

EUROPEAN COMMITTEE

Tuesday 23 May 2000
(*Afternoon*)

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EUROPEAN COMMITTEE **10th Meeting 2000, Session 1**

CONVENER

*Hugh Henry (Paisley South) (Lab)

DEPUTY CONVENER

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

*Ms Margo MacDonald (Lothians) (SNP)

*Maureen Macmillan (Highlands and Islands) (Lab)

David Mundell (South of Scotland) (Con)

*Irene Oldfather (Cunninghame South) (Lab)

*Tavish Scott (Shetland) (LD)

Ben Wallace (North-East Scotland) (Con)

*Allan Wilson (Cunninghame North) (Lab)

*attended

ADVISER

Professor John Bachtler

CLERK TEAM LEADER

Stephen Imrie

ASSISTANT CLERK

David Simpson

LOCATION

Committee Room 4

Scottish Parliament

European Committee

Tuesday 23 May 2000

(Afternoon)

[THE CONVENER opened the meeting at 13:11]

The Convener (Hugh Henry): This is the European Committee's 10th meeting of 2000. Does the committee agree that we should take item 4 on the agenda in private?

Members indicated agreement.

European Structural Funds

The Convener: We come to our inquiry into European structural funds and their implementation in Scotland. I would like to review the evidence that we have received to date and to consider some of the issues that have been raised and how our investigation is likely to proceed. However, first I welcome Professor John Bachtler—to give him his Sunday title—who has accepted our invitation to act as adviser to the committee. John, we are delighted that you are able to assist us. I know that, technically, you have been appointed only in the past day or so, so you may not have had an opportunity to become fully aware of all the information that has been circulated—although I suspect from your other activities that you are well versed in this subject. I will bring you in later in the discussion, but is there anything that you would like to say at the outset?

Professor John Bachtler (Adviser): I thank the committee for inviting me to participate in its discussion of a subject that interests me and has dominated a fair part of my working life over the past few years. I am professor of European policy studies at the University of Strathclyde and director of the European Policies Research Centre, an institute at the university specialising in comparative research on regional development. I received the evidence only today, as I came in, but I look forward to making a contribution to the committee's work.

The Convener: I should have said at the outset that I have received apologies from David Mundell and Winnie Ewing.

So far we have heard from the Institute of Welsh Affairs, the European Commission—building on its earlier presentation—and the Convention of Scottish Local Authorities. We have also started to receive written evidence, some of which has come directly and some of which has come via the

Finance Committee. I hope that John Bachtler will be able to assist us in deciding what evidence is or is not relevant.

13:15

At this stage, I would like to find out from members what they see as the emerging lines of inquiry and how we may be able to complete our analysis. Previously, we indicated that we would reflect on the changes that we have made to the agreed remit of the inquiry. As members will recall, Bruce Crawford, Ben Wallace and David Mundell suggested changes.

Members of the Finance Committee are concerned that we may be duplicating their work or straying into their area of competence. Before the start of this meeting, I met the convener of the Finance Committee and told him that we needed to ask questions about additionality and its implications. Clearly, any issues to do with the make-up of the Barnett formula, how money is accounted for and the implications of European structural funds for Barnett fall within the remit of the Finance Committee. At the same time, we need to ask about whether there is additionality, about the regulations governing it and about the general implications. We may need to have another meeting to reflect on the net impact of structural funds on overall expenditure in Scotland, as the Finance Committee may be examining that issue. I will come back to members once I have had the opportunity to discuss the matter with the convener of the Finance Committee.

I now open up the discussion to members. After that, I would like us to deal with some specific issues.

Bruce Crawford (Mid Scotland and Fife) (SNP): I would like to reflect on what you have just said, convener. I understand why the Finance Committee may be having difficulties and I appreciate some of the points that it is making. However, what you said about additionality was quite right. If the European Committee cannot examine properly how structural funds are applied in Scotland and whether we are getting maximum value from them, what are we here for? It is right that the Finance Committee should decide whether an overall review of the Barnett formula is required. However, how additional money finds its way into the Scottish budget is an issue that this committee needs to consider, because of the squeeze on European funds.

The Convener: How the money finds its way into the Scottish budget is not necessarily within our remit. It is probably more an issue for the Finance Committee. Although I am willing to consider a broader definition of additionality, we must be careful not to stray into areas that fall

legitimately within the remit of another committee.

Bruce Crawford: I understand that. The point that I am trying to make relates purely to European funds. It has nothing to do with any other money that is included within the Barnett formula, which is not our concern. I do not want to go over the points that I made last week, but if 23 per cent of UK structural funds are allocated to Scotland and, because of the Barnett formula, we get only around 10 per cent of that, we need to consider whether we are maximising the amount of money that is available to Scotland through the structural funds. I am interested only in a tiny bit of the Barnett formula.

