



Scottish Government  
Riaghaltas na h-Alba  
gov.scot

# SCOTLAND'S INWARD INVESTMENT PLAN: SHAPING SCOTLAND'S ECONOMY

*“We must aspire to be the inventor and the manufacturer of the digital, high tech and low carbon innovations that will shape the future, not just a consumer of them.”*

**Rt Hon Nicola Sturgeon MSP**, First Minister of Scotland

# CONTENTS

<b>1. MINISTERIAL FOREWORD</b>	<b>4</b>
<b>2. EXECUTIVE SUMMARY</b>	<b>6</b>
<b>3. WHY INWARD INVESTMENT IS IMPORTANT TO SCOTLAND</b>	<b>10</b>
3.1 Defining Inward Investment	10
3.2 The Impact of Inward Investment on Scotland's Economy	10
3.3 Scotland's Performance in Attracting Inward Investment	15
3.4 The Direct Impacts and Wider Benefits of Inward Investment	17
3.5 Maximising the Wider Benefits of Inward Investment	19
3.6 The Impacts of Brexit and Covid-19 on Trade and Investment	22
3.7 Building On Our Success	23
<b>4. HOW ATTRACTIVE IS SCOTLAND TO INWARD INVESTORS?</b>	<b>24</b>
4.1 What Are Inward Investors Looking For?	24
4.2 What do Inward Investors Expect from Government?	25
4.3 How Does Scotland Compare Internationally?	27
4.4 Scotland's Strengths: Skills	28
4.5 Scotland's Strengths: Business Environment	30
4.6 Scotland's Strengths: Infrastructure, Digital Connectivity and Our Natural Capital	31
4.7 Scotland's Strengths: Quality of Life	33
4.8 Scotland's Strengths: Regions and Clusters of Expertise	34
<b>5. OUR AMBITION: SETTING THE DIRECTION ON INWARD INVESTMENT</b>	<b>38</b>
5.1 A Values-Led Proposition	38
5.2 What We Will Do Differently	38
5.3 Focussing On Key Investors in Our Opportunity Areas	39

<b>6.</b>	<b>PRIORITIES: SCOTLAND'S STRENGTHS IN A GLOBAL CONTEXT</b>	<b>40</b>
	6.1 Where Scotland's Competitive and Comparative Advantage meets Global Opportunity	40
	6.2 Evidence-Informed Analysis set in the Context of our Values-Led Approach	41
	6.3 Identifying Scotland's Opportunity Areas	44
	6.4 Covid Impact and Impetus	45
	6.5 Scotland's Opportunity Areas for Inward Investment	46
	6.6. Delivering Wider Economic Benefits	65
	6.7 Delivering Wider Economic Benefits Across Scotland's Regions	66
	6.8 Leveraging Inward Investment	68
<b>7.</b>	<b>PLATFORMS: SELLING SCOTLAND'S STRENGTHS</b>	<b>69</b>
	7.1 A Team Scotland Approach to Delivering Our Proposition	69
<b>8.</b>	<b>POLICIES: SUPPORTING INWARD INVESTMENT PROJECTS AND ENABLING THE ECOSYSTEM</b>	<b>75</b>
	8.1 What Investors Want and How We Will Provide It	75
	8.2 Further Strengthening our Skills Pipeline	75
	8.3 Improving the Business Environment	77
	8.4 World-Class Infrastructure, Digital Connectivity and Our Natural Capital	78
	8.5 Enhancing Quality of Life	79
<b>9.</b>	<b>MEASUREMENT AND EVALUATION</b>	<b>80</b>
<b>10.</b>	<b>SUMMARY</b>	<b>81</b>
	<b>ANNEX A</b>	<b>82</b>

# MINISTERIAL FOREWORD

We are in the midst of the Fourth Industrial Revolution.<sup>1</sup> The widespread and large scale use of data and the advent of artificial intelligence is disrupting and redefining business sectors as we know them. The global challenges posed by the climate emergency and an ageing population are driving significant changes to many aspects of our lives and our economy.

The economic impacts of Covid-19 continue to unfold. The pandemic is predicted to have a major impact on global flows of Inward Investment. Meanwhile Brexit, global trade disputes and a shift towards more protectionist policies, are driving a slowdown in global investment.<sup>2</sup>

These trends present great challenges but also great opportunities.

Scotland is a dynamic, open nation with an outward facing economy. We are well positioned to tackle many of these challenges. Sitting at the nexus of European and US markets we have genuine global strengths across many sectors, often built upon the excellence of our academic institutions working hand in hand with Scotland's innovative businesses and leveraging our considerable natural and human resources.

Inward investment makes a significantly disproportionate and positive contribution to Scotland's economy. It also complements our existing industrial base. Global exposure spurs innovation and improves productivity. Domestic businesses can learn new ways of operating. Managed well, this brings opportunities across Scottish supply chains and ensures our skills system and management match global standards. It allows us to leverage our key sectors and technologies and to build internationally competitive businesses across Scotland equipped to tackle global challenges.

Attracting businesses to invest in Scotland has a critical role to play in shaping Scotland's economy of the future and positioning us to survive and thrive in this changing global environment. We regard inward investment as a means to an end and not an end in itself. The long term strength and sustainability of our economy will come through building on the talents of our people, the excellence and deep knowledge base of our academic institutions and the entrepreneurial spirit of our businesses to build world-leading capability in the key technologies of the future. Investment is a key component in building this strength, and inward investment has the added advantage of bringing in not only funding but also providing access to global networks, markets, technology and talent.

## SCOTLAND IS A DYNAMIC, OPEN NATION WITH AN OUTWARD FACING ECONOMY

Scotland has been the top performing nation or region of the UK, outside London, in attracting inward investment for each of the past seven years. We have the opportunity to be the investment destination of choice for many of the key technologies of the future. But to deliver that ambition – and to maximise the significant additional benefits that inward investment can bring to Scotland's wider economy – we need clarity on why and where we focus; aligning our economic ecosystem on making that happen. This plan delivers that clarity.

Values are important to Scotland, and they have never been more important to global businesses. Our values centre around a net zero economy with the principles of fair work and sustainable, inclusive growth at its heart.

Scotland, along with a number of other countries, was already challenging the accepted wisdom of what “good” economic growth looks like, recognising the need to go beyond GDP towards a more sustainable and inclusive definition of economic success. Covid-19 has brought into sharp focus the close relationship between health, wellbeing and the economy. It has exposed those jobs and industries within our society that are most vulnerable to economic shocks and has accelerated the need to transition to a wellbeing economy, highlighting in particular the imperative to upskill and re-skill our people to fulfil the roles of the future. This plan addresses these challenges.

Scotland is well placed to support global businesses to achieve their future ambitions where there is strong alignment with the technologically enabled, net zero, inclusive wellbeing economy we are seeking to create.

**SCOTLAND IS WELL PLACED TO SUPPORT GLOBAL BUSINESSES TO ACHIEVE THEIR FUTURE AMBITIONS WHERE THERE IS STRONG ALIGNMENT WITH THE TECHNOLOGICALLY ENABLED, NET ZERO, INCLUSIVE WELLBEING ECONOMY WE ARE SEEKING TO CREATE**

<sup>1</sup> [The Fourth Industrial Revolution](#)

<sup>2</sup> [ECB Economic Bulletin Issue 1, 2020](#)

This plan sets out the approach we will take to target inward investment that aligns with our values and our strengths. It identifies the sectors, and regions, where Scotland has truly world-class capabilities and how we can maximise that potential. It is co-produced, with input from a wide range of partners across the economy. It is evidence led, making best use of all available data to clearly identify where we should focus our efforts to build a technologically enabled, net zero economy with the principles of fair work and sustainable, inclusive growth at its heart.

In May of last year we published A Trading Nation – our plan to grow Scotland’s exports. This Inward Investment Plan complements that work, and it lays the groundwork for our Capital Investment Plan which will follow it. All three pillars will be framed by our Trade Principles Paper which will highlight the importance of protecting our key values of how we trade as much as what we trade, while identifying the key levers we can use to build a fairer Scotland. Together they provide a comprehensive evidence-led suite of policies and actions to target and deliver our ambitions to further strengthen and internationalise Scotland’s economy.

Building Scotland’s future today.



**Ivan McKee MSP**  
Minister for Trade,  
Investment and Innovation

A stylized, handwritten signature in black ink, appearing to read 'Ivan'.



Our ambition is for Scotland to be a leading destination for inward investment that aligns with our values as a nation. This plan sets out how we are going to deliver on that ambition. It fulfils the 2019-20 Programme for Government commitment to publish an evidence-led plan for inward investment. It complements *A Trading Nation* – our plan for growing Scotland’s exports, published in May 2019, and it lays much of the groundwork for our Capital Investment plan which will follow.

This plan recognises the value that inward investment brings to Scotland’s economy, both in terms of the direct benefits that accrue from job creation, but also the wider economic spillover benefits. It also recognises the significant benefits that inward investment can bring to Scottish businesses, in terms of access to global technology, markets, talent and finance.

Inward investment makes a positive and significant impact on Scotland’s economy. Inward investors constitute 3% of Scotland’s businesses, yet are responsible for 34% of employment (624,000 jobs), 46% of Scottish GVA (£41.7bn), 50% of turnover in Scotland (£119.6bn)<sup>3</sup>, 63% of business R&D spending (£782m)<sup>4</sup>, 77% of Scottish exports (£24.2bn), with 86% of Scotland’s top 100 exporters being foreign or rUK-owned<sup>5</sup>.

These businesses are also typically more productive and pay higher than average wages compared to domestic businesses. They are more likely to operate in export sectors and to have a higher proportion of spend on R&D and innovation.

This Plan recognises Scotland’s existing strengths in inward investment, with our position as the top performing region or nation in the UK, outside of London, in attracting inward investment for each of the last seven years. But it also recognises that there is scope for improvement, in particular around how we maximise spillover benefits.

Analysis by the UK Government’s Department for International Trade (DIT) compares the performance of the nations and regions across the UK in capturing wider ‘spillover’ benefits, such as supply chain benefits, spending on R&D and regional impact. In most cases Scotland is ‘mid-table’. Office of the Chief Economic Adviser (OCEA) analysis, applying DIT’s estimates, suggests that if Scotland were as successful at maximising the wider benefits as the best performing region in the UK, this could increase GDP by £4.2bn and exports by £2.1bn annually, with the potential to increase government revenue by 1.2% and add in the region of an additional 20,000 jobs. To provide an illustrative example, a 1.2% increase in onshore revenue in 2018-19 would be equivalent to £680m in additional revenue.<sup>6</sup>

The plan is evidence led – it identifies Scotland’s strengths in terms of our key globally competitive sectors, assets and talents. It matches those strengths

to current and projected global inward investment flows. This is demonstrated in our skills system which has the ability to respond at pace to the needs of business and to shifting wider – and sometimes unexpected – economic circumstances. Scotland provides the responsive skills system investors identify as being key to their growth ambitions.

Science and research in Scotland remains cutting edge and truly excellent in global terms. A key partner for global collaborations, Scotland produces more research papers in the world’s top 1 percent than any other part of the UK. We have 8 percent of the UK’s population, 10 percent of its researchers, yet produce 12 percent of its research output.

Scottish universities attract around £166 million per year<sup>7</sup> as foreign investment into research. This is on top of their income from other types of work for international organisations (such as consultancy) as well as from fees from around 36,500 non-EU international students each year, demonstrating the important role Higher Education Institutions (HEIs) play in attracting inward investment.<sup>8</sup>

**OUR AMBITION IS FOR SCOTLAND TO BE A LEADING DESTINATION FOR INWARD INVESTMENT THAT ALIGNS WITH OUR VALUES AS A NATION**

3 Scottish Annual Business Statistics 2018

4 [Business Enterprise Research and Development statistics](#)

5 [Export Statistics Scotland](#)

6 Revenue refers to a mixture of Devolved Taxes, and those reserved to the UK Government. Revenue measured in 2019-20 prices.

