

ABERDEEN CITY COUNCIL

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| COMMITTEE | Enterprise, Planning & Infrastructure |
| DATE | 31 January 2012 |
| DIRECTOR | Gordon McIntosh |
| TITLE OF REPORT | Review of Aberdeen City Council's International Memoranda of Understanding |
| REPORT NUMBER: | EPI/12/010 |

1. PURPOSE OF REPORT

To seek approval to re-negotiate or end International Memoranda of Understanding (MoU) in order to better manage relationships which will deliver mutual economic benefit to signatories.

2. RECOMMENDATION(S)

1. That Members support the revision to the current list of International MoU.
2. That Members agree the strategic purpose of International MoU.
3. That Members agree the use of alternative methods for relationship management with strategic international partners.
4. That Members support the development of a new template for International MoU.
5. That Members agree the development of measures by which International MoU may be assessed and reviewed.

3. FINANCIAL IMPLICATIONS

At present there are no direct financial implications in managing International MoU. Some of the terms of current MoU identify the intent to undertake inward and outward delegations between Aberdeen and the MoU partner. However, such activity would usually be accommodated within the annual programme of overseas engagement prepared and undertaken by representatives of the Council and therefore included within the existing budget allocated to International Trade and Investment. This Report does not seek additional allocation of funds.

4. OTHER IMPLICATIONS

The proposals in this report are achievable within a fully resourced International Trade and Investment Team but it should be noted that in the short term the present under-manning of the team may cause a delay in implementing fully any of the proposed measures which may be approved by Committee.

5. BACKGROUND/MAIN ISSUES

Introduction. International MoUs represent the formalisation of a relationship between regions or cities seeking to foster business development and trade opportunities. Aberdeen City Council is a signatory to a number of MoUs which include member cities of the World Energy City Partnership (WECP). The status of International MoUs were last considered by Committee in 2004 and this review has been undertaken in order to ensure that, at a time of economic challenge, best value may be achieved from these International MoU relationships and the development of any future International MoU agreements.

Current International MoUs. Aberdeen City Council currently has 6 MoUs:

- Calgary;
- Atlantic Canada - Nova Scotia and Newfoundland and Labrador (note that this is jointly with Aberdeenshire Council and Moray Council);
- Torshavn;
- State of Rio de Janeiro;
- Western Kazakhstan (Atyrau);
- Villahermosa and the State of Tabasco.

It is understood that Aberdeen City Council is restricted in the number of International MoU to which it may be a signatory (total 6) but it is suggested that this limit should be reviewed in order to enable the effective management of existing MoU as well as developing opportunities for new agreements which may cause the present limit to be exceeded.

MoU Activity. Many of the existing MoU represent long-standing relationships between Aberdeen City Council and the international partner and have offered opportunities in the past for Aberdeen businesses to access new markets. However, despite all the MoU being developed with agreement to co-operate in areas of knowledge and technology transfer, developing cultural and educational relationships and encouraging economic missions, few of the MoU have delivered such effect of late in a manner which may be measured. In many cases there has been little or no activity between signatories for a number of years and thus the objectives to which the signatories agreed in principle are not being met. It is suggested that a strategic purpose “to foster business development and trade opportunities” be agreed for the establishment of MoU and that this is aligned with

Aberdeen City Council's contribution to the Single Outcome Agreement.

Alternatives to MoU. Of the existing MoU, Villahermosa, Calgary, St Johns, Halifax and Atyrau are all WECP members and it is suggested that these relationships through WECP should be managed to deliver the necessary business development and trade opportunities without the need for an MoU. Similarly twinning partnerships or other activities, for example Grampian Houston Association should be leveraged to greater mutual economic benefit rather than the agreeing of additional MoU in future. This suggestion fully notes that each relationship is established on a case by case basis but the over-riding consideration should be the achievement of mutual benefit in each relationship established and the opportunity to demonstrate such.