The Convener: I will ask Stephen Imrie to ensure that that is listed as an issue. After the meeting, I will speak to John Bachtler about it, and I will then go back to the convener of the Finance Committee. I want to avoid duplication, which is not in our interest—all of us are subject to time constraints. Equally, I want to ensure that we operate within the remit that was stipulated. We will come back to that.

So far a number of issues have been raised. John Bachtler is free to advise us on how we ought to proceed on those. There is clearly the issue of additionality and district definition, in terms of European Union rules—the wider interpretation and the spirit of what additionality is. There are still some general questions around that.

From what you have heard so far, is there anything that you think that we might want to consider? Do you have any suggestions of people who you think might make a useful contribution on any of the issues, specifically, for the moment, additionality?

Professor Bachtler: This is not so much on additionality, but a question was raised about the value that we get from structural funds. A critical issue is the value that we get from money that is spent in Scotland. Regardless of how much we get, how well is the money being used? One important area for consideration—particularly as we enter a new six-year or seven-year programming period—is what impact structural funds have had in the past and, looking to the new period, how we can ensure that we understand the value for money, the efficiency and the effectiveness of structural fund spending in Scotland. At present, it would be difficult to answer those questions.

The Convener: What you are suggesting is a separate matter. You are asking whether the money has been used well in Scotland. You could argue that, if the money has not been received, its use cannot be analysed. However, I do not want to drift away into a general consideration of the way

in which the funds have been used—we can have that debate at some other point—as we have a tight timetable.

Bruce Crawford: It would be helpful if the professor could guide us. From this evidence and the evidence that we heard last week, it has become clear to me that people's understanding of the terms "additionality", "match funding" and "co-financing" is becoming confused. It would be helpful for us to receive a paper or some guidance from Professor Bachtler on what additionality means, although we have the definition of what comes from the European Commission, which I presented last week as part of the evidence. The additional guidance would help us to clear up any misunderstandings.

Individual members may have their own ideas about what the terms mean, but a shared view would help us to understand the different terminology. Some information from Professor Bachtler would be useful in enabling us to come to a common understanding of the way in which the Barnett formula impacts specifically on additionality. Although I was convinced by the arguments last week, I got the impression that the terminology that was used was confusing some of the issues.

Professor Bachtler: I would be happy to prepare a short paper to set out the definitions clearly. I have not read the evidence yet, but I shall do so over the next few days, perhaps for the next meeting. I might also pick up on other issues that are raised during this meeting about which clarification is needed.

The Convener: The next issue that I want to address is match funding, which is mentioned time and again. Another issue is the difference between the situation in Scotland and that in Wales. Two Welsh academics attended last week's meeting, and Wales is clearly in a different situation in terms of European funding.

I do not know whether your earlier comment would cover verification and monitoring. Verification money is being spent monitoring the way in which European funding is being spent. From listening to the officials from the European Commission last week, I understood that they did not have a problem with the way in which the money was being spent in Scotland. Indeed, they seemed to hold up Scotland as a model for other areas. Nevertheless, it would be remiss of us not to assess whether the money has achieved its intended effect and whether it is reaching the areas that it was supposed to reach.

When you have had a chance to think about what has been said, could you provide us with information about some of the key issues and suggestions as to the steps that we need to follow

to get this matter resolved? If there are gaps in the evidence that we are requesting, could you suggest whom else we might approach?

Professor Bachtler: Right.

Allan Wilson (Cunninghame North) (Lab): I do not have the evidence in front of me, but I am not sure that we could undertake a wider assessment of the economic impact—either prospectively or retrospectively—of European structural funds. Professor Bachtler was involved with the Enterprise and Lifelong Learning Committee for six months and gave advice on the format for the local delivery of economic services and business support services. The purpose behind that was to find out whether we were getting a sufficient return on the moneys that were being invested. That six-month inquiry was completed and reported on only recently.

In-depth consideration of the economic impact of structural funds requires nothing less than the kind of review that was undertaken by the Enterprise and Lifelong Learning Committee. I do not believe that such a review would be compatible with the timetable and remit that we have set ourselves. The subject may be worthy of a future inquiry, but I am not convinced that we could combine such a review with our current inquiry into issues of co-financing, match funding and additionality. That inquiry seems to be more than enough to be getting on with.

The Convener: I accept what you are saying, Allan. As I said before, there may be other issues that we will want to consider over the next year or two. We have already said that we want to start monitoring the implementation on a more regular and detailed basis than has ever been done before.

One of the questions that we must address is whether European money that is coming into Scotland has reached the intended areas in the way that it was supposed to. Has it been genuinely additional? Last week, the representatives of the European Commission spoke about additionality at national, regional and local levels, and we need to consider that. We must also ask whether there is a mechanism—a verification procedure—to ensure that the money reaches the intended areas.

