all the money be spent in those areas.

The objective should be to support the projects that best meet the aims and objectives of the

overall programme. Many such projects might be some distance from the wards Sylvia Jackson identified, but will nevertheless benefit the people who live in them by making available training or development that can support them. At all times, we need to be clear about the objective of the programme, which is to raise skills and provide training in the areas that are outlined in the programme.

The Convener: This committee is on record as supporting the type of strategic approach that you mentioned earlier. Any expenditure must fit a strategic plan; initiatives must not just be ad hoc. I hope that in the next year or two, as we begin to monitor the effectiveness of this and other programmes, we will measure them against the stated priorities of this Parliament. Clearly, if they do not meet those priorities, we will have something to say about that.

If members are unclear or unhappy about specific areas of the financial breakdown mentioned by the minister, they can raise them either through the clerk or with the minister directly. I am sure that such comments will be given due consideration.

Cathy Jamieson: My next question focuses on the geographical disadvantage that affects lone parents, who are recognised as a disadvantaged group.

In section 4, under "Transport", the plan clearly recognises the difficulties for lone parents, particularly those in rural areas for whom public transport is either not available or prohibitively expensive. In section 10, the plan talks about the need to address rural exclusion and child care issues—it identifies the need for child care as high, but refers to low availability.

Sylvia Jackson mentioned one of the problems with previous programmes, where child care was linked to training opportunities—it was available for a period and then stopped. Such an approach is not beneficial for the lone parent or for the child, if the aim is to provide continuity in good child care practice. Will attempts be made to target lone parents and to cut across those issues, rather than to allow the issue to be compartmentalised, as has happened in the past? Can we ensure that meeting child care and transport costs is seen as a key way in which to empower women in rural areas in particular, to enable them to take up the available opportunities?

Mr McConnell: Child care and transport costs are both seen as important elements of the support packages that are necessary, although we may need to discuss further how they are met in practice. I am happy to keep an eye on those discussions, if the committee would like me to monitor them.

David Mundell (South of Scotland) (Con): I wish to return to the co-ordination of objective 2 and 3, as it is particularly important for areas such as the south of Scotland, which will benefit from objective 2 funding. Although, as you said, the two funding streams have different objectives, with proper planning and strategic thought they could be brought together to produce the most beneficial package for the community. That, rather than the divvying-up approach, is important. I ask you to take that on board.

I also wish to return to the issue of small rural projects and their eligibility for and access to objective 3 funding, which I raised with you during the debate on structural funds. Are you satisfied that the plan, as currently drawn up, is accessible and that funding will be available for small projects that do not have the headline numbers that others have referred to?

Mr McConnell: The quality of an individual project should be more important than its size or its location—that is our starting point. Priority 2.3 refers to rural exclusion, but I want to try to monitor the allocation and availability of funding and the success of project applications from rural areas outside the Highlands and Islands, as well as some of the other priority areas, to ensure that funding is allocated fairly. When we get around to making appointments in the new year, I will wish to discuss these elements with those responsible for implementing the plan.

The Convener: David Mundell raised an issue that concerns many people. You said that projects should be judged on quality. We share your aspiration that projects must make a qualitative contribution to an area. However, there is a feeling that larger groups, which are better used to applying for European funding, which understand the system and which have the resources to support their applications, find it easier to access that funding than smaller groups.

Smaller groups might have a quality project but might be disadvantaged or put off by a relatively complicated bidding system. Life is easier for those who disburse funds if they have only a handful of relatively big projects to push the money out to—there is less work for them to do. If we are to make a genuine difference to communities across Scotland—through objective 2 funding, transitional funding or funding of any other kind—we must have an assurance that the people who are responsible for that funding will extend the availability of information and, in particular, support to all applicants.

15:00

Mr McConnell: Those points are well made. I said in my opening statement that the most

important thing was for us to ensure that we back good-quality projects, rather than only those with well-written applications. We should set out to achieve that aim. There will be times when we will have to provide support for people, if we are to achieve that.

Dr Winnie Ewing (Highlands and Islands) (SNP): I have a short question that relates to paragraph 4 of the draft report, under heading 1, where reference is made to the Highlands and Islands. Will the same principles that we have discussed today, which are included in the draft report, be followed in providing parallel assistance to the Highlands and Islands?