7 2017/18 HESA data

8 As above



**SCOTLAND IS RANKED FIRST OUT OF 36 OECD COUNTRIES IN TERMS OF HIGH-LEVEL QUALIFICATIONS.**<sup>9</sup>



**SCOTLAND PROPORTIONALLY HAS MORE PEOPLE AGED 25-64 WHO ARE TERTIARY-LEVEL EDUCATED THAN ANY EU COUNTRY.**<sup>10</sup>



**THE PROPORTION OF SCOTLAND'S WORKING AGE POPULATION WITH A DEGREE OR PROFESSIONAL LEVEL QUALIFICATION HAS INCREASED FROM 16.8% IN 2004 TO 29.6% IN 2018.**<sup>11</sup>



**IN 2019, 83.1% OF ALL EMPLOYEES IN SCOTLAND RECEIVED THE REAL LIVING WAGE, HIGHER THAN THE UK AVERAGE AND AN INCREASE OF 2.5 PERCENTAGE POINTS SINCE 2018.**<sup>12</sup>

We identify nine key opportunity areas where Scotland's strengths match global investment flows: Energy transition, Decarbonisation of Transport, Software and IT, Digital Financial Services, Digital Business Services, Space, Healthtech, Transformation of Chemical Industries and Food & Drink Innovation.

These are the areas where we see significant opportunity for Scotland to become an inward investment destination of choice, and to maximise the wider spillover benefits to our economy. This work is underpinned by rigorous analysis and qualitative data.

<sup>9</sup> [Scotland's Future Skills Action Plan](#)

<sup>10</sup> As above

<sup>11</sup> As above

<sup>12</sup> [National Indicator Performance](#)

The plan also clearly articulates our core values as a nation, around fair work and a net zero, technologically driven, high value wellbeing economy. These values have never been more important to global businesses.

The plan describes how we will identify and target key inward investors in these sectors who share these values, investors who we believe will be open to work with Scotland to further our, and their, ambitions. It lays out the change in approach from our current largely opportunistic, although successful approach to a more targeted approach which seeks to maximise wider economic benefits and strategically shape Scotland's economic future.

The plan identifies the importance of targeting expansion with existing investors to rapidly scale current opportunities in the immediate term as a response to the economic damage caused by Covid, but also to attract new investors and new opportunities in the longer term.

It outlines the importance of building clusters of expertise that align with the strengths of Scotland's regional economies and that will shape Scotland's economy into the future.

It identifies the policies we need to implement, and investment we need to make, to remove barriers to new opportunities and align the investment ecosystem to deliver our ambition.

The plan takes into account the changing landscape resulting from Covid-19 including expected impact on inward investment flows and the re-shaping of industry supply chains. The global challenges posed by the climate emergency

and an ageing population, Brexit and global trade disputes have also been assessed in the analysis.

This plan aligns with wider Scottish Government strategic context, the Advisory Group on Economic Recovery and National Performance Framework and other strategic plans such as the forthcoming Infrastructure Investment Plan, refresh of the government's Digital Strategy.

It complements and is supported by Scottish Development International's Operating Plan and Skills Development Scotland's Strategic Plan 2019-2022.

It highlights policy areas where there is a need for a cross-government approach to support inward investors to maximise the benefits they can bring to Scotland's economy in particular with respect to planning, intellectual property, skills and infrastructure.

It has been developed by a multi-agency project team drawn from Scottish Development International (SDI), Skills Development Scotland (SDS), Highlands and Islands Enterprise (HIE), South of Scotland Enterprise (SoSE), Scottish Enterprise (SE), Scottish Funding Council (SFC), Scottish Government (SG) and in consultation and collaboration with key inward investors and business organisations.

The plan gives clarity and direction to our inward investment activity and it mobilises all of Scotland's economic ecosystem to build on our success to date as a key inward investment location and to maximise the future benefits to our economy through the following actions, also set out in Appendix A to this document.

## INWARD INVESTMENT PLAN ACTIONS

<b>ACTION 1</b>	We will place our values at the centre of our engagement with current and potential inward investors. To ensure a strong partnership basis to our relationships around promoting inclusive growth and creating a wellbeing economy with zero carbon and fair work at its core.
<b>ACTION 2</b>	We will align our global resources and footprint to the nine priority opportunity areas set out in the Plan, and in the locations where we can maximise access to these investors. SDI has assigned lead generation leads for each of the nine opportunity areas. SDI's specialists will spend at least 80 percent of their effort on proactive opportunities aligned to these opportunity areas.
<b>ACTION 3</b>	We will target the immediate expansion of our top 50 existing investors to rapidly scale opportunities. We will proactively strengthen and deepen our relationship with these investors – both in Scotland and at their global HQs – with a view to maximising the additional investment and job creation opportunities through a deeper understanding of their strategic direction and positioning the role Scotland can play to support those objectives.
<b>ACTION 4</b>	We will identify and proactively target 50 leading global companies we want to attract to Scotland across our nine opportunity areas. Where these do not already exist we will build strategic relationships with these businesses to understand their global expansions plans and the role Scotland can play in these plans. We will keep this list under review to monitor new entrants and shifts in global industry dynamics.
<b>ACTION 5</b>	We will ensure that our strategic inward investment efforts align with regional growth plans and with Scotland's Enterprise Areas, building on the strengths and assets each region in Scotland has to offer to create regional clusters of expertise and secure the benefits from inward investment across Scotland.
<b>ACTION 6</b>	We will focus resource on more strategic investments that shape places and deliver high value jobs, aiming ultimately to allocate approximately £20 million per annum to this work.
<b>ACTION 7</b>	We will align with the Scottish National Investment Bank (SNIB) and other sources of capital to support incoming companies to grow.
<b>ACTION 8</b>	We will position a better Scotland by investing in targeted Scotland is Now activity to support the nine opportunity areas.
<b>ACTION 9</b>	We will align and galvanise Scotland's international network behind the Plan and give them the tools to promote Scotland effectively.
<b>ACTION 10</b>	We will develop Regional Prospectuses to highlight the strengths and attractions of Scotland's regions, aligned with the international strengths and assets identified in this plan. These will be showcased on a global stage to increase visibility and attraction to inward investors.
<b>ACTION 11</b>	We will increase the number of people trained in Scotland in advanced digital skills from 4,000 to 10,000 every year. This creates a very strong credible proposition for Scotland to market internationally, as well as helping retrain and re-employ people losing jobs in other sectors. We will align with the actions relating to the skills agenda being developed as a consequence of the Logan Review recommendations.

<b>ACTION 12</b>	We will work with partner organisations to review the regulatory environment around the nine opportunity areas (restrictions and levers) to create the right enabling environment for investment projects and to attract inward investors.
<b>ACTION 13</b>	There are strong links between Scotland's University knowledge base, inward investment and innovation. We will support stronger ties between academia and industry in Scotland, by working with Universities to agree a collective approach to stimulating inward investment and innovation, including through the handling of IP.
<b>ACTION 14</b>	We will focus on infrastructure to enable inward investment decision making with our Infrastructure Investment Plan which provides the strategic framework for the next 5 years' pipeline of projects and programmes – with expected value of around £32 billion over 5 years. This investment will be targeted to boost inclusive economic growth, build sustainable places, and increase delivery of our climate and environmental ambitions.
<b>ACTION 15</b>	We will continue to invest in Scotland's digital infrastructure by investing in superfast broadband to extend superfast broadband access to 100% of premises across Scotland.
<b>ACTION 16</b>	We will focus effort on promoting Scotland to inward investors as a global leader in the creation of a supportive environment for remote, distributed and local working, and aligned to the development of our <i>Moving to Scotland</i> resource.
<b>ACTION 17</b>	We will review the process used by our enterprise agencies to ensure the return on investment criteria encompass both direct, and wider, spillover benefits in our economy.
<b>ACTION 18</b>	We will benchmark our current response timescales against comparable international standards to understand where we can make improvements to remove any unnecessary barriers to inward investment.

## WHY INWARD INVESTMENT IS IMPORTANT TO SCOTLAND

### 3.1 DEFINING INWARD INVESTMENT

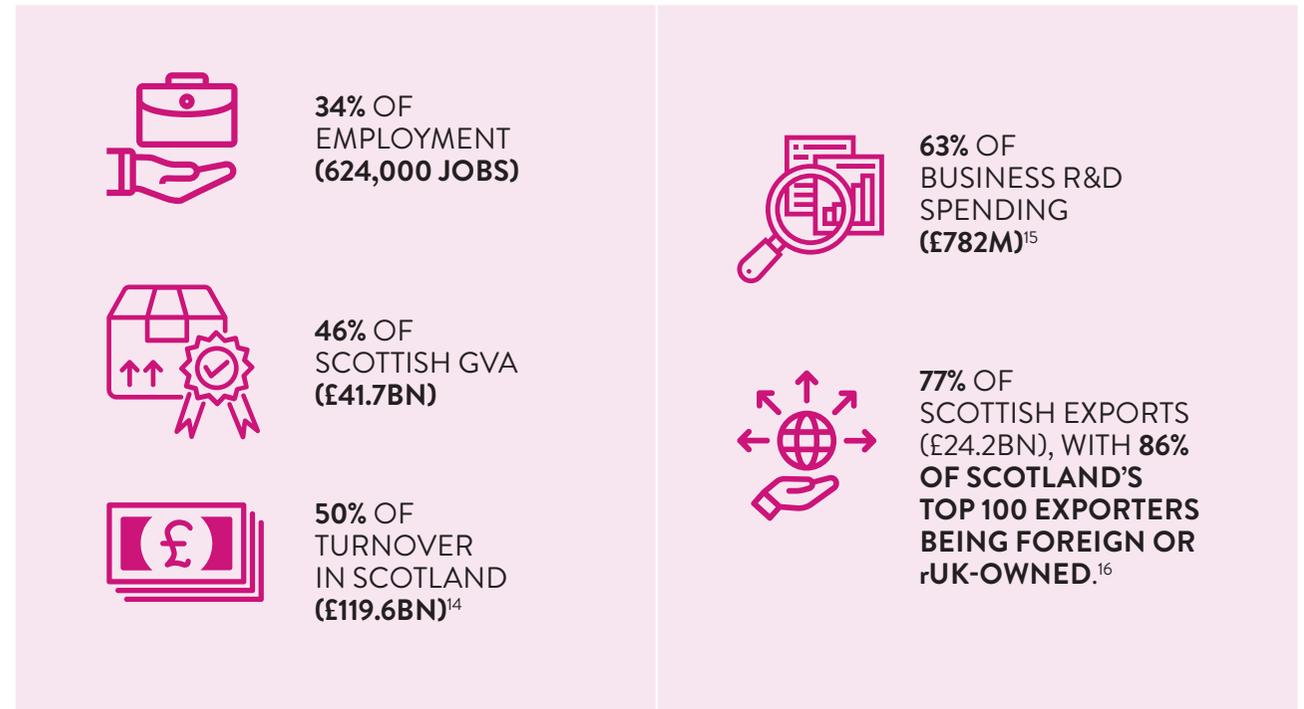
This plan is focussed on maximising the benefits that inward investment can bring to Scotland's economy, supporting the delivery of sustainable and inclusive growth. For the purposes of the plan we define an inward investor as a company or institution headquartered outside of Scotland that establishes a base of operations within Scotland, creating jobs and associated capital investment. The term 'inward investment' is used throughout this Plan in order to cover both foreign direct investment (FDI) and similar investment from the rest of the UK into Scotland. Where the term 'FDI' is used rather than 'inward investment' this refers to only investment from outside of the UK.