Allan Wilson: If that is what we are talking about, I can see the justification for it. For example, is the €300 million to be spent in the Highlands and Islands additional to what would otherwise have been the economy of the Highlands and Islands over the six years of the programme? If so, that would be additional expenditure that would not otherwise have been there, directly as a consequence of the transitional programme and European structural funds.

However, acknowledging that is different from measuring the economic impact, over six years, of that additional money, which would be a major task.

Irene Oldfather (Cunninghame South) (Lab): We should keep our inquiry tightly focused and restrict ourselves to issues such as additionality, match funding and co-financing. It would be a useful exercise to evaluate implementation, value for money and so on. I wish that we had done something like that a few years ago. I am acutely aware that we are going into what could be the last tranche of European money and there is a limit to the time that we would want to spend evaluating that. For the purposes of this inquiry, we should be tightly focused.

Ms Margo MacDonald (Lothians) (SNP): We do not have time to be anything other than tightly focused. There is an element of sloppy thinking around the table—I include myself—and we have not been precise in our description of what we are talking about, whether it is additionality, co-funding, sponsorship or whatever. Bearing in mind what the two academics from Wales told us, we can say that there are two objectives in deciding the sums of money that should come to Scotland: need and population share. We have to decide whether those objectives are married. That is difficult, but we can crack the problem if we identify the sources of money and the objectives for that money.

Maureen Macmillan (Highlands and Islands) (Lab): I have tried to get my head around this but the information often dissipates as soon as I think that I have understood it. In so far as I understand it, additionality is negotiated at a European level and that money is specified. People from the Highlands and Islands go to Europe to secure additionality money for the area. What we do not know is the sum of all that additionality funding in all the different areas. That is what we want to find out. We should examine the ends of projects to see whether the money that was allocated to various places actually went there. At the moment, we cannot disaggregate the money. The co-funding issue is about resources at a local level and the money supports the additional funds that have come from Europe. That is what I understand the situation to be. Am I right?

Professor Bachtler: Listening to that discussion has helped me get up to speed on what the committee intends to focus on. I was asked whether Scotland has benefited or lost in terms of local economic impact, socio-economic impact and so on through the provision of structural funds. I suggested that we should not consider impacts themselves, but the ability of the systems that we have to determine whether we are getting value for money. We need to know whether the

money that we spend on business development is having an effect relative to spending on infrastructure.

The Convener: It would be useful if you could get some information to us for next week, John.

Ms MacDonald: A flow chart with lots of colours would be good.

Bruce Crawford: The clerk has informed me that the Secretary of State for Scotland is not prepared to come and give evidence on structural funds and that we will have Jack McConnell with us instead. I understand that we are having some difficulty in getting agreement from the office of the Chancellor of the Exchequer about sending someone to give evidence. To ensure that we get the whole picture, it is important that we have some representation from the UK ministers. How else can we deal with the national position on additionality? Mr McConnell will not be in a position to answer questions on that.

The Convener: We have had the same response as the Finance Committee had. I have written to Jack McConnell to say that I would like to discuss with him exactly how he can provide us with the information that we need from both the Scotland Office and the Treasury. That letter will have been sent today. There will be specific questions to which we will need answers from both the Treasury and the Scotland Office. We need to be sure about how those questions will be answered.

Now that John Bachtler is with us, we should make sure that we are clear about what those questions are. Over the next couple of weeks we must focus on the information that we need from the Treasury and the Scotland Office. We must ensure that we do not stray into the territory of the Finance Committee. We will stay in contact with the Finance Committee on that point.

Irene Oldfather: The European Court of Auditors is pivotal to the inquiry, because it is responsible for policing the Commission and has produced a report on additionality. What progress has been made on attracting someone from the European Court of Auditors to speak to the committee?

Stephen Imrie (Clerk Team Leader): I have been in contact with the European Court of Auditors and have not been given a definitive decision. I will emphasise the importance of the matter and will try to have a decision made in time for the next meeting on whether a representative can come to the committee within the time scale of the inquiry.

Ms MacDonald: Perhaps I am being excessively stupid; I apologise if that is the case. Is it the case that, after the British Government

has discovered what will be allocated through the structural funds, it will decide on the additionality, as a top-up? I am speaking in basic terms. I would have thought that the allocation of the top-up—the sharing out—is bound to mirror different economic circumstances in different areas of the UK. I would like to know about that. Presumably that is a matter that is discussed by the Chancellor of the Exchequer, the Secretary of State for Scotland and the other departments of state at a spending review.

The Convener: There is also a clear rule, as we heard last week, on what counts as additionality. Some time ago, a suggestion was made that the additionality rules were not being followed and that Scotland was not being given its proper share under those rules. The starting point must be the rules on additionality, which the Commission referred to at the last meeting. John Bachtler is going to come back to us on that issue.

