



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

Tuesday 15 June 2010

Session 3

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**Tuesday 15 June 2010**

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**EUROPEAN AND EXTERNAL RELATIONS COMMITTEE**  
**9<sup>th</sup> Meeting 2010, Session 3**

**CONVENER**

\*Irene Oldfather (Cunninghame South) (Lab)

**DEPUTY CONVENER**

\*Michael Matheson (Falkirk West) (SNP)

**COMMITTEE MEMBERS**

\*Rhona Brankin (Midlothian) (Lab)

\*Ted Brocklebank (Mid Scotland and Fife) (Con)

Patricia Ferguson (Glasgow Maryhill) (Lab)

\*Jamie Hepburn (Central Scotland) (SNP)

\*Jim Hume (South of Scotland) (LD)

\*Sandra White (Glasgow) (SNP)

**COMMITTEE SUBSTITUTES**

Jackson Carlaw (West of Scotland) (Con)

Ken Macintosh (Eastwood) (Lab)

Gil Paterson (West of Scotland) (SNP)

Iain Smith (North East Fife) (LD)

\*attended

**THE FOLLOWING GAVE EVIDENCE:**

Nicola Hudson (Scottish Parliament Research, Information and Reporting Group)

Scherie Nicol (Scottish Parliament Research, Information and Reporting Group)

Simon Wakefield (Scottish Parliament Research, Information and Reporting Group)

**CLERK TO THE COMMITTEE**

Lynn Tullis

Simon Watkins

**LOCATION**

Committee Room 6



## Scottish Parliament

### European and External Relations Committee

*Tuesday 15 June 2010*

[The Convener *opened the meeting at 10:30*]

#### Decision on Taking Business in Private

**The Convener (Irene Oldfather):** Good morning, colleagues. Welcome to the ninth meeting in 2010 of the European and External Relations Committee. I have apologies from Patricia Ferguson.

Agenda item 1 is to decide whether to take in private agenda items 6 and 7. We have already agreed to take in private item 5, which is consideration of our Treaty of Lisbon inquiry report. Under item 6, the committee will consider a draft response to a Calman Commission on Scottish Devolution recommendation, and item 7 concerns our international engagement inquiry. Do members agree to take items 6 and 7 in private?

**Members** *indicated agreement.*

## International Engagement Inquiry

10:31

**The Convener:** Agenda item 2 is the first session in our international engagement inquiry. The committee will consider a report on international expenditure by the Scottish Government and its agencies that has been drafted by the Parliament's financial scrutiny unit. The report is included in our papers.

I am pleased that we have with us the authors of the report. I welcome Nicola Hudson, Scherie Nicol and Simon Wakefield from the financial scrutiny unit. Before we discuss the report, there will be a short presentation on its key aspects. Is Simon Wakefield making the presentation?

**Simon Wakefield (Scottish Parliament Research, Information and Reporting Group):** I will kick off.

**The Convener:** Good. I thank you very much for the work that you have done so far for us.

**Simon Wakefield:** Thank you very much for asking us to come to the meeting to make a presentation.

I am head of the Parliament's new financial scrutiny unit, and Scherie Nicol and Nicola Hudson are researchers in the team. The financial scrutiny unit was set up in the Scottish Parliament information centre to provide the Parliament, including the committees, with additional financial analysis capacity. It is therefore a resource for members to make use of.

The committee asked us to provide a picture of public spending, from the Scottish block, on international engagement. We considered direct spend by the Government and by public bodies that work in economic development, tourism, education and the arts. We have not covered every item of overseas expenditure; our early analysis indicated that going after individual local authorities and health boards, for example, would probably require a disproportionate amount of effort, so we focused our efforts on the key bigger spenders. We also compared the latest spending with what was incurred at the time of the committee's previous inquiry into international engagement, in 2005.

Before we go into the figures, I should say exactly what we mean by international expenditure. We have defined it as:

"all spend relating to international activities that is incurred overseas".

It includes salaries for staff who are located overseas, but not salaries for civil servants who work on international development or European

policy and are based in Scotland, for example. It includes the cost of trade missions, but not the cost of Scottish Enterprise staff in Scotland who help companies with exporting, for example.

I will say a quick word on data collection. One of the FSU's key tasks is to improve the Parliament's access to financial data from the Government and other public bodies. In this case, pretty extensive discussions, encouragement and clarifications involving more than 100 e-mails and numerous phone calls were required to get the data.

I will summarise the top-line results. We estimate that around £1 in every £1,000 that is spent by the public sector in Scotland—around £30 million—is spent overseas. There was a 54 per cent real-terms rise in international spending over the five years, which is well above the 20 per cent rise in the Scottish Government's public spending as a whole. The vast majority of that increase is accounted for by two policy decisions: the creation of the Scottish Government's international development fund in 2005, from which around £5.3 million was spent last year, and an increase in Scottish Development International's overseas market presence, which involved a £4.4 million rise in costs.

I will hand over to Scherie Nicol and Nicola Hudson to run through the findings in a bit more detail. I should point out that they did most of the work on the study.

**Scherie Nicol (Scottish Parliament Research, Information and Reporting Group):** Four organisations—Scottish Development International, the Scottish Government, VisitScotland and the Scottish Qualifications Authority—accounted for 90 per cent of the overall spend of £30 million in 2009-10.