Mr McConnell: Yes.

Dr Ewing: That was a straightforward answer. Thank you.

Ben Wallace: My final question is more general. The plan talks about tax breaks, or the use of tax, and making finance available. I am aware that that is not a devolved power, and is therefore not for this Parliament. However, 48 per cent of employment in Scotland is provided by small businesses, so the matter is weightier in this country than in England and Wales. Is there a system in place whereby, through the Department of Trade and Industry, yourself and the Minister for Enterprise and Lifelong Learning, representations can be made in discussions with the chancellor to ensure that those Scottish needs are given a greater weighting, or at least borne in mind at Westminster? Without many of the tax breaks in Scotland, some of the plans would be weakened if certain things were to change.

Mr McConnell: I said in the local government debate last week that the Minister for Enterprise and Lifelong Learning, and probably the Enterprise and Lifelong Learning Committee and the Local Government Committee, will consider, over the next year, the support that is given to small businesses in Scotland. I imagine that, in examining that topic, they will cover the issues that Ben Wallace raised and I would not want to say anything today that would cut across that. We recognise the importance of small businesses, not only to the Scottish economy, but to small communities—urban and rural—throughout Scotland. It is therefore important that the plans complement whatever other policies the Government pursues, whether in the UK or in Scotland.

The Convener: Do members of the committee want to raise any other points with the minister?

Ms MacDonald: I cannot disagree with the strategic approach—that is right, and the committee agrees with it. The equity with which the special assistance to the Highlands and Islands is approached is also right.

We have conceded that things become difficult once you get down to hard cash. However, when you were drawing up the plan, what methodology did you use to put in place the benchmarks that would satisfy the strategic objectives that had been set? I have one or two local issues in mind, although I do not want to punt them just now because that would sound as if I am interested only in my area, which is not true. However, I have been asked about certain matters and I do not know what sort of steer to give people.

Mr McConnell: It is important to remember that the plan was put together not by the Executive, but by a plan team.

Ms MacDonald: I blame you for everything.

Mr McConnell: I appreciate that.

The Convener: Margo is nothing if not consistent.

Mr McConnell: It is our job to make a decision on the plan, rather than to put it together. Obviously, our officials are involved in that, but the plan is produced by a partnership of the various organisations that will be involved in objective 3. We are now at the decision-making stage; I am here today to hear the committee's views so that I can take them on board before decisions are made.

Bruce Crawford: I am not sure how much the committee, or the minister, gets from this process, but I suppose that it is inevitable that we should end up discussing the big stuff. That is not meant to be disparaging, but I am not sure whether there is added value in this for the committee or the minister. We may have to look into how we can do things better.

I would find it useful if I could be given some examples of where the different types of programmes and expenditure are applied and what the outcomes are, so that I could get a better feel for how this works. Perhaps that is part of the monitoring process.

The Convener: Before the minister answers, I should say that the second-last paragraph of the letter that I sent him, which members should have, echoes the comments that we made about other plans—that we want there to be rigorous monitoring of expenditure on operational matters. We have already suggested that the minister's staff and our staff liaise about getting a timetable for that. At the very least, there should be an annual report back to the committee on the points that members have raised. We want to be assured that money is being spent effectively and that it is meeting the objectives. If not, it should be targeted elsewhere. That is an important new role for the committee. We will not just be holding the Executive to account, but discussing the work of

the monitoring committees and management executives.

Mr McConnell: As part of the review of the monitoring committee structure and the programme management executives for all the funds, we must examine how the different relationships will work over the next few years. Bruce Crawford makes a good point. If we were to start this process again, we might not find that having a minister come along to present a plan that had been prepared by a plan team, rather than to announce the team's outline decisions for discussion and be held accountable for those decisions, was the right formula. However, we are where we are and I have found our discussions useful.

If I understood Bruce Crawford correctly, he suggested that it would be useful to have specific examples of projects, or allocations to training schemes, that fall within the different categories listed in the document under priorities. There is a fair bit of detail in the plan on what each priority means, but I think that the member would like examples of what the money might go towards or has gone towards in the past. That might be useful information, and if we can provide it, we certainly will.

