



Delyth Jewell MS
Chair
Culture, Communications, Welsh Language, Sport
and International Relations Committee
Senedd Cymru

20 December 2023

Dear Delyth,

I am writing in response to your letter of 14 November on the Welsh Government's Draft Budget 2024-25.

The international profile of Wales continues to rise. Our nation's success in sport and culture, and our innovative approach to policy, mean that demand for international engagement is high and increasing. The value of this international engagement has been clear to see in investments such as Vishay Intertechnology and KLA as well as Memoranda of Understanding with regions such as Baden-Württemberg this year.

However, as we have seen in this financial year, the next financial year is likely to continue to be challenging, resulting in further potential difficult decisions and prioritisations ahead. From an international perspective, this means that next year we will need to balance increasing demand whilst continuing to provide value for money. This response will set out our high-level plans for the next financial year, which will be developed in further detail over the next quarter.

Previous and Current Financial Years

The **2022-23** financial year final out-turn for International Relations was £7.689m, against a figure of £8.424m. The Overseas Network was not fully resourced during 2022-23, which resulted in an underspend. The position has now been addressed, with an increased presence in India and North America.

As outlined in our previous letter, the International Relations budget for **2023-24** was £8.383m. This was reduced to £8.272m at the First Supplementary Budget. The £0.111m reduction was for a £0.100m transfer from the International Relations BEL to the Social Justice MEG's International Development BEL, to cover inflationary pressures for the Mbale Tree Planting Programme and a £0.011m transfer to reserves in relation to IFRS16 leases.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Following an in-year financial savings exercise, £260,000 has been returned to central finance. Our current forecast outturn for 2023-24 is £8.112m.

2024-25

Budget Expenditure Line (BEL) allocations

The table below provides a breakdown of the indicative **2024-25** draft budget allocations for International Relations.

Budget Expenditure Line	2024-25 Indicative Draft Budget December 2023	2024-25 Temp in year reduction	MEG to MEG Transfers	2024-25 Indicative Final Budget March 2024
	£000s	£000s	£000s	£000s
International Relations				
Action: International	8,383	290	350	7,743
SPA: International	8,383	290	350	7,743

All departments across Welsh Government were asked to review their budgets in light of the financial challenges being faced. In the case of International Relations, a reduction was made to the overall budget, which provided an initial reduced budget of £8.383m. Further to this, staff in International Relations completed an additional deep dive of the budget requirements for the next financial year and £0.29m savings were identified, reducing the budget to £8.093. After actioning the MEG to MEG transfer of £350,000 to International Development, this leaves the revised budget at £7.743m for 2024-25.

As per previous financial years, the £350,000 MEG to MEG transfer from International Relations to International Development is to support the delivery of the Wales and Africa aspects of the International Strategy. This follows similar transfers undertaken in 2022-23 and 2023-24 which were then confirmed to take place annually for the duration of the International Strategy.

International Development

The International Development Draft Budget for 2024-25 is £1.050m from a previous £1.275m, the reduction of £225,000 is due to the in-year savings exercise. This £1.050m is made up of £700,000 from the Social Justice MEG under the responsibility of the Minister for Social Justice, plus the MEG transfer from International Relations of £350,000 to deliver aspects of the International Strategy.

The International Development budget for 2022-23 was £1.275m, of which only £350,000 was under the responsibility of the First Minister's office. The final outturn for the year was £1.386m. A £100,000 DEC payment towards the Pakistan flood appeal was provided, with this funding being covered by a £100,000 underspend in the International Relations budget. There was also an additional £11,000 overspend due to awarding an extra grant in round 2 of the Wales and Africa small grants scheme.

The International Development budget for 2023-24 was £1.375m and, due to an in-year savings exercise, we returned £16,000 which reduced the budget to £1.359m and the means that the forecast outturn is £1.359m.

Other information

Wales has its own International Strategy and objectives for engaging with the European Union. The Welsh Government's Brussels Office, and our network of offices across Europe in France, Germany and Ireland, are central to supporting our trade and investment activity in Europe and delivering on our commitment to European engagement. This presence means that we can continue to work with our partners in Europe on our shared values and policy ambitions. It will also enable us to support businesses to trade as efficiently as possible in the future.

With EU exit resulting in additional barriers to trade and investment in the EU market, it is more important than before to have a presence across Europe to promote Wales as an investment destination and to support businesses to continue to trade with our largest trading partner. We must work harder to remain present and relevant to our European partners post-Brexit.

The Welsh Government has shared policy goals with the EU on many key issues and challenges such as sustainability, the environment and biodiversity, climate, innovation and regional development, equality and social affairs, amongst others. The UK's exit from the EU has made it more challenging to engage directly with EU institutions on these topics as we no longer have the same access to EU institutional frameworks to gather intelligence from, and influence, EU policy. The terms of the EU-UK Trade and Co-operation agreement mean that it is important to understand the direction of future EU policy that will have continued implications for Wales.

Through the work of the Welsh Government Brussels Office, our European Representative and priority relationships with European nations and regions, we are re-establishing and reinforcing our connections with EU institutions and partners in a way that reflects the new post-Brexit arrangements. Welsh Government continues to work actively with a wide range of European networks covering a wide range of areas. These networks raise Wales' profile within Europe, provide detailed analysis to EU policy proposals and support the building of consortia for inter-regional collaboration. The activity undertaken by all of our international offices, including those in Europe, is not set out prescriptively in the draft budget allocation and responds flexibly to global challenges and priorities.