Inward investment can be in the form of starting a new venture (greenfield) or through Mergers and Acquisitions (M&A), when a foreign firm, or firm based in the rest of the United Kingdom (rUK) merges with or acquires an existing Scottish firm. For the purposes of the plan, and in line with Ernst & Young (EY) analysis, M&A is only in scope where a proposed merger or acquisition results in new jobs or facilities being created.<sup>13</sup>

Whilst capital investment often forms part of inward investment, this plan does not cover projects that consist solely of capital investment. Our approach to those projects and investors will be addressed in our forthcoming International Capital Investment Plan, which will be equally rooted in a vision of Scotland's future that is carbon neutral, technologically enabled, inclusive and equitable.

### 3.2 THE IMPACT OF INWARD INVESTMENT ON SCOTLAND'S ECONOMY

Inward investment makes a distinct and significant impact on Scotland's economy at both a national and regional level. Although only 3% of businesses in Scotland are owned outside of Scotland, they account for:



**INWARD INVESTMENT MAKES A DISTINCT AND SIGNIFICANT IMPACT ON SCOTLAND'S ECONOMY AT BOTH A NATIONAL AND REGIONAL LEVEL**

<sup>13</sup> [Foreign Direct Investment: A Methods Comparison of ONS and Externally Produced Estimates](#)

<sup>14</sup> [Scottish Annual Business Statistics 2018](#), note that this survey excludes the public and financial sectors and some parts of agriculture

<sup>15</sup> [Business Enterprise Research and Development statistics](#)

<sup>16</sup> [Export Statistics Scotland](#)

Foreign-owned companies make up a similar share of the Scottish economy to many other countries in Europe (e.g. Germany, Sweden and Austria). Countries with lower shares of GVA from foreign-owned companies include Greece and Italy. As shown in the chart below countries with higher proportion of GVA coming from inward investors tend to have higher productivity. We believe Scotland could increase the link between inward investment and productivity specifically by focusing on R&D and innovation rich sectors and by attracting investment which is primarily interested in Scotland for the value added by highly skilled individuals and access to specialist resources and natural capital.

**FOREIGN-OWNED COMPANIES MAKE UP A SIMILAR SHARE OF THE SCOTTISH ECONOMY TO MANY OTHER COUNTRIES IN EUROPE**

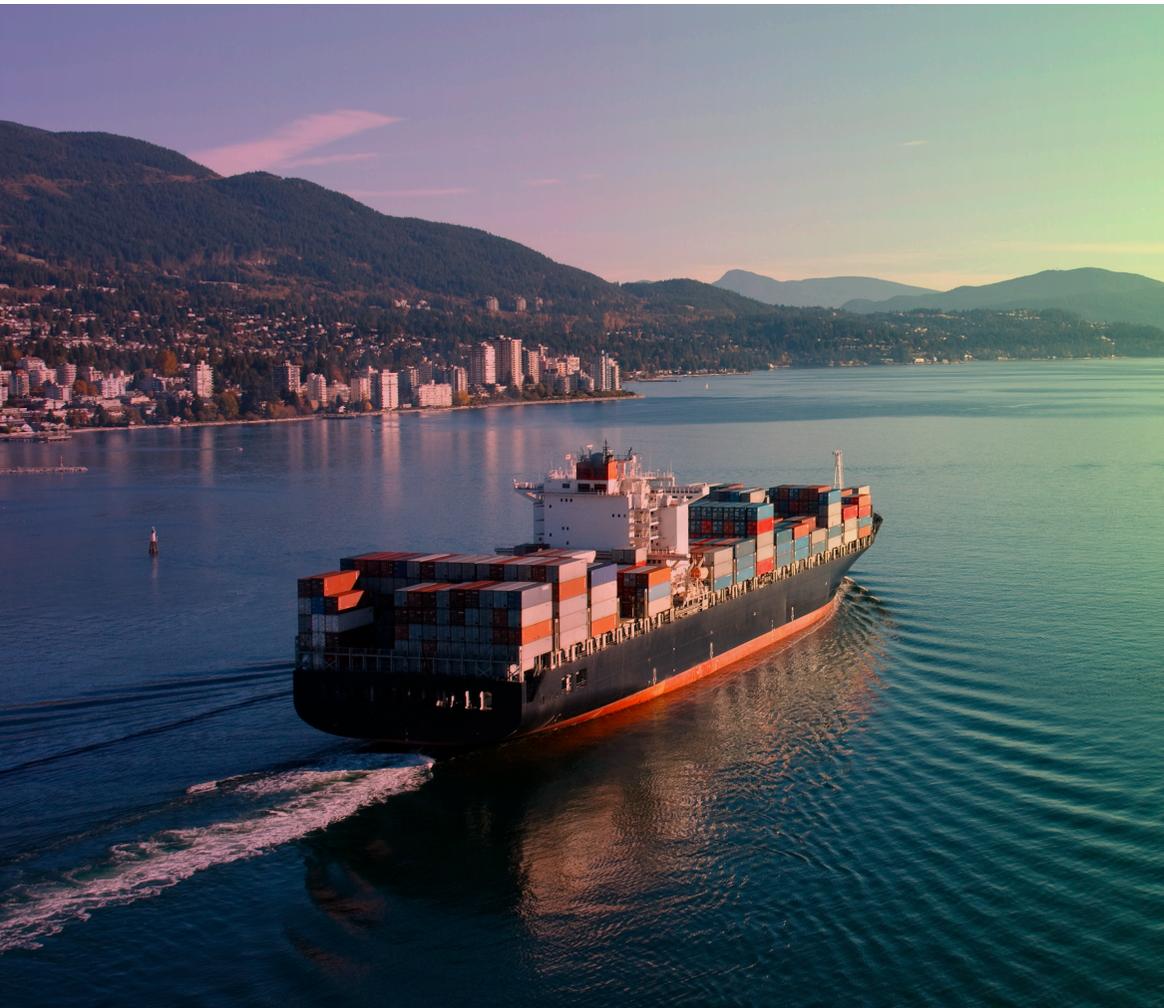
**Figure 1:** Share of Value Added by Foreign-Owned Companies against Productivity



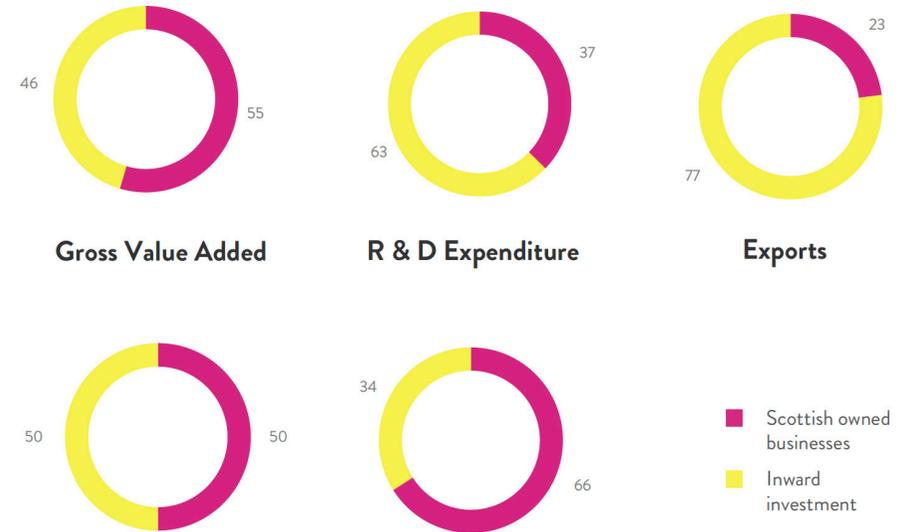
**Source:** OCEA analysis using data from Eurostat and OECD

## WHY INWARD INVESTMENT IS IMPORTANT TO SCOTLAND

These businesses are important to the Scottish economy, not just as a result of the numbers of jobs they create but because they are typically more productive and pay higher than average wages per employee compared to comparable domestic businesses. On average, inward investment tends to pull Scotland's average wage upwards within and across sectors. These businesses are also more likely to be in export sectors which contribute to the economy and to Scotland's balance of payments and they invest more in business R&D spending boosting the levels of innovation in Scotland's economy. The wider spillover benefits of inward investment also act to create opportunities for existing Scottish owned businesses, giving them access to markets and technology that they may not otherwise benefit from.



**Figure 2:** Inward Investment Makes a Distinct and Significant Impact on Scotland's Economy



**Source:** Office of the Chief Economic Adviser analysis using data from [Scottish Annual Business Survey](#), [BERD Statistics](#) and [Export Statistics Scotland](#)

**ON AVERAGE, INWARD INVESTMENT TENDS TO PULL SCOTLAND'S AVERAGE WAGE UPWARDS WITHIN AND ACROSS SECTORS**

## WHY INWARD INVESTMENT IS IMPORTANT TO SCOTLAND

One of the most significant contributions that inward investment makes to Scotland is the creation of high-value jobs. The table below shows that inward investors have a higher average wage in almost every sector, compared to Scottish businesses.

**Figure 3:** Wages Across all Sectors are Higher on Average in Inward Investors

Gross wages and salaries per head (£), by ownership and sector				
SIC	Sector	Scottish Owned	rUK Owned	Foreign Owned
ABDE	Primary Industries (ABDE)	37,606	55,457	68,838
C	Manufacturing	24,612	33,307	39,850
F	Construction	22,574	40,504	34,357
G	Wholesale, retail and repairs	14,781	13,231	18,279
H	Transport and storage	23,605	30,596	32,213
J	Information and communication	25,943	33,462	48,588
M	Professional, scientific and technical activities	26,050	42,177	44,588
N	Administrative and support service activities	17,801	20,432	19,351
z - ILPQRS	Other services	15,300	15,279	15,113

**Source:** Office of the Chief Economic Adviser analysis using data from [Scottish Annual Business Survey](#)

This also holds true across every region in Scotland, with inward investors generally paying higher salaries on average in all local authority areas.

**Figure 4:** Wages Across all Regions are Higher on Average in Inward Investors

Gross wages and salaries per head (£), by ownership and region			
Region	Scottish Owned	rUK Owned	Foreign Owned
01. Aberdeen City	26,479	36,425	52,083
02. Aberdeenshire & Angus	21,391	29,414	38,959
03. Ayrshire (North, South and East)	16,769	18,573	27,142
04. City of Edinburgh	21,609	23,662	26,302
05. Dundee, Fife and Clackmannanshire	20,331	20,101	25,865
06. Glasgow City	19,250	23,215	25,876
07. Highlands and Islands	16,898	17,107	25,434
08. Lanarkshire (North and South)	18,374	20,820	25,906
09. Lothians (East, West, Midlothian)	19,895	18,372	27,092
10. Perth, Stirling and Falkirk	20,554	19,859	27,854
11. Renf, Dunshire, Inverclyde	17,502	19,782	27,413
12. South of Scotland	15,921	17,447	26,534