SDI, which spent £13 million of the total £30 million, was the largest spender. That is perhaps not surprising because it is Scotland's body for promoting international trade and inward investment. Over the time period that was studied, its spend increased by almost 50 per cent, wholly as a result of its policy decision to increase its overseas presence by 60 per cent. The number of its offices has risen only from 20 to 22, but the number of its overseas staff has increased from 50 to 80. More than half those new staff are based in its Europe, middle east and Africa region—incidentally, it has just opened a new office in Dubai.

That represents a shift in focus from North America, which used to account for the largest proportion of spend. However, over the period, SDI's North America offices were boosted by seven staff and its Asian offices were boosted by eight staff.

In addition to SDI's spend on offices, it spends around a quarter of its overseas budget on marketing and events. That decreased slightly over the period. SDI has cited that that was the result of efficiencies gained from moving from print to online media.

The Scottish Government was the second largest spender. It spent £7.5 million on international engagement in 2009-10, compared with £2 million in 2004-05. Almost all of the new spend is related to the international development fund, which was set up in 2005. As members are aware, that fund focuses on providing grants to sub-Saharan Africa. The international development fund allocation has increased by 180 per cent since its inception. The initial allocation of £3.3 million rose to £6 million in 2009-10, and to £8.8 million for 2010-11. Another significant area of spend for the Scottish Government is on overheads and staff in its overseas offices in Beijing, Washington and Brussels. That spend increased by 39 per cent over the period that was studied; the Beijing office opened in the interim.

VisitScotland was the next biggest spender. It spent around £5.5 million in 2009-10. Almost all of that spend—99 per cent of it—relates to marketing, specifically the international marketing of leisure tourism, which incorporates marketing spend for both the year of homecoming 2009 and Scotland week. Two thirds of that budget is incurred in the European Union, which was also the focus of spend in 2004-05. VisitScotland continues to see the EU as its main growth market. A quarter of its spend is incurred in North America. There are low, but increasing, levels of spending in Asia and the rest of the world. VisitScotland is one of the few organisations that reported a reduction in overseas spend—by 23 per cent—over the period that was studied. It has stated that that was the result of its having taken responsibility for the area tourist boards on 1 April 2005. That has squeezed its spend in other areas.

Finally, the Scottish Qualifications Authority experienced increased spend over the period. It spent almost £2 million in 2009-10, compared with an estimated £0.25 million in 2004-05. That sevenfold increase is associated with increased international activity as a whole, with the SQA having a department entirely focused on that area. The largest spend is on staff, with the SQA having an office in Beijing. More than half the spend is in developing and emerging markets such as Africa, the Caribbean and Russia. It should be noted that overseas income for the SQA has also increased over the period, with income outstripping expenditure in 2009-10 by £500,000.

With regard to the other organisations, the trend has been increasing overseas expenditure. In some organisations, that has been as a result of

specific new strategies or policy decisions, but in others the increases have simply been a result of the years that were selected.

Nicola Hudson will give the committee a deeper examination of the spending patterns of all the respondents by region and type of activity.

**Nicola Hudson (Scottish Parliament Research, Information and Reporting Group):**

With regard to the analysis that we undertook by region, we asked the organisations to split their international spending across four specific regions: the EU, North America, Asia and the rest of the world. We found that, over the period in question, international spending had increased in all those regions, although at quite different rates.

In the EU, spending had continued to increase at a reasonably rapid rate—it was up 21 per cent over the period, which is an increase of £2 million in real terms. Although it continues to account for the largest share of international spending, it is a declining share; it is not growing as rapidly as it is growing in other regions. Much of the spending in the EU is accounted for by SDI and VisitScotland, which together account for about three quarters of spending in the EU.

The North American spend experienced slower growth over the period, increasing by only about 7 per cent in real terms, but it continues to account for about a quarter of all international spending, again mostly due to SDI and VisitScotland.

Although the EU and North America continue to dominate international spending, accounting together for about two thirds of it, their dominance has reduced over the period in question, while international spending in Asia and the rest of the world has increased rapidly.

In Asia, around £2 million more was spent in 2009-10 than was spent in 2004-05. Much, but not all, of that expenditure relates to China. Asia still accounts for a relatively small share of expenditure—about 14 per cent of all international spending—but it is growing fast. We are also seeing a much more diversified pattern of expenditure, with many more organisations registering international expenditure in 2009-10. There were about nine organisations involved in the area in that year, compared with only three in 2004-05.

With regard to spending in the rest of the world, the key areas of spending are Africa, Australia, eastern Europe and South America. That broad area has experienced the largest increase in spending in value terms and in percentage terms over the period. It has grown rapidly. In 2004-05, it accounted for only a small percentage of all international spending—less than 1 per cent—but, by 2009-10, it accounted for around a fifth. As in other areas of our analysis, much of that increase

is due to the introduction of the Scottish Government's international development fund. In 2009-10, £5.3 million of spending, predominantly in Africa, came within that category.

However, even if we strip out the international development fund, spending in the rest of the world is still significant, and is growing rapidly. Organisations such as the SQA, VisitScotland, the Scottish Arts Council and Learning and Teaching Scotland have all recorded significant expenditure within the rest of the world region. Essentially, over the period, there has been an increased but more diversified pattern of spending across all the regions.

On analysis of spending by type, we found that the largest share of expenditure related to office costs, overheads and staff costs overseas, which accounted for about 43 per cent of all international spending. However, that varied considerably by organisation. Much of SDI's overseas costs relate to offices—Scherie Nicol has mentioned its extensive network of international offices—whereas, for the SQA, much of the costs in that category relate to consultancy projects overseas.