The Convener: That is a slightly different point.

Mr McConnell: It is a specific point that I think is interesting.

The Convener: It is a useful contribution.

As members have no other questions, I thank the minister once again for attending. Notwithstanding our concern over when we receive some of the documents during this process, we recognise the huge amount of work that has gone into it. I ask the minister, on behalf of the committee, to convey our thanks for that work not only to his own staff, but to those who have been involved in the plan team. We hope to have discussions with the minister and others whom he has mentioned over the coming year.

Mr McConnell: Thank you.

Convener's Report

The Convener: The next item on our agenda concerns the dates and times of future meetings. We have agreed that we will meet in Glasgow. We are still negotiating the availability of facilities. It has been suggested that meetings in Glasgow should take place on Monday afternoons rather than on Tuesdays, but I want to know why the facilities are not available at our regular time slot. As soon as the clerk has resolved that problem, we will return to the matter.

Bruce Crawford: I want to ask about timetabling. I would have liked to have had on the agenda for the next meeting a discussion on today's announcement by the French Prime Minister, Lionel Jospin, concerning the potential lifting of at least 70 per cent of the beef ban. I would have liked to have been able to discuss that in some detail, but it will be too far down the track by the time we have that opportunity.

Given the importance of that statement about the exclusivity of grass-fed cattle in this country, which affects 70 per cent of the Scottish herd, I request that you, as our convener, write to the Executive, asking that a statement be made tomorrow in Parliament on that specific issue. It is in the European arena, and it is tremendously important that the European Committee has an understanding of the Executive's position.

The Convener: I share your concerns over the French Government's decision. There is also an issue for the Rural Affairs Committee to consider. By the time we could consider the matter, we would be some way down the line. I would not want to engage in a knee-jerk reaction, by saying that a statement must be made to the Parliament tomorrow, as I am not sure what the Executive is considering. I am not sure whether Jack McConnell would have been able to answer that.

I undertake to write to the Executive, to indicate that we have concerns and to ask that, at the first opportunity, the Executive report back to us. I am not sure that it would be appropriate for us to demand that that issue be debated tomorrow. In any case, the item is not on the agenda. I shall write to the Executive at the end of this meeting.

Ben Wallace: I want to come in on that.

The Convener: I do not want to get into a discussion on that, as we have clear guidelines on putting items on the agenda. We have already addressed the issue, and I have said that I will write to the Executive, but I do not want to enter into a wider discussion on the matter.

Ms MacDonald: This may appear a tangential issue, but it goes to the heart of the way in which we see ourselves in relation to European institutions.

The Convener: I have already said what I will do, and I want to move on. I will deal with the matter by writing to the Executive on behalf of the committee. We will not have a general discussion on the subject at the moment.

Bruce Crawford: Could you ask in that letter whether it would be possible to have a statement on the matter, either tomorrow or the day after?

15:15

The Convener: I have made clear the terms in which I shall write to the Executive; I shall express the committee's general concerns.

At the next meeting, we will return to the issue of the venue.

Dr Sylvia Jackson: During which week will that be?

The Convener: That depends. We have a slot for 11 January, but the first date on which the facilities in Glasgow will be available is the following Monday. However, I said to Stephen Imrie that it is not acceptable to take us out of our Tuesday routine. We may have to meet on Tuesday 18 January, when the facilities will be available. I suggest that we cancel our meeting on 11 January and aim for a meeting in the week beginning 17 January, which will probably mean that we will have meetings two weeks in a row after that.

Do members have any requests for further briefings?

Dr Jackson: I have one further suggestion. It has been pencilled in that the Local Government Committee will have an extra meeting. Can we ask Stephen Imrie to check whether that will clash with other meetings? Today's meeting has clashed with another meeting for Maureen Macmillan and me.

The Convener: We will certainly check that.

The clerks have arranged for tea, coffee and Christmas mince pies to be available in the tea room after the meeting. To those who are unable to wait, I wish a happy Christmas and a good new year.

Meeting closed at 15:16.

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