Continuation of MoU. It is recommended that the following MoU be ended or continued:

- Calgary – As a WECP member it is recommended that this MoU be ended by agreement with Calgary to continue to maintain a strong relationship through WECP;
- Nova Scotia and Newfoundland – This is a long-standing relationship which has now evolved beyond its original economic development purpose. The greater value in this relationship is in cultural links and it is suggested that this MoU be ended but with a view to establishing a “Scottish MoU” recognising the longer heritage of this relationship at a national rather than regional level. It is proposed that support be sought in this from Scottish Government representatives. It should be noted that a shift in focus for the relationship to a cultural basis would remove the role of the International Trade and Investment team in this relationship.
- State of Rio de Janeiro – It is suggested that this MoU be reviewed with a time restriction of 3 years placed on development of the agreed objectives. It is believed that the State of Rio de Janeiro would be amenable to such a proposal.
- Torshavn – This MoU was very focussed towards oil and gas exploration activity and whilst that has not realised the expected benefits, it is recommended that the MoU be maintained. It is proposed that an approach be developed to coincide with Offshore Norwegian Seas (ONS) in August 2012 which may explore greater cultural and educational exchange activity and the realisation of mutual value from the MoU; particularly given the physical proximity of Aberdeen and Torshavn. It should be noted that a shift in focus for the relationship to a cultural or educational basis would remove the role of the International Trade and Investment team in this relationship.
- Western Kazakhstan – It is suggested that this MoU be left dormant at present whilst the relationship with Atyrau through the WECP is allowed to develop to a point where the MoU may be dissolved.
- Villahermosa and the State of Tabasco – It is suggested that this MoU be reviewed with a time restriction of 3 years placed on

development of the agreed objectives and that greater emphasis be placed on the achievement of economic benefit through the WECP member relationship.

Development of Standard MoU Template and Impact Measures. It is acknowledged that each MoU is set within a regional context but it is suggested that a template MoU agreement be developed which recognises the common purposes relating to economic benefit that each MoU is designed to achieve. It is also suggested that impact measures should be developed for each MoU. This would enable Aberdeen City Council to evaluate each MoU throughout its lifetime and demonstrate benefit derived for Aberdeen business as a result. Furthermore, it is recommended that MoU be developed with a specific time-frame in mind, 3 years for example. This would allow Aberdeen City Council or the international partner to either continue a MoU where mutual benefit continues or end the agreement where it has not been possible to achieve mutually satisfactory objectives.

6. IMPACT

This report relates to the Single Outcome Agreement:

- National Outcome 1 : We live in a Scotland that is the most attractive place for doing business in Europe;
- National Outcome 2: We realise our full economic potential with more and better employment opportunities for our people.
- Local Outcome – Anchor the Oil and Gas Industry
- Local Outcome – Diversification of the Economy

This report also relates directly to delivering the economic development aspects of the Vibrant, Dynamic and Forward-looking policy statement:

“The future prosperity of our city depends on ensuring that Aberdeen becomes an even more attractive place in which to do business and so ensure that high quality employment opportunities exist for citizens. The partnership will continue to promote Aberdeen as the Energy capital of Europe and seek to lead in the field of renewable energy.”

7. BACKGROUND PAPERS

Sources used in the writing of this report:

- Plan of Measures to the Agreement of Cooperation Between Economic Gateway Cities Atyrau (Kazakhstan) and Aberdeen (Scotland);
- MoU Between Aberdeen City Council, Aberdeenshire Council, The Moray Council, Scotland and Province of Nova Scotia, Canada;
- MoU Between Aberdeen City Council and Torshavn City Council;
- Statement of MoU Between Aberdeen City Its Hinterland and The State of Rio de Janeiro;
- MoU Between Aberdeen City Council and Authorities of Western Kazakhstan

- MoU Between Aberdeen City Council and the City of Villahermosa and the State of Tabasco

8. REPORT AUTHOR DETAILS

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