10:45

With regard to the smaller organisations, much of the international expenditure of the performing companies relates to overseas tours, and is recorded under the events heading, as is much of VisitScotland's spending.

A third category—grants—accounts for around 20 per cent, which is a significant proportion, of all international spending. Again, much of that relates to the international development fund. All that is recorded under grants expenditure, with the Arts Council making a significant volume of awards to support international activity.

As we have mentioned a number of times, the introduction of the international development fund had a significant impact on the results. Simon Wakefield mentioned that overall international spending has grown 54 per cent over the period, in real terms. If we take the international development fund out of the figures, the growth is a much lower 27 per cent, which is in line with the overall growth in public spending over the period.

Simon Wakefield also noted that our analysis focused on international spending and the overseas element of international activities, so we have not captured what is spent domestically on supporting those activities. Taking the example of the Scottish Government, we recorded a total sum for international spending of about £8 million in 2009-10. The budget line for international relations is £12 million in 2009-10, so you can see that there is a difference of about £4 million, which will

largely relate to activities within Scotland that support international activities.

There has been a significant increase in international spending over the period, but much of that reflects a number of key strategic policy decisions, such as the introduction of the international development fund and the decisions of SDI and the SQA to increase their international engagement.

A number of new programmes and activities have been introduced over the period, such as the fresh talent initiative, the Scottish continuing international professional development programme, which involves visits for teachers, and Highlands and Islands Enterprise's strategic partnership with Massachusetts Institute of Technology. All those new activities influence the figures.

As we have said, there have been reductions in international spending in some areas, notably in VisitScotland, due to the changing remit of that organisation over the period, and around Scotland week, which was formerly tartan week.

Those are a few highlights from our analysis. We would welcome members' questions.

**The Convener:** Before we move to questions, I should say that I see this as a first discussion on the matter. The financial scrutiny unit has indicated that it is more than willing to go back and examine any element of its analysis in greater detail. The study has been quite a large piece of work, and members might want to consider it as being the top line, in a way, which means that there might be elements on which they want further information. Our international engagement inquiry extends beyond the summer recess, so there will be time to return to the matter. At some point, we will invite the minister to appear before us to discuss the detail and the substance of what the financial scrutiny unit has come up with.

On the SQA side of things, you indicated that the spend has brought revenue into Scotland. Are similar figures available in relation to the international spending of other organisations, such as SDI, which you mentioned had the highest spend? Have you performed any sort of cost benefit analysis in that regard?

**Scherie Nicol:** That was not within the scope of the study, but we would be happy to examine export and inward investment data to provide you with some information on that.

**The Convener:** That would be helpful.

**Rhona Brankin (Midlothian) (Lab):** A huge amount of work has obviously gone into the report, and it is a very helpful starting point for the committee. It would be helpful, though, if we could get a further breakdown of some of the figures.

For example, we cannot see what is happening with ministerial travel. Moreover, on page 13 of the report you say:

"Of the £7.6m international spend ... Almost all ... relates to the International Development Fund".

That is clear, but it would be useful if we had a year-by-year breakdown of that because all we have are snapshots for 2004-05 and 2009-10.

On the same page of the report, you say:

"A large proportion of these monies"

in the international development fund

"are given to Non-Governmental Organisations (NGOs) based in Scotland ... however some is also used for other purposes ... Due to the nature in which this fund operates, it is not known what proportion of this funding is spent overseas, relative to how much is spent in Scotland."

Why cannot we find out that information? How would we go about doing so? Has Audit Scotland looked at any of the figures in relation to SDI and so on?

**The Convener:** To be honest, I think that this is the first time the budget has ever been looked at—which is why there will probably have to be a number of stages to this work. You have highlighted quite a few aspects. Perhaps Simon Wakefield can clarify or comment on some of them.

**Simon Wakefield:** With regard to ministerial travel, our report is really a high-level overview, so it would probably require another report to get that kind of breakdown and get into that level of detail. When we tried to clarify that issue with the Government, it said that it submitted information on the running and programme budgets from its international relations and major events budget, which included running costs for the offices overseas, but not ministerial travel. In other words, ministerial travel would be in addition to that.

**Rhona Brankin:** Right.

**Simon Wakefield:** That said, those figures are published on the Government's website and the latest set, which is for 2008-09, indicates that the total cost of ministerial travel overseas was £92,000 for 59 visits. Obviously we are happy to get more information or drill down further into the figures that we already have.

**The Convener:** I think that Rhona Brankin is asking for a timeline rather than the two figures for 2004-05 and 2009-10. It would also be useful if, in addition to the very clear breakdown of grants that you have already provided in the report, you could indicate how much of that money is allocated to consultants.

**Michael Matheson (Falkirk West) (SNP):** In the executive summary of your report, you say that although SQA spend has increased,

“it is worth noting that”

the organisation’s “international activity” actually brings in an income. However, I am slightly surprised that there is no similar reference in your comments about SDI, whose clear remit is to promote inward investment. Why have you not included anything about that in the report?

**Scherie Nicol:** That is because it is not direct income for SDI; rather, it is all about gross value-added impacts on the Scottish economy. SDI is developing ways of measuring the impact of inward investment and we have data on exports and the number of inward investment projects, but—as I said—that is not specific income for the organisation, but represents overall economic benefits for Scotland. I am happy to follow up the data on that matter. I have more information on that.