Stephen Imrie has just told me that, if members have specific questions for the Treasury or the Scotland Office, they should give them to him; the clerks will collate them so that the committee can reach agreement on what is relevant. Stephen will also liaise with John Bachtler on that. It would be helpful if members could tell Stephen of any other questions that they have for John.

We are trying to operate as a committee and to produce a report as a committee. It would be helpful if members could avoid shooting off and coming to their own conclusions on what we have heard so far. We have not made any decisions and we have not yet reached any conclusions. I want to avoid a situation in which people suggest that the evidence that we have heard for or against at any stage in the proceedings is definitive. I know that that is difficult, but I think that it would add value to the conclusions of the committee if we were seen to work together with an open and objective mind. If members go their own way, the result might be rather fragmented. I thank members for their patience and their discipline. I will not mention any names.
[Laughter.]

Convener's Report

The Convener: The response from the Executive on the progress of the Highlands and Islands special transitional programme is available. Do members have any comments on what is before them? Do members wish simply to note the response?

Maureen Macmillan: I am concerned about the negotiations around the information and communication technologies network, which people in the Highlands and Islands feel is extremely important for the development of business infrastructure. I believe that negotiations are continuing and I wish that exercise every success. We will see what we get out of it, but I know that the Commission seems to think that the area is more one for commercial sector involvement than for the Commission itself and that our team has been doing its best to persuade the Commission otherwise. Let us hope that we get something from the exercise.

The Convener: Thank you, Maureen.

There is a response from the Scottish Executive on our concerns about the changeover period between the old and the new programmes, and the consequential impact on the voluntary sector and vulnerable groups. We must respond as soon as possible if we think that weaknesses remain. Before I ask for comments, I advise members that a number of voluntary organisations have contacted me to thank the committee for our work, which has been noticed, as has the fact that it has had an effect. Our work has been well received by the voluntary sector.

Cathy Jamieson (Carrick, Cumnock and Doon Valley) (Lab): I understand that most of the organisations that were at risk believe that the Executive's response is helpful. A number of people have been in touch with me, too, to thank the committee for pursuing the issue. I had not been aware of any organisations that felt that problems remained, but I understand that Sylvia Jackson has concerns about an organisation in her area. We may have to go back to Jack McConnell to highlight that.

Dr Sylvia Jackson (Stirling) (Lab): I will raise a point on which I would be grateful for clarification. If the amount of European social fund award is greater than £50,000, does that mean that an organisation would get no support, or would it receive support of up to that amount? The position is a little unclear, but perhaps I have not understood it correctly. How do you interpret the situation, Cathy?

Cathy Jamieson: I reread the response from Jack McConnell, which suggests that, after consultation with the voluntary sector, it was proposed that organisations that received awards of less than £50,000 could make applications. I do not see it suggested in the response that other possibilities do not exist, although he says:

"I am not prepared to go any further than this given other competing pressures on budgets".

I imagine that that means that he would be unlikely to consider putting all available resources into one project and that there would be an emphasis on sharing resources around. The best thing for Sylvia to do would be to raise the situation as an individual case, if it is the only one of which we are aware—I am not aware of any others.

Dr Jackson: When I have checked the situation, how should I proceed, convener, if I find that there are difficulties and that the amount is, say, just over the £50,000?

The Convener: I suggest that you should take up the matter directly with the Executive. However, if a procedural issue exists that might have consequences, by all means feed that back through Stephen Imrie as quickly as possible, as we could either put it on the agenda or send a letter on behalf of the committee. In other words, you should raise with the Executive directly the case of the specific organisation, but you should bring it back to the committee if there are wider implications.

We have received an invitation to meet Sir Stephen Wall, the UK permanent representative to the European Union, on 8 June. I think that that meeting is to take place between 1 pm and 2 pm but we will get back to members if we receive more details. As members know, Sir Stephen was helpful to the committee and I am sure that we would welcome an opportunity to have further discussions with him.

For the record, I should add that our meeting will be at 2 pm next week. I hope that we will get back into our usual sequence and cycle.

Dr Jackson: I want to raise an issue on which Stephen Imrie may be able to give more details. The Scottish Executive is arranging a stakeholder meeting on the sixth environmental action plan, which follows on from the area on which I acted as rapporteur. Tavish Scott and Robin Harper worked with me on that and they may be interested in attending the meeting, although I have not yet spoken to them. Perhaps Stephen Imrie could investigate the possibility of getting two additional invitations.

The Convener: I ask members to raise such issues with Stephen in advance, as they should not be held back for our meetings. We are constrained in what we can discuss; if an item is not on the agenda, technically we should not discuss it. However, by all means let Stephen pursue that matter.

The next item of business will be taken in private.

13:46

Meeting continued in private until 14:25.

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