**Source:** Office of the Chief Economic Adviser analysis using data from [Scottish Annual Business Survey](#)

## WHY INWARD INVESTMENT IS IMPORTANT TO SCOTLAND

### 3.3 SCOTLAND'S PERFORMANCE IN ATTRACTING INWARD INVESTMENT

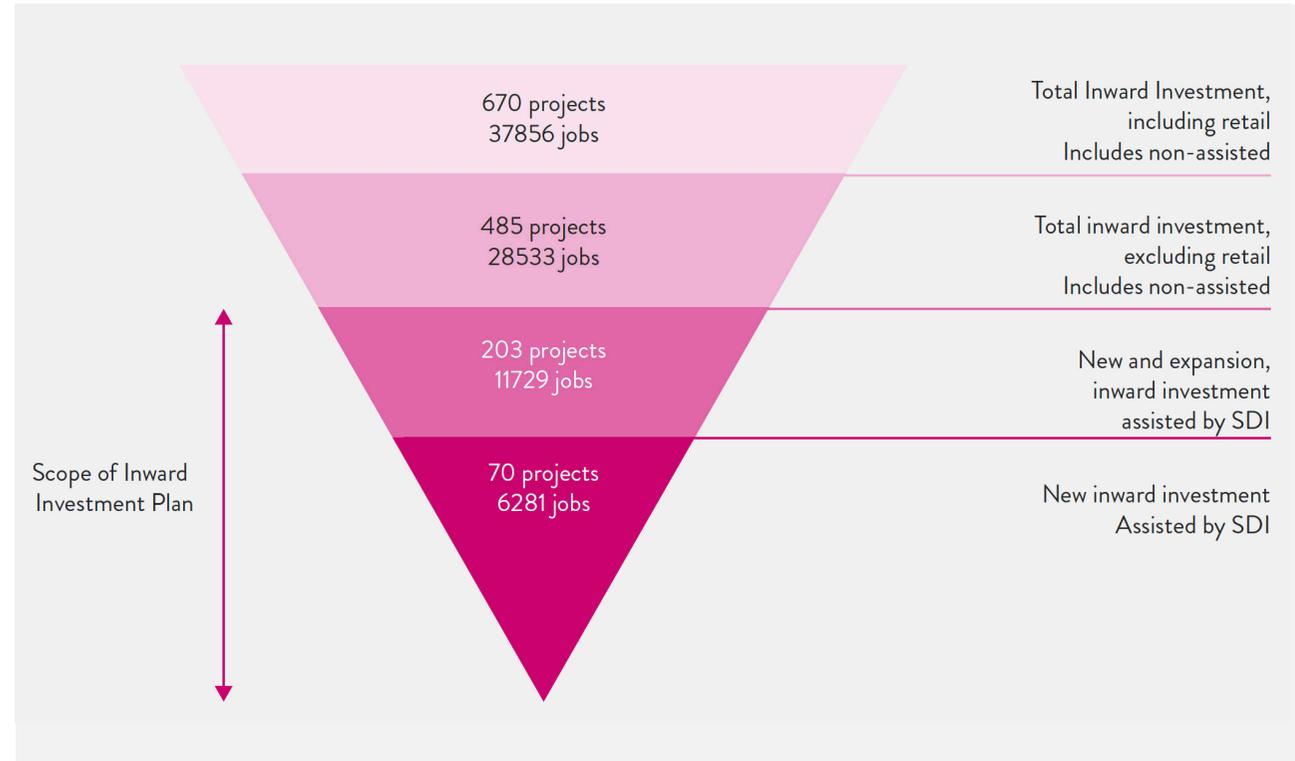
Attracting inward investment is a globally competitive business with many countries, regions and cities having dedicated teams focused on securing investment opportunities.

Scotland is starting from a strong base. For the last seven years, Scotland has secured the most inward investment projects of any UK nation or region outside of London. During 2019, Scotland secured 101 projects, a rise of seven projects, or 7.4 percent from the 94 projects recorded in 2018. The increased FDI flow saw Scotland's share of all UK projects rise to 9.1 percent from 8.9 percent in 2018.

Glasgow, Edinburgh, and Aberdeen all rank in the top 10 UK cities for inward investment projects, attracting 23, 22, and 15 projects respectively in 2019. This performance is measured by the number of inward investment projects that Scotland attracts and the number of jobs created directly by these projects.

35 percent of those projects originated in the US, 9 percent in France, 7 percent in Norway, Germany and Japan. Scotland won almost half of all Norwegian investment projects in the UK, securing 7 out of 15.<sup>17</sup>

**Figure 5:** Percentage of Investment Where There Is SDI Involvement (2017-2019)



**Source:** SDI

Scottish Development International (SDI) is the trade and investment arm of the Scottish Government and its agencies. SDI works closely with local authorities and partner organisations to secure new inward investment in Scotland, support existing inward investors and help Scottish companies to target new international markets.

The SQW evaluation from 2017 finds that 40% of supported projects were brought forward or increased in scale, suggesting that SDI involvement increased the benefits from those projects.

A substantial volume of inward investment projects come to Scotland without assistance from the public sector, but the added value that public sector involvement can bring to key wins can be significant. In later sections of the plan we outline where and on which projects we will focus public sector effort and why. As the diagram above shows, 670 projects were secured in 2017-2019. 467 of those with limited support, versus 203 projects that were assisted by Scottish Development International (SDI), Scotland's trade and inward investment agency.<sup>18</sup>

<sup>17</sup> EY Scotland Attractiveness Survey 2020

<sup>18</sup> SDI

Global companies often consider a number of competing locations to invest in, and SDI delivers support on those mobile investment opportunities that fit with Scotland's economic growth objectives.

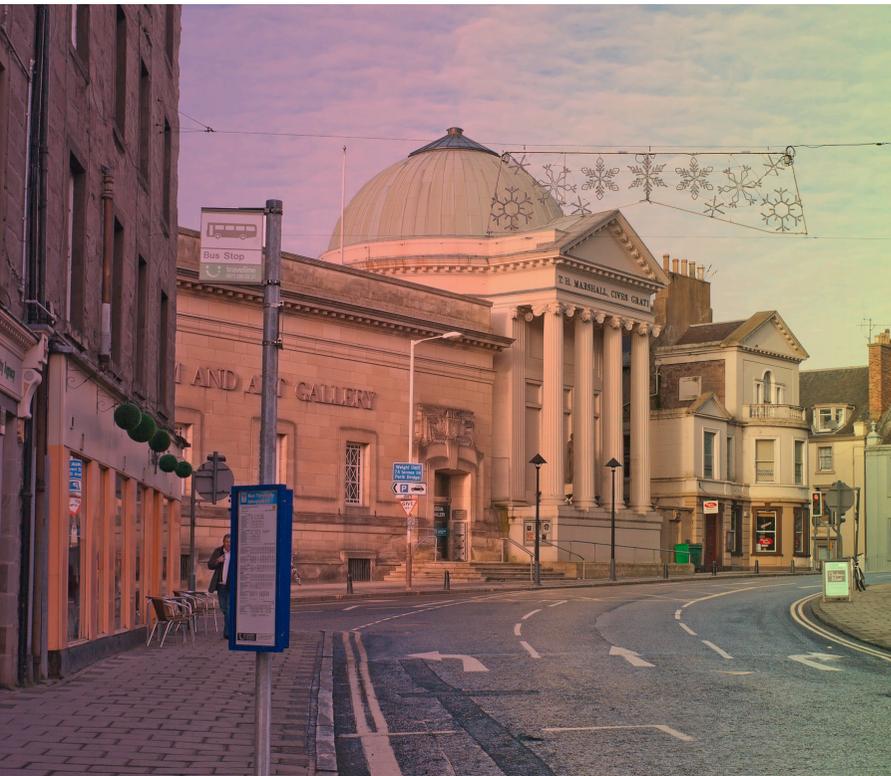
**Figure 6:** SDI Involvement 2018/19

Project Type	Number of Projects	New Jobs	Safeguarded Jobs
Expansion	54	4,615	2,847
Safeguarding	7	0	542
New	48	2,070	0
Totals	109	6,685	3,389

**Source:** SDI

In 2018-2019, SDI involvement created 6,685 new jobs and safeguarded 3,389 jobs. This came from 54 'expansion', 7 'safeguarding', and 48 'new' projects. As the table below illustrates, expansion projects accounted for 70% of new jobs created in 2018/19. So while the lead time to win and land new inward investment can be lengthy, working with existing investors provides an effective way of securing jobs for Scotland more rapidly, particularly during an economically turbulent period.

Scotland has also seen a real impact from relationships with large multinational investors, for example, Morgan Stanley and JP Morgan. Each made an initial modest investment in Scotland, and have subsequently grown their operations with support from SDI and SDS. Both companies now have operations in Scotland that are significant to their global corporate footprint.

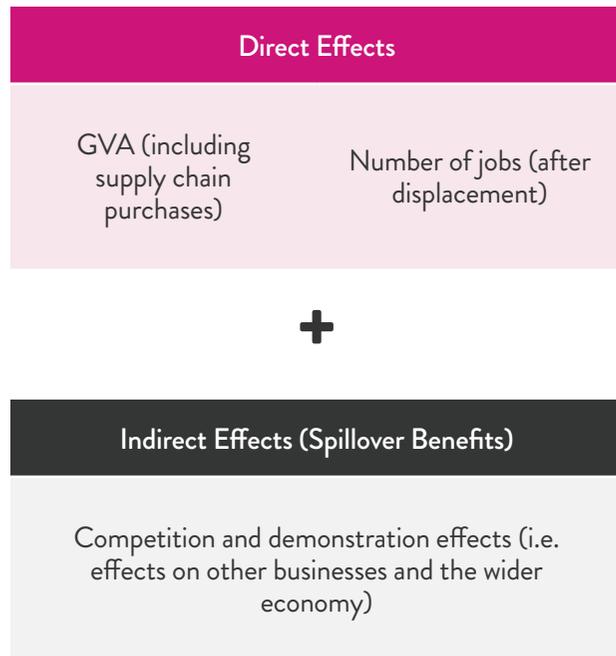


**GLOBAL COMPANIES OFTEN CONSIDER A NUMBER OF COMPETING LOCATIONS TO INVEST IN AND SDI DELIVERS SUPPORT ON THOSE MOBILE INVESTMENT OPPORTUNITIES THAT FIT WITH SCOTLAND'S ECONOMIC GROWTH OBJECTIVES**

**3.4 THE DIRECT IMPACTS AND WIDER BENEFITS OF INWARD INVESTMENT**

The direct impacts of inward investment are high-value jobs and associated capital brought to the project's immediate location. However, such projects also bring wider benefits that can be felt across Scotland's economy, such as supply chain opportunities, productivity improvements, spending on research and development and regional impact.