**Michael Matheson:** That it is not specific income for SDI is a fair point to make. However, if you have figures for the inward investment that SDI has achieved it is only fair to present them as a reflection of the return that the organisation gets on its investment in its internationalisation policy. You have presented those facts for the SQA but not for SDI. If you have figures for the return SDI gets on its investment, I, for one, would find them useful. Would that be okay?

**Scherie Nicol:** Yes.

**Michael Matheson:** What proportion of the overall Government budget is spent on this particular area of international policy?

**Scherie Nicol:** Are you talking about the proportion of overall Scottish Government spend that is on international engagement?

**Michael Matheson:** Yes.

**Nicola Hudson:** With regard to the spend that we captured, international spending represented about 0.1 per cent of the overall Scottish budget. Is that the figure that you are looking for?

**Michael Matheson:** I am sorry—what was that figure?

**Nicola Hudson:** It was 0.1 per cent. It is mentioned at the start of the report.

**Scherie Nicol:** The figure is 0.1 per cent of the overall Scottish block grant—or £1 in every £1,000.

**Michael Matheson:** Finally, has there been—or have you been able to get access to—any analysis of the effectiveness of international development funding and whether it has delivered the intended change?

**Nicola Hudson:** I think that the impact of the spending was probably beyond the scope of this initial piece of research. At this first stage, and

given the time and resources that we had available, we had to focus on the spending itself. Obviously the different organisations evaluate the different types of spending in different ways, and examining how they evaluate that would be a potential—although fairly major—piece of follow-on research that we could undertake.

**Michael Matheson:** I did not realise that the issue was not within your remit, so it was perhaps unfair to have expected your report to have covered it. Nevertheless, would it be possible to get that information? It would be useful to find out whether there has been any analysis of the effectiveness of that spend and what it has actually delivered.

**Scherie Nicol:** We are happy to follow that up. It would be useful to know which organisations you would like us to look at.

**Michael Matheson:** I am talking specifically about the international development side of things. There has been a significant increase in that funding over the past five years, and I wonder whether there has been an analysis of the effectiveness of the grants that have been given to organisations working in sub-Saharan Africa and the effectiveness of the overall policy in delivering change. I presume that the Government must have analysed that at some point in the past five years; it would be helpful to see what impact that spending has made in order to put the issue in context.

**Ted Brocklebank (Mid Scotland and Fife) (Con):** It makes things a bit difficult when we have no indication of the outcomes from this expenditure. We can all read the headlines and say, “Gosh, that seems like a lot of money,” but without a comparable set of outcomes it is difficult to know whether or not we are actually getting value for money.

From what I can see, the spending on tartan week, the predecessor to Scotland week, was twice the level of the spending on the new event. However, I was slightly taken aback by your footnote to the table setting out the budget figures for tartan week, which says that

“The Scottish Government has been unable to confirm the actual spend figures”

for the three years of tartan week covered in the report. Is there any reason why those figures are not available? Is it really correct that although the Government’s budget for tartan week was £1 million a year or thereabouts, no one has the figure for the actual spend?

**Scherie Nicol:** Yes. We were not offered those figures; instead, we were told that detailed spend figures could be provided only for the latest three years.

**Ted Brocklebank:** Why was that?

**Scherie Nicol:** To be honest, I was not given an exact reason. However, I imagine that one of the reasons is that the areas of spend for tartan week related to different activities to those for Scotland week and that the Government was concerned about comparing the figures for tartan week and Scotland week.

11:00

**Ted Brocklebank:** The Scotland week budget figures are dramatically lower—less than half of those for tartan week. However, I am intrigued to find that under the heading “Promoting Scotland’s unique culture and heritage”, the figures have gone up dramatically. In 2008, around £30,000 was spent, and in 2009, the figure was around £25,000. In 2010, however, the spend goes up to almost £60,000. Why are we spending more than twice as much on “Promoting Scotland’s unique culture and heritage” in 2010 than we spent in previous years?

**Scherie Nicol:** That relates in particular to one exhibition in New York by the Scottish photographer Harry Benson, which ran for almost three weeks and accounted for a significant amount of spend.

**Ted Brocklebank:** Can you identify how much was spent on that photographic exhibition?

**Scherie Nicol:** Given that the budget for promoting culture went up from around £25,000 to £60,000, I imagine that it was of the order of £30,000.

**Ted Brocklebank:** Was it not in your brief to explore that more deeply, to find out what its purpose was and whether it provided an outcome?

**Scherie Nicol:** No. We focused on obtaining the overall spend data to begin with.

**The Convener:** We will be able to explore some of the reasons for the spend in more detail when the Minister for Culture and External Affairs appears before the committee. Today, we must ensure that we have the clearest information that we need for that meeting, so that we can undertake a proper analysis of the expenditure. We have had a first stab at that.

**Jamie Hepburn (Central Scotland) (SNP):** As the convener said, this is the first stage for the committee. The report is very useful, as it helps to set the groundwork, but—with respect to its authors—it has in some ways not helped us to get off to a great start. I am concerned—as I am sure the report’s authors are—about some of the media coverage during the past few days. The report has been referred to in *The Scotsman* and in that great voice of reason the *Daily Mail*, which quoted that

other great voice of reason, the TaxPayers’ Alliance, and suggested that international expenditure is “a worthless ego trip”. That does not help the committee to shine a light on international expenditure.