Welsh Government has delivered on its Programme for Government commitment to retain the Brussels office. A new and more favourable nine-year lease has been negotiated, securing Tŷ Cymru as an essential hub for Welsh Government, Senedd Cymru and Universities Wales engagement with the EU Institutions.

The action to establish a peace academy is another important Programme for Government commitment. Funding has been awarded to Academi Heddwch, amounting to £140,918 in this current financial year. The Academi held its inaugural peace lecture at the Llangollen International Eisteddfod this year and awarded certificates to schools for their work on peace. The Academi has completed some baseline research on 'Wales as a Nation of Peace' which will assist the development of a Wales' peace research network.

Unfortunately, global conflict remains a significant feature of the international agenda. Although this does not directly impact on the International Relations budget, responding to situations, such as the unprovoked war in Ukraine, remains an important part of the Welsh

Government's work. The UK Government has led on the UK's response to these events, and we work closely with the FCDO to remain updated on developments.

In Wales, the Welsh Government has been able to provide support to those who have been affected through the Homes for Ukraine scheme and working with the Disasters Emergency Committee Cymru. Wales' support for Ukraine is routinely discussed in diplomatic engagements and through our funding to Academi Heddwch, schools and others have been signposted to resources which explain the conflict and ways in which citizens can help.

Specific areas

International Strategy

Within this International Engagement budget of £3.059m, £150,000 has been allocated to the Priority Regional Relationships and Networks Action Plan, £1.3m for the Public Diplomacy and Soft Power Action Plan and £190,000 has been allocated to the Diaspora Engagement Action Plan. The remaining budget of £1.419m will be used to fund cross-cutting activity which supports our overarching International Relations objectives and the International Strategy rather than directly allocated to a particular Action Plan.

International Relations works closely with our strategic partners, including arts and sports organisations, the Office of the Future Generations Commissioner, our global diaspora and our priority regions and countries, to support the delivery of our International Strategy.

We expect our strategic partners to submit their engagement and delivery plans in the first quarter of the 2024 and we will consider their requests for resources accordingly. We will continue to work with strategic partners that we do not directly fund but who contribute to the delivery of the strategy.

There has been significant engagement with priority regions this financial year. During this period the International Relations team has negotiated a new memorandum of understanding with Flanders, a shared statement with Baden-Württemberg and an International Friendship Pact with the city of Birmingham, Alabama.

Wales has hosted several Priority Regions in Wales this financial year, including a delegation from our priority regions at Wales Tech Week. The delegation included representatives from Silesia, Catalonia, the Basque Country, Flanders, Ontario, Baden-Württemberg and Québec.

Wales and Africa Programme

The 2023-24 Wales and Africa budget stands at £1.359m – with the MEG to MEG transfers of £350,000 and an additional £100,000 to cover inflationary pressures for the Mbale Tree Planting project. This additional transfer is for the financial year 2023-24 only. £16,000 of the budget was returned for this financial year in the cost savings exercise.

The Wales and Africa programme is part of the portfolio of the Minister for Social Justice with £350,000 (via transfers) from the International Relations BEL contributing to the delivery of the International Strategy.

The £450,000 International Relations funding contributes to a grant of £550,000 to Size of Wales, primarily to deliver the Mbale Tree Planting Programme, with some funding allocated to the Bore Community Forest project in Kenya.

2024-25

The 2024-25 Wales and Africa budget is currently forecast to be £1.050m – with the MEG to MEG transfer of £350,000. The reduced amount is following the central financial savings exercise in which £225,000 was returned centrally.

Overseas offices

The budget for the International Offices is £5,434,400. This is split into an annual overseas offices running cost budget of £4,684,400 and an annual combined activity budget of £750,000. The overseas offices running cost budget includes office rent, FCDO platform charges, staff salaries and on-costs. The activity budget supports network-wide activity for the overseas offices. We do not set programme running cost budgets for each office as these are managed centrally. The overseas offices are also able to bid into the International Engagement budget to deliver against the action plans and cross cutting activity.

The International Offices deliver against the stated aims of the International Strategy and associated Action Plans, as well as the published remits of the individual offices, with a focus on soft power.

In terms of our engagement with major/international events, a programme of sports diplomacy commenced in August 2022, which looked to capitalise on the opportunities of Wales' qualification at several major tournaments across a range of sports including hockey, netball, rugby and football. Over the whole of 2023, we looked to maximise sporting opportunities starting with the Hockey World Cup in India in January through to the Rugby World Cup in the Autumn in France.

An independent evaluation of the Welsh Government's Tîm Cymru approach positively reported new partnerships, strengthened networks, and enhanced economic, educational and cultural international relations as a result of our work. It also found strong evidence that these activities have reached a wide audience, both domestic and internationally. We will use this learning in future events activity and planning. It is important to note that much of the work using sport as a tool for soft power has been undertaken by teams across Welsh Government, not just International Relations.

Plans for 2024-25 engagement at international events remains ongoing. We anticipate some of these events will be linked to our Wales in India year and St David's Day.

Yours sincerely,



MARK DRAKEFORD