**Figure 7:** Direct Impacts and Wider 'Spillover' Benefits of Inward Investment

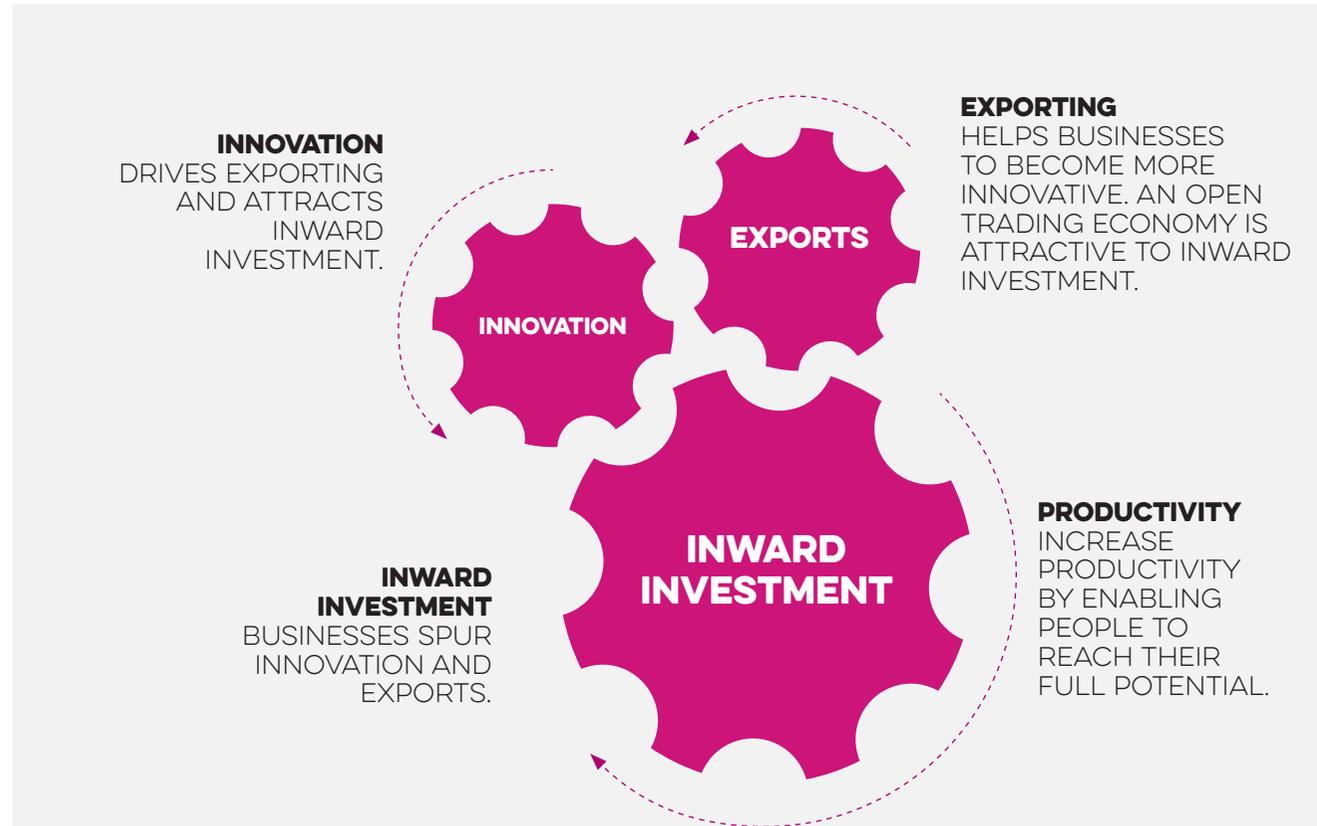


Domestic businesses which engage with inward investors can learn new ways of operating and improve their productivity (so called 'demonstration effects'). Competitive pressures can also spur innovation and improved efficiency ('competition effects'). Managed well, the linkages between international companies and the domestic base brings opportunities across Scottish supply chains and ensures our skills pipeline and management capabilities match global standards.

It allows us to leverage our key sectors and technologies and to build internationally competitive businesses and clusters of expertise across Scotland equipped to tackle global challenges.

There exists a very clear positive relationship between inward investment, productivity, innovation and exports and this is something we recognise and focus on maximising through the actions in this Plan.

**Figure 8:** The Relationship Between Inward Investment, Innovation, Productivity and Exports





## CASE STUDY: WIDER ‘SPILLOVER’ BENEFITS

LifeScan (Inverness) has grown to become the largest private sector employer in the Highlands and Islands currently employing over 1,000 people in the design and manufacture of diabetes and glucose testing kits.

From its roots as the start-up Inverness Medical (1995), through its takeover by Johnson and Johnson (2001) and subsequent sale to Platinum Equity (2019), the company has been helped at every stage in its growth by Highlands and Islands Enterprise (HIE) in partnership with many other local stakeholders.

Coupled with engagement with the local community, the firm has worked closely with all relevant organisations and there is now a true partnership approach in the local area which extends to academia, notably the close working with HIE in the creation of the Highlands Diabetes Institute at University of the Highlands and Islands.

An accredited Living Wage Employer, LifeScan has now embedded itself in the local skills market, nurturing and supporting local talent through partnership with schools, via its Bridge to Employment initiative and STEM Ambassadors, and with Inverness College as a delivery partner in its training academy.

LifeScan has been an engine for growth in the life sciences cluster in the Highlands, with direct employment as well as staff who were previously employed. These staff have created their own spin out firms some of which are now themselves receiving significant equity investment and achieving growth.

This case study highlights the positive impact a long term inward investment can have on a local economy, particularly when accompanied by the building of clusters of expertise in a dynamic sector such as life sciences. The wider spillover benefits endure beyond the direct benefits of the initial investment.

**LIFESCAN HIGHLIGHTS THE POSITIVE IMPACT  
A LONG TERM INWARD INVESTMENT CAN HAVE  
ON A LOCAL ECONOMY**

### 3.5 MAXIMISING THE WIDER BENEFITS OF INWARD INVESTMENT

As we recognised earlier in this report, Scotland has performed well in realising the direct benefits of inward investment, but the evidence suggests there is scope to further improve our performance in maximising the wider spillover benefits of inward investment to the economy.

The UK Department for International Trade (DIT) has produced analysis comparing the performance of the nations and regions across the UK in capturing the wider economic benefits of inward investment, for example wage rises and productivity. These comparisons, across a range of metrics, are shown below. In most cases Scotland is ‘mid-table’, highlighting the benefits to the wider economy to be gained from a more focussed and targeted approach to inward investment attraction which explicitly seeks to capture more of these wider impacts.<sup>19</sup>

**Figure 9:** Estimating the Economic Impacts of FDI

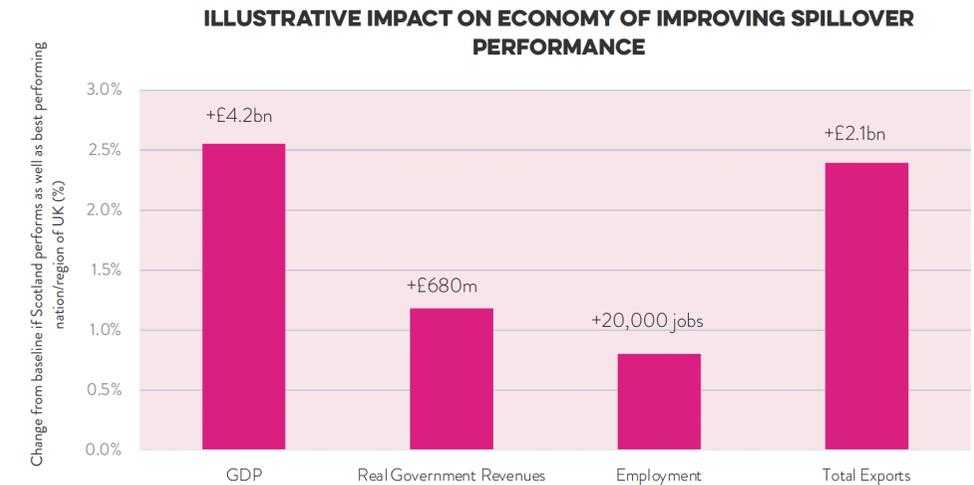


**Source:** Office of the Chief Economic Adviser analysis using data from [Estimating the economic impact of FDI to support DIT’s promotion strategy: analytical report](#)

Put simply, not all inward investment is equal, and focusing public sector effort more purposefully on maximising wider ‘spillover’ impacts could help speed up Scotland’s economic recovery and have greater long-term benefits to the economy and to society.

Analysis by the Office of the Chief Economic Adviser of the Scottish Government looks at the potential benefits from Scotland improving this performance. This analysis shows that if Scotland were as successful at maximising the wider economic benefits of inward investment as the best performing region in the UK, then this could create in the region of an additional 20,000 jobs, increase Scottish GDP by £4.2bn, boost Scottish exports by £2.1bn, and add up to £680m in additional government revenues per annum. A key focus of this Plan therefore is to identify the focus sectors, and actions, that will maximise the value of these wider benefits to Scotland’s economy. This is examined in some detail as part of the analytical work covered in Section 5.

**Figure 10:** Illustrative Impact on the Economy of Improving Wider Spillover Benefits Performance



**Source:** Office of the Chief Economic Adviser Analysis using the Scottish Government Computable General Equilibrium Model (See Analytical Methodology Note for more information)

<sup>19</sup> Department for International Trade, ‘Estimating the economic impacts of FDI to support DIT’s promotion strategy’

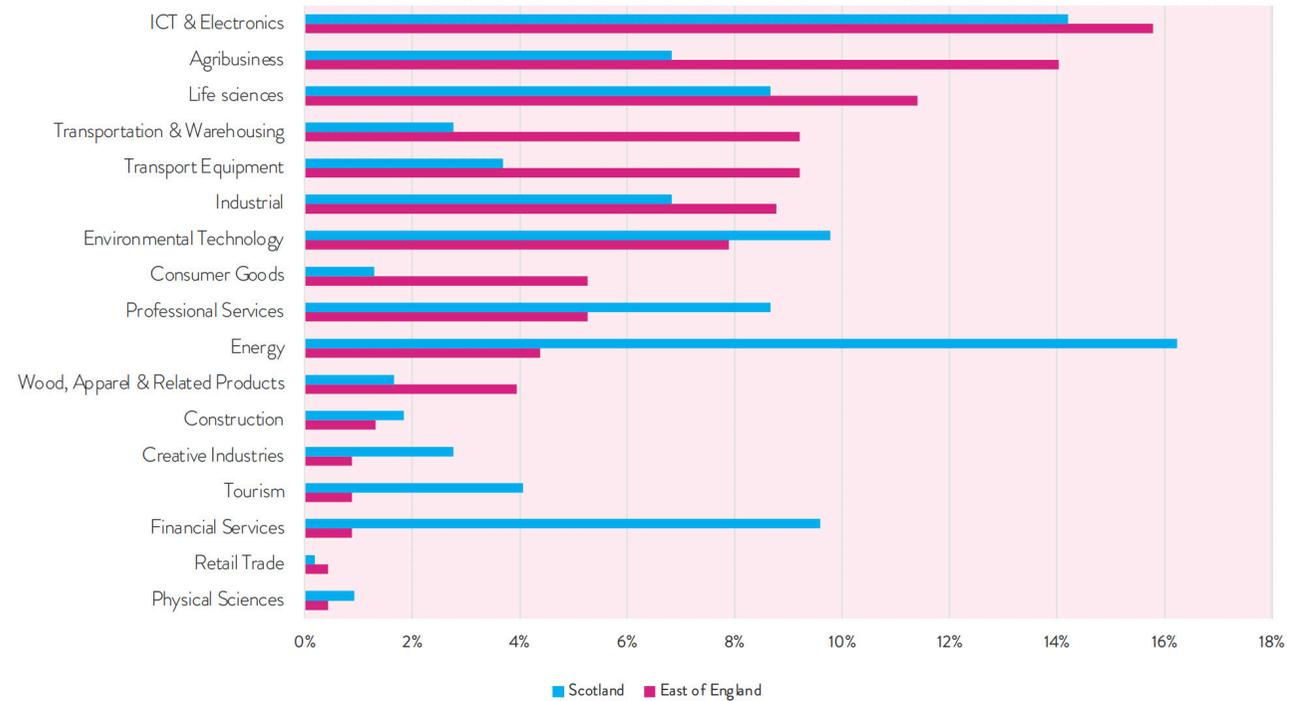
## CASE STUDY: EAST OF ENGLAND

Department for International Trade analysis suggests that the East of England performs strongly when it comes to gaining wider economic impacts from inward investment projects. This case study considers why this might be.

The East of England region is located to the north of London and encompasses the counties of Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk and Suffolk. From the point of view of inward investment, key drivers include Cambridge, which accounted for 19% of all projects into the region over the last decade, the airports Luton, Stansted and Felixstowe, Britain's biggest container port.<sup>20</sup>

In terms of sectors, the projects that Scotland attracts are not hugely different from those that the East of England attracts (see chart below). The exceptions are transportation and warehousing projects which make up a much more significant part of the East of England's FDI mix (likely driven by the transport infrastructure mentioned above and the location near London) and energy and financial services, which are much more significant in Scotland.