I am particularly concerned about a couple of elements of the reportage. *The Scotsman* has stated that the report is by this committee, so it would be useful if you stated for the record that it is in fact a report by the financial scrutiny unit. As other members have mentioned, the media coverage has not placed the report in any context—although, in fairness, that is largely because you have not tried to do so. Is it normal practice for the financial scrutiny unit to release to the media a report that it has prepared in advance of its consideration by those—whoever they may be—who have commissioned it? If so, how was that process agreed?

**The Convener:** In fairness to the team, the report was in the committee papers, so it had to be put online. SPICe documents are normally put online; that is how the Parliament works.

**Scherie Nicol:** We can put on the record that the report was prepared by the financial scrutiny unit at the request of the committee.

**Jamie Hepburn:** Okay.

**The Convener:** Is there anything else?

**Jamie Hepburn:** Yes. I want to explore other areas, but first I will return to the media coverage, which you understand I am concerned about. It focuses in particular on trips abroad by ministers. Did you say that your report does not refer to that at all?

**Simon Wakefield:** That is correct. The figures that the Scottish Government provided do not include ministerial visits overseas. We have tried to produce a factual assessment that sets out the amount of money and what it has been spent on, but we recognise that that is only half the picture.

**Jamie Hepburn:** Given that it is only half the picture, it is useful that you have undertaken to come back to the committee with further information. To echo the comments of the convener and the deputy convener, I would welcome additional information on the gross value-added figures and an assessment of the impact of the international development fund.

I see that we have been given a letter from the Minister for Culture and External Affairs to the committee convener. The minister suggests that for every £1 that SDI invests in internationalisation, there is an estimated return of £7, and for every £1 in inward investment, an estimated return of £11 is generated. Scherie Nicol said that she was aware of some of the figures. Does that sound about right?

**Scherie Nicol:** Yes, those are certainly along the lines of the figures that I have seen quoted by SDI in the past.

**Jamie Hepburn:** Okay, that is useful. Lastly, with the convener's indulgence—I will be brief—

**The Convener:** I think that Rhona Brankin wants to come in on this point, but you may carry on.

**Jamie Hepburn:** Thank you. My point is on the international development fund. Much of the media coverage referred to a 54 per cent increase in expenditure in the international field. However, the report mentions that if the international development fund is taken out, the increase is much more in line with the real-terms increase in the Scottish budget in general. Can you confirm that that is the case?

**The Convener:** The report quotes an increase of 20 per cent in the Scottish budget and an increase of 27 per cent in the international development fund, so there is a 7 per cent difference.

**Jamie Hepburn:** That is right.

**The Convener:** In fairness to the researchers, they make that point in the report.

**Jamie Hepburn:** I want to explore that point further. In some ways, the international development fund is very different from other types of international expenditure. We accept that spending by SDI or SQA, for example, can either generate income for those organisations or generate economic growth. The international development fund is a different type of project, as generating income or economic growth is not its purpose. Is it fair to say that by including the fund in the report—although I am not criticising you for doing so—you are comparing apples with pears with regard to the two financial years?

**Simon Wakefield:** The fund is very different, as are all the cultural and performing organisations. We are providing an overview—a high-level picture—of the spend by the Scottish Government and Government-funded public bodies on their activities overseas. We did not make a judgment on whether a particular organisation should be included or not, but the organisations have very different purposes.

**The Convener:** Does anyone else want to come in on this point? I know that Rhona Brankin does, and Jim Hume and Sandra White have not come in yet. I will bring in Jim at this point.

**Jim Hume (South of Scotland) (LD):** I thank the team for the report; it is very good, and we should not shoot the messengers. The report mentions international spend by Highlands and Islands Enterprise, but it does not mention

Scottish Enterprise. I realise that Scottish Enterprise uses SDI, but I am wondering about that. Is that just for accounting purposes? Would it not have been more normal for HIE to go through SDI with regard to international development? I also note that VisitScotland's spend on attracting tourists to Scotland is going down, which is a slight concern.

To go back to the international development fund, which is a large lump and seems to be different from what it was in years gone by, the paragraph below table 5 notes that it is assumed that £5.3 million of the spend overseas relates to the international development fund, but that a more detailed breakdown could not be provided, because, due to the way

“in which this fund operates, it is not known what proportion of this funding is spent overseas, relative to how much is spent in Scotland.”

Why were you unable to find out where the £5.3 million went? As a former member of the Audit Committee, I would have thought that the Scottish Government would be able to highlight that X amount of money was spent there and X amount spent here.

**Scherie Nicol:** We were certainly keen to obtain that information, but we were told that non-governmental organisations do not have to state on the application form for funds the proportion of spend overseas, for example in Malawi. That information is therefore not recorded at the time of allocation. However, I would certainly be happy to follow up on that.

**Nicola Hudson:** It is worth noting that the same situation applies to the Scottish Arts Council, which has significant expenditure that is channelled through third parties, but it does not monitor in detail how that money is ultimately spent or the split between how much is spent overseas and how much is domestic expenditure.

**Jim Hume:** Sure, but the international development fund has £5.3 million, whereas the Scottish Arts Council's spending overseas has actually gone down a bit. I am sure that it knows where the money is going, but we do not know whether it is giving best value.

**Scherie Nicol:** On your question about Scottish Enterprise, I asked it the same question and was told that all its international spend is channelled through SDI, which is why it did not provide an individual response. However, HIE has separate activities: its export and inward investment activities are channelled through SDI, but it undertakes other activities on its own accord.

**The Convener:** Just before I bring in Sandra White, I must say that I was a bit surprised by the amount of money that VisitScotland and SDI spent on marketing and trade missions, which I always

thought were strengths of those organisations, because they are about promoting inward investment and tourism. However, that spend is down in both organisations. For VisitScotland it is down by 24 per cent, when its spend for offices and overheads seems to be the same, whereas SDI's spend on offices and overheads has increased by about 89 per cent. Were any explanations given for that? Could we look into that in a bit more detail?

**Scherie Nicol:** There are two separate reasons for that reduction in spend. SDI cites efficiencies, so I guess it would say that it is achieving similar impacts with less money. However, with VisitScotland, the issue very much relates to the squeeze on its budget as a result of taking on the area tourist boards.

**Sandra White (Glasgow) (SNP):** I thank the witnesses for the report. I am concerned that the media picked up on and reported only the negative aspects of the report, although there are good, positive aspects to it. I seem to remember that Patricia Ferguson, who I am sorry is not here today, was the minister in charge of the international development fund when the previous Government set it up. I can only thank it for doing so.

All my colleagues have referred to the report's indication that there has been a 54 per cent increase in international spending. Perhaps that should have been broken down to represent exactly what the increase pertained to, which is basically the international development fund. That is a great fund that helps NGOs in Malawi, which is one of our key areas of international spending and which a previous First Minister, Jack McConnell, set up. I think that we should be congratulated on that positive aspect, and I am sorry that the media did not pick up on it. Perhaps the report should have drawn more attention to the international development fund and its work. That may not have been within your remit, but it would have been helpful to get a more balanced report, particularly given what the media has said about it. For example, there was SDI's strategic decision to increase its overseas market.

On SDI, I want to pick up on an issue that Ted Brocklebank raised about Scotland week and tartan week. The previous Government set up tartan week, which the present Government replaced with Scotland week. It should be noted that less than half of what was spent on tartan week is spent on Scotland week. I hope that the media picks up on that. In fact, the Government has put a cap of £400,000 on spending in that area. We must go out there and sell Scotland—absolutely.

11:15

I seek further information on the SDI situation, which has been raised by myself and others on numerous occasions. My colleague Jamie Hepburn has made the point about how much income SDI brings into the Scottish economy. It would have been helpful if that had been mentioned in the report—although I understand that that was not within the remit—so I hope that we will get the figures to that effect when we next continue with our inquiry. In addition, could we have a breakdown of where SDI trade missions have been held and what the outcome of those were? The report mentions spend within the Europe region, but SDI takes in more than just Europe per se as it also includes other areas such as the middle east, where I know that SDI has led a trade mission. Try as I might, I have been unable to find out who went on that trade mission and what its outcome was. Could we get to that level of scrutiny so that we find out where SDI has gone on trade missions, who has attended those trade missions and what has been brought back from them?

I take on board the point that, for every £1 that is spent, £7 is brought into the Scottish economy. Those involved, including SDI, should be congratulated on that. Notwithstanding whether the effect on the Scottish economy was part of the remit for the report, could figures perhaps be brought back to us that show exactly what SDI brings back for every pound that it spends?

Convener, I will leave it at that for the moment.

**The Convener:** Do you want to respond to any of those points just now?

**Scherie Nicol:** I should just say that some SDI trade missions are run through the Scottish Council for Development and Industry. The SCDI measures the total business that is achieved from each trade mission and has helpfully provided that information. We will attempt to get the same information from SDI.

**Sandra White:** I am glad that that point has been mentioned; it has been a problem to get that over to people. In reporting to the Scottish Parliament about SDI, people assume that all the trade missions are done by SDI, whereas many of them are carried out in conjunction with the international relations teams that are funded by the Westminster Treasury. Can we get a breakdown of those figures? I am surprised that more detail on that was not given in the report, given that people need to know the difference between SDI and the Foreign Office at Westminster.

**Scherie Nicol:** We will be happy to provide a specific follow-up on trade missions.

**Rhona Brankin:** I am interested in what is spent domestically. Where would the figure for international travel by civil servants appear?

**Nicola Hudson:** That would be captured in the administration budget for individual departments. To investigate that would probably be another report in itself, as it would require some detailed analysis of the underlying activities.

**Scherie Nicol:** To be honest, it has been difficult enough to obtain information on spend relating to key areas of international engagement. To get spending on international staff travel across the Scottish Government and other agencies would probably be another substantial piece of work.

**Rhona Brankin:** I should say that, in my view, the report has done exactly what was asked of it. I do not share the view that some colleagues have expressed that the report is not as full as it should be. This very useful report does what it was asked to do.

**The Convener:** We are way over the time that was allocated for this item, but I will allow Michael Matheson one further question.

**Michael Matheson:** Just for the purposes of accuracy—I am only catching up on the press coverage to which others have referred—I see that the *Scottish Daily Mail*, which I know is a big fan of international development stuff, reports that nearly £9 million-worth of taxpayers' money is to be spent on overseas aid, which it claims has gone up nearly 50 per cent in a year. Can you take me through the bit in the report that illustrates that?

**Scherie Nicol:** I can refer you to the relevant page of the report, but I do not recognise the 50 per cent figure. Let me have a quick look.