**Figure 11:** The Proportion of Projects by Cluster



**Source:** Office of the Chief Economic Adviser analysis using data from fDi Markets, a service from The Financial Times Limited (2020). All Rights Reserved

<sup>20</sup> Source: <https://www.portoffelixstowe.co.uk/>

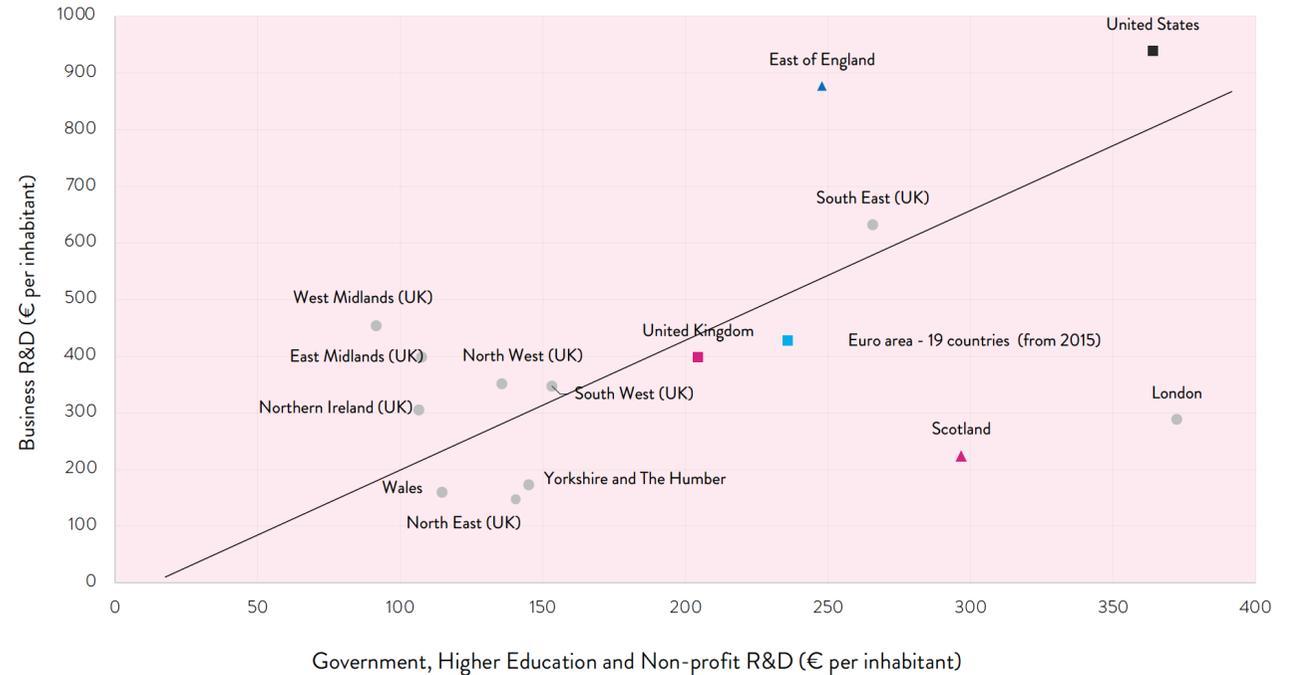
## CASE STUDY: EAST OF ENGLAND CONTINUED

While R&D intensive sectors like ICT and electronics and life sciences might account for a similar proportion of projects coming into Scotland and the East of England, data on the amount of government and business R&D shed light on what may be a factor driving the East of England's high performance.

The chart below shows that the East of England benefits from very high government and business R&D spending. Scotland by contrast has high public spending on R&D but much lower private spending by businesses. This difference shows the strength of the knowledge economy built around the University of Cambridge. High levels of innovation coupled with an agglomeration of similar businesses are identified in the literature as key drivers of economic spillovers from investment, suggesting why the region performs so well in capturing wider benefits from inward investment.

An increased focus on attracting the types of projects that are more likely to undertake R&D intensive activities and seeking to build clusters of related activity and expertise will help to boost Scotland's performance on Business Enterprise R&D (BERD).

**Figure 12:** Research and Development Spending by Source in Different Regions



**Source:** Adapted from [A resurgence of the regions: rebuilding innovation capacity across the whole UK](#) using data from [Eurostat](#)

### 3.6 THE IMPACTS OF BREXIT AND COVID-19 ON TRADE AND INVESTMENT

Trade and investment are mutually interlinked. Trade policy forms one of the potential levers to drive investment. In the same way, investment policy can be used to boost trade by increasing business capacity, efficiency and innovation. Trading relationships established through formal mechanisms such as Free Trade Agreements (FTAs) or membership of trade blocs or customs unions, including EU membership, have an important role to play in boosting the attractiveness of Scotland in securing inward investment.

### THE EXTENT OF DECLINE IN INVESTMENT WILL DEPEND IN PART ON THE DEPTH AND LENGTH OF THE PANDEMIC IN WORLD REGIONS, INDUSTRY RESPONSES AND GOVERNMENT POLICIES

This is relevant to investors considering the attractiveness of a particular jurisdiction in terms of both securing inputs for example acquiring components and raw materials for manufacturing or recruiting personnel, as well as the ability to sell goods or services to customers and clients in overseas markets. Other, softer or less direct activity, for example cultural ties created through educational exchange programmes or tourism (both trade activities in their own right) or positive supply chain relationships, can also lead to higher investment. When considering investment in Scotland, our external trading relationships are therefore of key importance.

Europe accounts for a significant proportion of inward investment into Scotland. The full impact of Brexit on flows of investment to the UK and Scotland will not be known for some time and will be dependent on the nature of the future trading relationship agreed between the UK and the EU. However, at the time of publication, UK Government policy appears to have narrowed the range of options for future economic relations with the EU to either a no deal or a very basic Free-Trade Agreement with consequent risks that Scotland and the UK will lose a number of the assets that have hitherto been attractive to foreign investors in particular the gateway to the single market. Likewise, there is a risk that the loss of EU funding (both competitive and pre allocated) will have a negative

impact on the strength and resilience of Scotland's research and innovation offering not only in respect of the funds themselves,<sup>21</sup> but also access to the broader opportunities for international collaboration which help to build a pipeline of innovation-led inward investment projects. The Scottish Government will continue to press for the closest possible relationship with our European neighbours and to work with UK Government to mitigate the risks of UK exit from the EU. Evolving insights on the nature and form of the EU-UK future relationship will inform our plan on inward investment.

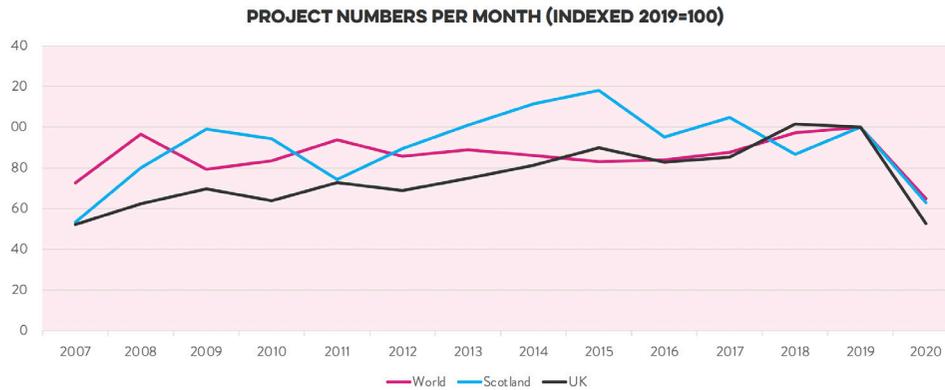
Covid-19 is also impacting on global flows of investment. UNCTAD forecasts a decrease in global FDI by up to 40 per cent in 2020, from their 2019 value of \$1.54 trillion. This would bring FDI below \$1 trillion for the first time since 2005. FDI is projected to decrease by a further 5 to 10 per cent in 2021 and to initiate a recovery in 2022.<sup>22</sup> A rebound in 2022, with FDI reverting to the pre-pandemic underlying trend, is possible, but only at the upper bound of expectations. Significant reductions in earnings are forecast from Multi-National Enterprises (MNEs), a key source of FDI projects. The extent of decline in investment will depend in part on the depth and length of the pandemic in world regions, industry responses and government policies. In terms of recovery, it is anticipated that some postponed investments may be quickly reinstated, but global production networks are likely to be impacted long term. However, more significantly, there are early signs that Covid-19 is not only influencing the scale of investment but also asserting a more systemic influence on investment strategies as both state and corporate actors seek to re-engineer supply chains to achieve greater strategic autonomy, supply chain diversification and resilience.

**THERE ARE EARLY SIGNS THAT COVID-19 IS NOT ONLY INFLUENCING THE SCALE OF INVESTMENT BUT ALSO ASSERTING A MORE SYSTEMIC INFLUENCE ON INVESTMENT STRATEGIES**

<sup>21</sup> On average, Scottish organisations leverage around Euros 100 million per annum from the EU's Horizon 2020 funding pot

<sup>22</sup> [World Investment Report 2020](#)

**Figure 13:** Inward Investment Hit Hard Across the World



**Source:** Office of the Chief Economic Adviser analysis using data from fDi Markets, a service from The Financial Times Limited (2020). All Rights Reserved

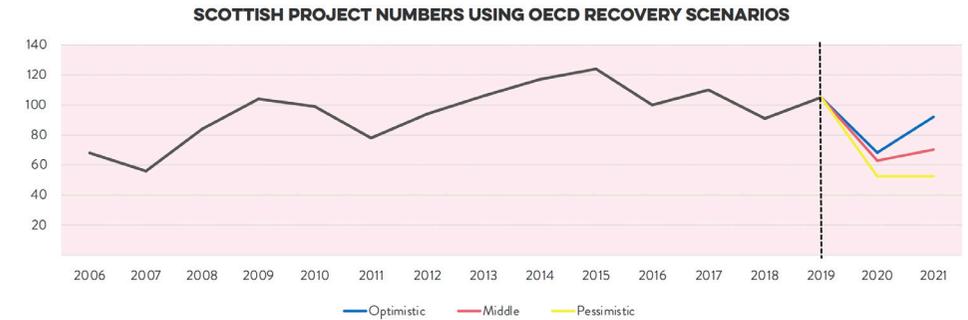
Our forecasts based on OECD data<sup>23</sup> present three scenarios for future global inward investment trends: pessimistic (decrease more than 40% then remain flat), mid-range (decrease by 35-45% in 2020 then increase but remain approximately a third below pre-crisis levels), optimistic (decrease by 30-40% in 2020 and then partially bounce back with an increase of 30-40% in 2021).

**WE WANT SCOTLAND TO ATTRACT INWARD INVESTMENT THAT ALIGNS WITH OUR VALUES AS A NATION TO SHAPE OUR ECONOMY FOR THE FUTURE. THOSE VALUES CENTRE AROUND A FAIR, SUSTAINABLE AND INCLUSIVE LOW CARBON FUTURE**

<sup>23</sup> [OECD](#)

<sup>24</sup> <https://www.gov.scot/publications/scotland-a-trading-nation/>

**Figure 14:** OECD presents three scenarios for future global inward investment trends



Scenario	2020	2021
Optimistic	Decrease 30-40%	Increase 30-40%
Middle	Decrease 35-45%	Increase but remain approximately 1/3 below pre crisis levels
Pessimistic	Decrease >40%	Remain flat

**Source:** Office of the Chief Economic Adviser analysis using data from fDi Markets, a service from The Financial Times Limited (2020) and OECD. All Rights Reserved

Our intent is to steer Scotland onto a positive path through the focus and approach set out in this plan.

**3.7 BUILDING ON OUR SUCCESS**

Scotland is already the UK’s most attractive location for inward investment outside of London. It is now our ambition to be the most successful area in the UK at maximising the wider benefits of those inward investments. We want Scotland to attract inward investment that aligns with our values as a nation to shape our economy for the future. Those values centre around a fair, sustainable and inclusive low carbon future. We consider more about how these values align with those of potential inward investors, and how they can support and mutually re-inforce our economic ambitions in later sections of this plan.