**The Convener:** Obviously, the story relates to the international development spending—

**Michael Matheson:** My specific point is about the international development fund rather than spending on international trade and so on. As co-convener of the cross-party group on Malawi, international development policy is something that is very close to my heart. Having seen on the ground exactly what the fund does, I am anxious to ensure that those in the media who wish to portray such spending in a negative light know that they do no service to the good work that comes through the international development fund. That is why I am keen to establish whether the figure on overseas aid to which the *Scottish Daily Mail* refers is correct. Can you point me to the bit in the report that would substantiate that position?

**Scherie Nicol:** Figure 6 shows that the allocation to the international development fund increased in real terms from £6 million in 2009-10 to £8.8 million in 2010-11. As can be seen, that is

an increase of almost 50 per cent. The increase will have been inferred from figure 6.

**Michael Matheson:** The information comes from table 6.

**Scherie Nicol:** It is from figure 6, which is on page 13.

**Nicola Hudson:** It is perhaps worth noting that the numbers in figure 6 represent allocations rather than actual spend.

**Michael Matheson:** What is the difference between allocations and actual spend?

**Scherie Nicol:** Sometimes, the budget is underspent. In 2009-10, £6 million was allocated but about £5.3 million was actually spent. When we produced the report, we could obtain data only on allocations, but we have subsequently received information on actual spend.

**Michael Matheson:** That helps—thank you.

**The Convener:** That is good—we have clarified that point.

My final question is about relative spend. I remember reading in the report—I cannot find the reference at the minute—about how much we spend on running our Brussels, Washington and China offices. I think that one member of staff is in China, two are in Washington and quite a number are in Brussels. Are figures for overheads and so on available to show how much the Washington or Brussels office costs us relative to the costs of another regional Government?

**Scherie Nicol:** Such figures are not available per office, but we have office costs by region. They show that the Europe, middle east and Africa region accounts for the largest proportion of costs.

**The Convener:** I am interested in whether our Washington office is better value for money than that of the Welsh Assembly Government, for example. The Northern Irish have a Washington office, but I do not know whether they have a China office. The Welsh and Northern Irish certainly have Brussels offices. The figures relate to the number of staff, so that would have to be factored in, but I am interested in how we perform relative to others.

Members have no more comments, so I thank Simon Wakefield, Scherie Nicol and Nicola Hudson for coming along. Someone made the good point that we must not shoot the messengers. We certainly cannot hold our FSU team responsible for press coverage. We have explored several subjects on which it would help to have further information for our inquiry. We look forward to returning to the inquiry after the recess. Thank you for your endeavours.

11:23

*Meeting suspended.*

11:26

*On resuming—***“Brussels Bulletin”**

**The Convener:** Item 3 is our consideration of the “Brussels Bulletin”. Ian Duncan is not with us today, but we can ask him to report back to the committee with any further information that we may require.

The bulletin contains further information on the cross-border health directive, which is of interest. Michael Matheson, who is also a member of the Health and Sport Committee, can relay the information to that committee. Members will recall that the Spanish presidency is not particularly keen on aspects of the directive. Given the high number of elderly people who go to Spain in the winter time, one can imagine that Spain is worried that it might have responsibility for their health care. A compromise deal appears to have been worked out to allow further discussion of the matter in the European Parliament in the autumn.

The issue is important, and I am happy to continue to facilitate further information on the subject. It might be helpful to find out who in the European Parliament is leading on this. We should find out who the rapporteur and the committee chair are and invite them to Scotland. Clearly, the European Parliament has responsibility for agreeing on the proposal in the autumn. If we see something that is pertinent from the Scottish perspective, we can take the initiative. I am thinking of our inquiry into the impact of the Treaty of Lisbon on Scotland. Perhaps we should discuss the matter with Ian Duncan, given the Health and Sport Committee’s interest.

**Michael Matheson:** Obviously, the Health and Sport Committee has expressed an interest in the subject. We discussed European issues at committee—I think that it was a fortnight ago—in greater detail than we have probably done over the past three years. That is a good sign. It would be worth while for us to pursue the issue. If we do that, we should inform the Health and Sport Committee in case any of its members want to participate in any evidence-taking session that we may hold. Given the Health and Sport Committee’s current work programme, I suspect that it will be difficult for that committee to hold a session on the subject.

**The Convener:** We are well on schedule for our inquiry into the impact of the Treaty of Lisbon on Scotland, so we have a bit of flexibility. We will undertake further scrutiny and so forth after the recess and we could use the example to test how we take forward issues such as pilots. We should pursue the matter.

**Jim Hume:** I am sorry to sound like a broken record, but the report mentions the common agricultural policy. It says:

“The Commission is expected to publish its post 2013 CAP proposals by the end of 2010.”

I do not want to sound parochial, albeit that I suppose I will, in saying that George Lyon is involved in the matter. He wrote up the draft, which I think took some 200-plus amendments. About a year ago, the Rural Affairs and Environment Committee got a wee bit territorial on the subject of the CAP. Given that we are still not too sure how such matters are being scrutinised, perhaps Ian Duncan could liaise with our MEPs—including, obviously, George Lyon—find out exactly where we are and give us a brief report.

11:30

**The Convener:** Interestingly enough, I spoke to the agriculture commissioner in Brussels last week and did a little promotion for the committee in the five or so minutes that I had. He told me that he is in Scotland this week—

**Ted Brocklebank:** Highland Show business, is it?

**The Convener:** Yes, he is coming to the Highland Show. We might have missed a bit of a trick, because I would have liked to invite him to the Parliament. I began to wonder whether he had picked up incorrectly which Parliament I was from, because he said, “No, no, I’m coming to Edinburgh.” I alerted the clerks, but I do not know whether we could do anything at this late stage.