The actions set out later in this plan will also support our wider goal to move Scotland to the top quartile of OECD performers for productivity and to increase our exports as a percentage of GDP from 20 to 25%.<sup>24</sup>

The Plan sets out where we will focus our public sector effort to take a purposeful, values-led approach to inward investment.

## HOW ATTRACTIVE IS SCOTLAND TO INWARD INVESTORS?

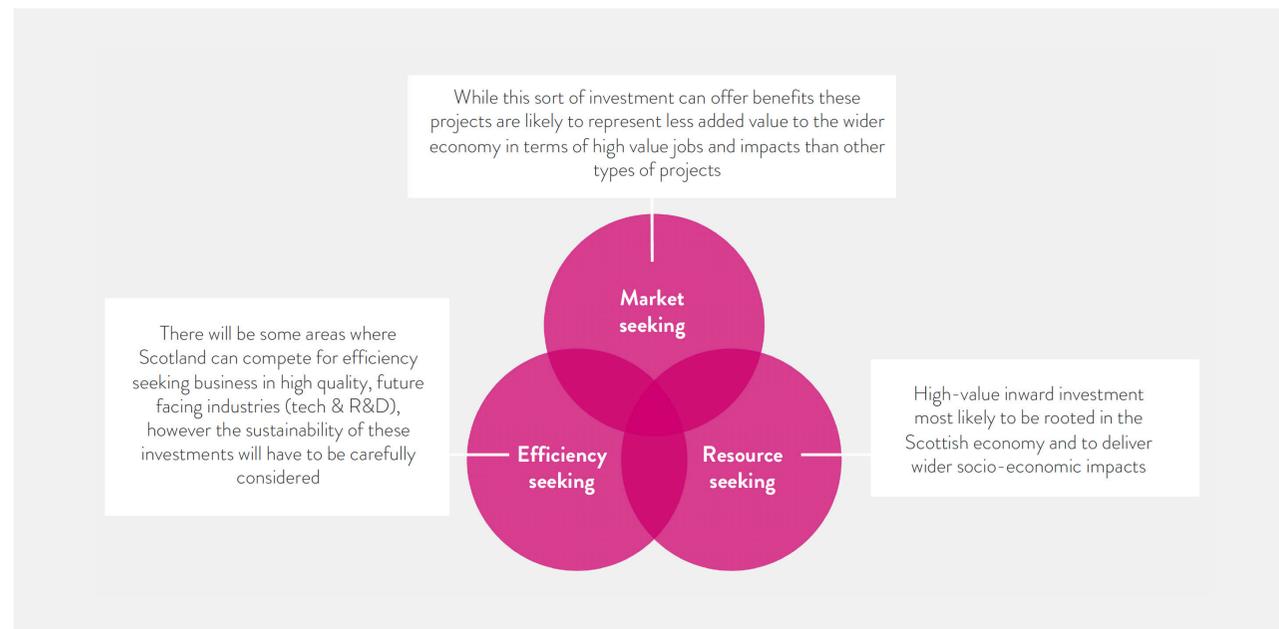
In this section we consider those factors important to inward investors, before we turn our lens to Scotland's current strengths and then, in Sections 7 and 8, consider the future policy actions we will take to support both inward investment projects and the investment ecosystem.

### 4.1 WHAT ARE INWARD INVESTORS LOOKING FOR?

To understand how Scotland can best position itself to maximise the wider benefits of inward investment it is important to first consider the motivations of inward investors and what they seek to gain from their investments. Broadly speaking, inward investors tend to seek one or more of three things when they decide to invest internationally. Those three objectives can be categorised as: market seeking, where the investor looks to secure access to new markets for their products or services as a consequence of having a base inside a customs area; efficiency seeking, where the investor seeks to lower the costs of production compared to their existing operations; and resource seeking, where the investor is focussed on securing easier access to human or natural resources, supply chains or innovation clusters ('intellectual' resources). In many cases of course investors will seek a combination of all three but this analysis does help to identify the primary drivers of investment decisions.<sup>25</sup>

<sup>25</sup> Dunning (1993)

**Figure 15:** Market Seeking, Efficiency Seeking and Resource Seeking Investment



**Source:** Dunning, J. H. (1993). *Multinational enterprises and the global economy*. Reading, MA: Addison Wesley.

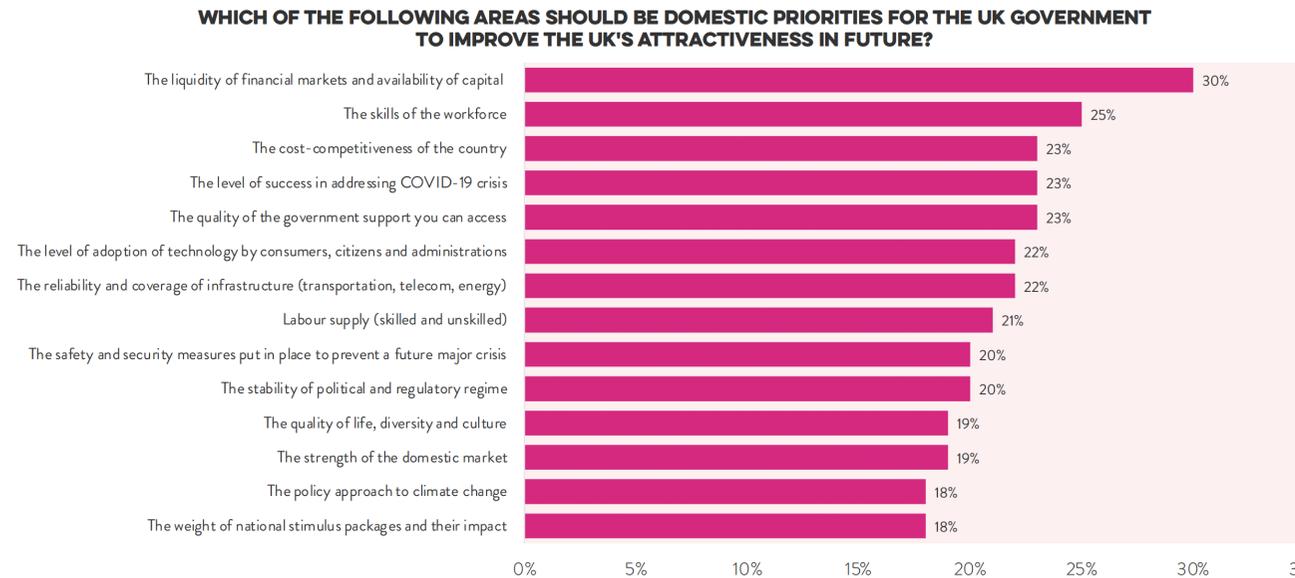
Over the past two decades, Scotland has attracted investment in all three categories and in many cases investors seek a combination of all three drivers. Understanding the drivers of investment decisions is therefore important. In some cases investors were looking for access to Scottish, UK or EU markets and in other cases Scotland was able to provide investors with a lower cost option compared to their current operations. In global terms having reduced access to the EU market will restrict the attractiveness of market seeking investments and while Scotland has some cost advantages over for example London or the South East on a global scale positioning ourselves as a low cost option does not align with our aspirations for Scotland as a high wage, high productivity economy.

It is for resource seeking investments that Scotland is best able to compete and where we should primarily focus our efforts. This can be for access to natural resources or location (in the case for example of renewable energy, food and drink or the space sector), for access to research and innovation (for example in health and life sciences) or for access to skills and talent across a wide range of sectors. Targeting resource seeking investment also makes this investment significantly more likely to stay in Scotland and build capacity over the long term. Investment that is focussed on efficiency seeking is more mobile and susceptible to being moved to lower cost locations in the medium to longer term.

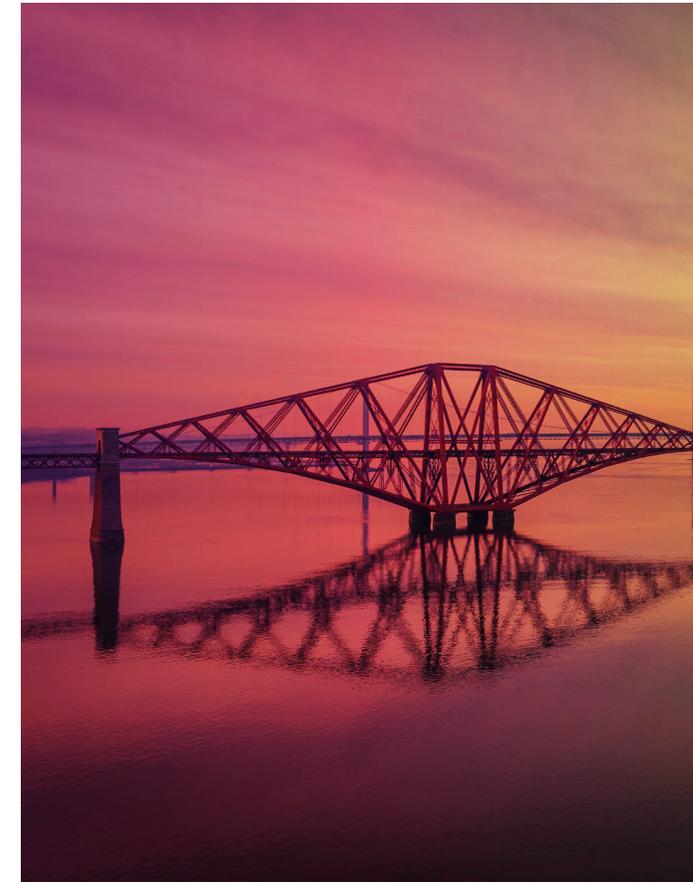
## 4.2 WHAT DO INWARD INVESTORS EXPECT FROM GOVERNMENT?

When an inward investor assesses future location choices, the company looks to government for policy support in the following areas. Investment criteria tend to fall broadly into four categories: skills; business environment; infrastructure; and quality of life or living.<sup>26</sup>

**Figure 16:** Which of the following areas should be domestic priorities for the UK Government to improve the UK's attractiveness in future?



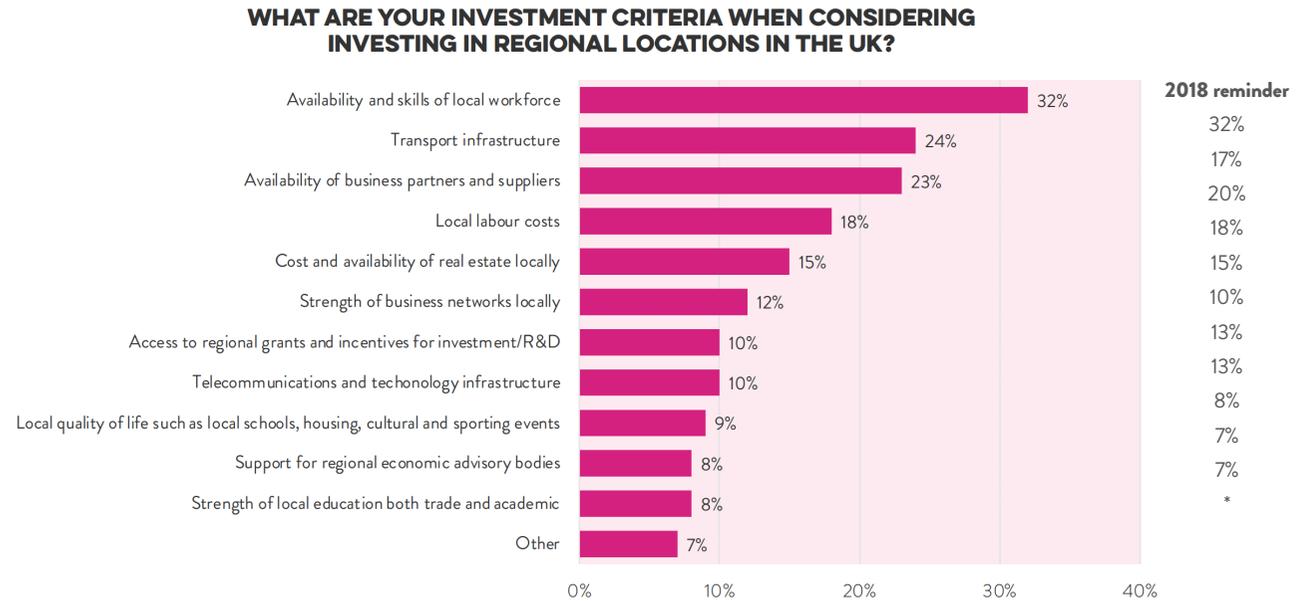
**Source:** EY UK Attractiveness Survey 2020



Investors have provided a clear steer as to their priorities for government policy, specifically around the business environment (liquidity, availability of capital), the skills of the workforce, the reliability of the infrastructure and quality of life. All are key factors identified in securing inward investment. While this survey is at a UK level, the same requirements of government also apply in a Scottish or national/regional context. An approach based on the strength of talent and infrastructure, and availability of business partners and supply chains, should therefore have benefits for all of Scotland.