It would have been great to have the commissioner come into the Parliament and to invite members of the Rural Affairs and Environment Committee and ourselves to have a face-to-face discussion. At the Committee of the Regions, he made it clear that he is open for business and wants to hear what regional Parliaments are thinking about the common agricultural policy review. He was positive in promoting ideas such as local produce and farmers markets, and discussing how we could accommodate such things. He was very interested—

**Jim Hume:** Are we too late?

**The Convener:** I will ask Simon Watkins, as I approached him about it. Simon, is there any possibility of arranging something, even at this late stage?

**Simon Watkins (Clerk):** The latest intelligence that we have is that the commissioner is visiting Edinburgh on 24 June, for the morning only, to attend the show at Ingliston.

**Ted Brocklebank:** Is there something missing in the communications between Brussels and here if the fact that someone like that is coming to Scotland was not flagged up?

**The Convener:** I think so. It used to be that the European Commission office in Edinburgh would contact us when a commissioner was coming. As I said, I had a brief discussion with the commissioner, in which I was totally taken aback that he was coming to Edinburgh and we did not know about it. I thought that that did not augur well, and if the committee is content we will continue to explore the possibility of a meeting. I do not know whether his flights are already arranged, but if he could stay on even just an extra hour, he could come into the Parliament and hear from us first hand. From my discussions with him and from what I heard him say at the Committee of the Regions, he is very keen and open to doing that kind of business. This is an opportunity missed, and I am surprised that the Commission office in Edinburgh did not advise him to come into the Parliament.

**Michael Matheson:** Could we pursue the issue with the Commission office in Edinburgh to say that we would like to be notified as early as possible when commissioners are coming over, to see whether we can arrange anything?

**Ted Brocklebank:** Is Neil Mitchison still the representative?

**The Convener:** Yes, he is.

**Rhona Brankin:** Why do we not invite the commissioner to come?

**The Convener:** Yes, we could do that. I phoned the clerks from Brussels last week and said, “I’ve just been speaking to the European commissioner and he’s coming to Edinburgh. What can we do?” I am happy to explore that option. If we are to be an informed conduit, as we have suggested that we should be, we will have to put in place procedures for these things. It used to be a matter of course, and I am surprised that we have not been informed, but if you leave it with me I will certainly pick up on it.

Jim, did you have anything to add?

**Jim Hume:** Not really. However, if that does not happen, could we still get Ian Duncan to talk to MEPs—particularly George Lyon?

**The Convener:** Yes, because we said that we wanted rapporteurs. Is George the official rapporteur for the European Parliament?

**Jim Hume:** Yes, he is.

**The Convener:** Okay.

**Jamie Hepburn:** This point is on another issue entirely. The bulletin refers to the 2020 strategy

and the fact that, even in this European year for combating poverty and social exclusion, there has been a to-do about the target—which I do not think is overly ambitious but which is welcome—to reduce the number of Europeans who live in poverty by 25 per cent. It is disappointing that there has been a fracas.

Reference is made in the bulletin to member states arguing about the definition of poverty and to the compromise arrangement that is now in place, with various different standards and member states being able to adopt whichever standard they want. It would be useful to have information on the United Kingdom Government's position going in to the negotiations and, as a different Government is now deciding which standard to use, on the position now.

**The Convener:** I am quite happy to get that information. I had a meeting with the Belgian ambassador—as you know, the Belgians will take over the presidency in July—and told him that the committee was concerned about the poverty targets. He told me that the Belgian presidency would look at them carefully. It appears that Belgium is supportive of looking carefully at the poverty targets and bringing member states on board in relation to those. We have one or two allies on that.

There are no other comments. Can we agree the report?

**Members** *indicated agreement.*

**The Convener:** As usual, we will send it to the subject committees.

## European Commission Work Programme

11:36

**The Convener:** Item 4 is consideration of a final paper on the European Commission work programme. We saw most of the paper last time round. We had some discussion at our previous meeting about adding in structural funds/cohesion policy as an area that Ian Duncan would keep a close eye on, and that has been added to the paper, as has the submission from the Rural Affairs and Environment Committee. Submissions are still outstanding from the Health and Sport Committee and the Justice Committee, which will consider the work programme at their meetings on 23 June and 29 June, respectively.

The committee is invited to endorse the findings of the report subject to any amendments being made once the outstanding submissions are received; to confirm the proposals that are listed in appendices I and II, which will form the basis of Ian Duncan's work programme; and to consider the thematic issues and proposals in which we should engage and the form that that engagement should take.

Do members have any comments? We have just agreed that we want to have a bit of a look at the cross-border health directive. It might be useful to highlight that at this stage.

**Jamie Hepburn:** I have a couple of pretty minor points to make. Page 5 of annex A says "join event" when it should say "joint event". That is just a point of pedantry.

**The Convener:** It proves that you read the committee papers.

**Jamie Hepburn:** My other comment is on paragraph 4 on page 6. As I have just said, I do not consider the targets particularly ambitious and I do not think that we need to be as subjective about them. The paper should be more objective and refer simply to "the targets".

**The Convener:** I am happy to agree that. With those amendments, can we agree the paper?

**Members** *indicated agreement.*

**The Convener:** The next item is our Lisbon treaty inquiry, and we have agreed to take the rest of the agenda items in private. I thank members of the public for their attendance.

11:38

*Meeting continued in private until 12:38.*

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