**Figure 17:** Regional Inward Investment criteria



**Source:** EY UK Attractiveness Survey 2019

**AN APPROACH BASED ON THE STRENGTH OF TALENT AND INFRASTRUCTURE, AND AVAILABILITY OF BUSINESS PARTNERS AND SUPPLY CHAINS, SHOULD THEREFORE HAVE BENEFITS FOR ALL OF SCOTLAND**

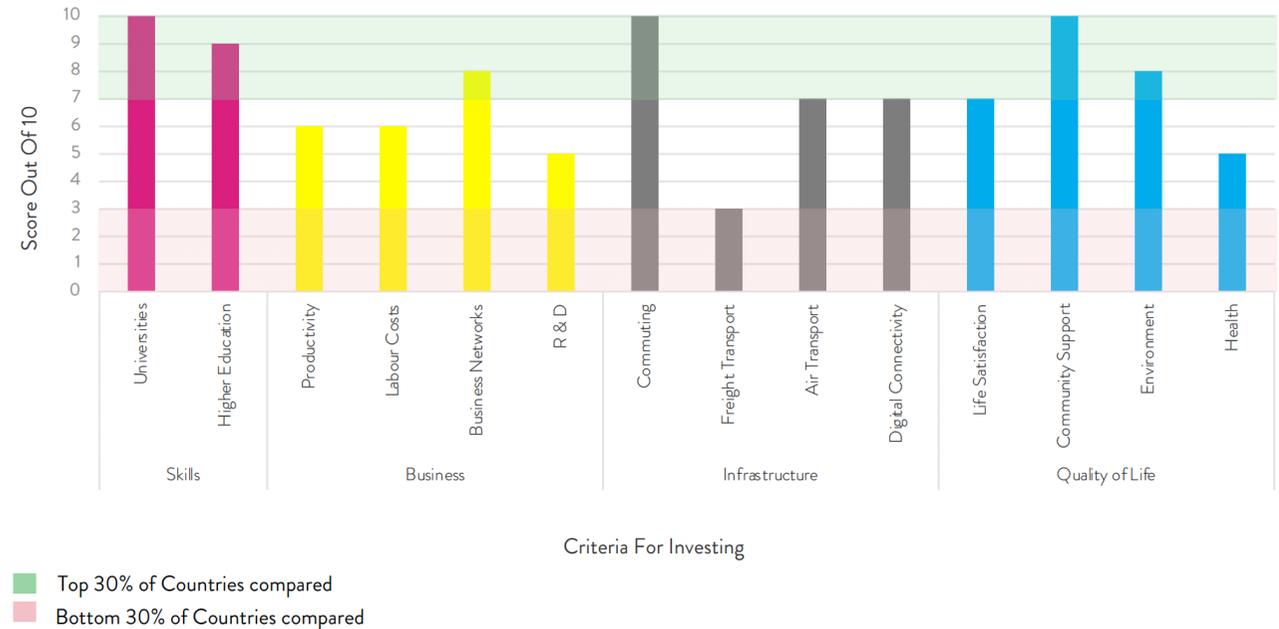
### 4.3 HOW DOES SCOTLAND COMPARE INTERNATIONALLY?

Attracting inward investment is competitive, and increasingly so with more nations and regions chasing fewer investments. To succeed in this market, we have to understand and leverage our strengths.

We know that inward investors tend to seek either one or a combination of three drivers when they decide to invest internationally. In Scotland we will be focussing our efforts on resource seeking investments as this is where we are best able to compete and also makes investment significantly more likely to stay in Scotland and build capacity and capability over the longer term.

Here we consider criteria inward investors consider to be desirable when considering where to invest. The bar chart below highlights how Scotland compares with competitor countries and cities<sup>27</sup> across the four key investment criteria identified: skills; business environment; infrastructure; and living. Scotland performs in the bottom 30% on only one of 14 indicators below: Freight Transport.<sup>28</sup>

**Figure 18:** How Does Scotland Compare Internationally?



**Source:** Office of the Chief Economic Adviser Analysis using data from multiple sources. Please see the technical methodology note for more information.

This is also broadly aligned to the four capitals lens through which the AGER report viewed Scotland's economy: Business (financial and physical capital), Environment (natural capital), People (human capital), and Community (social capital). We now consider each of these areas in turn, identifying Scotland's inherent strengths in each.

<sup>27</sup> The pool of comparator countries vary by indicator. By way of example, the universities indicator is compared with 26 global countries, whereas the R&D indicator is compared with the OECD countries. Data did not allow for comparison against the same group of countries for each indicator without severely limiting the pool or comparators.

<sup>28</sup> Analysis by the Office of the Chief Economic Adviser of the Scottish Government

#### 4.4 SCOTLAND'S STRENGTHS: SKILLS

The key factors considered under this heading are higher education and our universities, both areas where Scotland scored highly in international comparisons.

Scotland is ranked first out of 36 OECD countries in terms of high-level qualifications and has schools, colleges and universities that deliver high-quality education to learners at all levels. Feedback from investors reinforces that Scotland's people and skills are key factors in investment decisions.

Scotland has a vibrant network of regional colleges that provide further and higher education and vocational qualifications to almost 120,000 young people with 95% of college qualifiers entering positive destinations. In fact, a quarter of all higher education in Scotland is delivered by colleges. Colleges and industry have close links at local level and within industry sectors. The Energy Skills Partnership, for example, supports colleges in curriculum development and delivery in new and emerging technologies in areas such as low carbon transport, energy efficiency and advanced manufacturing by ensuring that colleges deliver the skills for a green economy.

We are moving into a fourth industrial revolution, driven by technological disrupters and responding to unforeseen impacts of Covid-19. To ensure we thrive as individuals, businesses and as an economy we must also ensure the knowledge gained is supported by the development and application of new skills. Scotland has developed an agile, innovative template for meeting key skills demands, upskilling and reskilling its talent to respond to the demands of tomorrow.

The core of our skills system is the ability to respond at pace to the needs of business and to shifting wider economic circumstances, addressing local, regional and national employer demand, while ensuring Scotland has a highly-skilled working population. With a committed resource supporting effective workforce planning, building resilience within business to disruptions and creating conditions for long term sustainability, Scotland provides the responsive skills system investors identify as being key to their growth ambitions.

### FEEDBACK FROM INVESTORS REINFORCES THAT SCOTLAND'S PEOPLE AND SKILLS ARE KEY FACTORS IN INVESTMENT DECISIONS



SCOTLAND IS RANKED FIRST OUT OF 36 OECD COUNTRIES IN TERMS OF HIGH-LEVEL QUALIFICATIONS.<sup>29</sup>



SCOTLAND PROPORTIONALLY HAS MORE PEOPLE AGED 25-64 WHO ARE TERTIARY-LEVEL EDUCATED THAN ANY EU COUNTRY OR EQUIVALENT.<sup>30</sup>



THE PROPORTION OF SCOTLAND'S WORKING AGE POPULATION WITH A DEGREE OR PROFESSIONAL LEVEL QUALIFICATION HAS INCREASED FROM 16.8% IN 2004 TO 29.6% IN 2018.<sup>31</sup>



IN 2019, 83.1% OF ALL EMPLOYEES IN SCOTLAND RECEIVED THE REAL LIVING WAGE – A 2.5 PERCENTAGE POINTS INCREASE ON 2018.<sup>32</sup> NOT ONLY DOES SCOTLAND HAVE A HIGHER PERCENTAGE OF EMPLOYEES IN RECEIPT OF THE REAL LIVING WAGE THAN THE OTHER UK NATIONS, BUT IT IS HIGHER THAN THE UK OVERALL.<sup>33</sup>

29 [Scotland's Future Skills Action Plan](#)

30 As above

31 As above

32 [National Indicator Performance](#)

33 [Annual Survey of Hours and Earnings \(ASHE\) 2019](#)

## HOW ATTRACTIVE IS SCOTLAND TO INWARD INVESTORS?

Scotland's ambitious expansion of apprenticeships is recognised globally as a world-class innovation. Co-designed with businesses Scottish apprenticeships offer structured training and qualifications that are matched to the skills requirements of current and future investor employers. This longstanding commitment to work-based learning supports employers to foster strong links with schools, colleges and universities so they can develop a skilled and productive workforce.

Successes such as CodeClan, Scotland's first digital academy and Finance Fast Track in upskilling and reskilling the underemployed into key growth area roles in the sector, illustrate the agile and innovative thinking that is key to industry flourishing. This approach will be replicated across sectors where new and changing job requirements are in high demand and where the response to the impact of Covid-19 is urgent. This will provide existing and new investors with the confidence that Scotland will continue to provide the skills and talent they seek, as outlined by Scotland's First Minister in *Protecting Scotland – Renewing Scotland*, the Programme for Government 2020-2021.

**THESE TALENTS, AND OUR ABILITY TO COORDINATE THEM AS A SINGLE SYSTEM, ARE AND SHOULD BE AT THE FOREFRONT OF WHAT WE PROMOTE GLOBALLY.**

<sup>34</sup> 2017/18 HESA data

<sup>35</sup> 2017/18 HESA data

Science and research in Scotland remains cutting edge and truly excellent in global terms. A key partner for global collaborations, Scotland produces more research papers in the world's top 1 percent than any other part of the UK. We have 8 percent of the UK's population, 10 percent of its researchers, yet produce 12 percent of its research output.

Scottish universities attract around £166 million per year<sup>34</sup> as foreign investment into research. This is on top of their income from other types of work for international organisations (such as consultancy) as well as from fees from around

36,500 non-EU international students each year, demonstrating the important role HEIs play in attracting inward investment.<sup>35</sup>

These talents, and our ability to coordinate them as a single system, are and should be at the forefront of what we promote globally.

We recognise the significant challenge Covid-19 has posed across Scotland in skills terms and are working with skills agencies, employers and other stakeholders to evaluate existing skills interventions, including a digital economy skills drive.



#### 4.5 SCOTLAND'S STRENGTHS: BUSINESS ENVIRONMENT

The key factors considered under this heading are productivity, labour costs, business networks and research and development (R&D).

Using recent data from the OECD, Scotland's nominal productivity level was 82.0% of the USA in 2017, and ranked in 16th place (out of 37 countries) amongst the OECD member countries. Since 2007, despite the lower productivity growth achieved by the UK as a whole, Scotland's growth has been similar to the OECD average and the latest data – which includes revisions to previous years – show that Scotland has been ranked 16th (in the second quartile) in all years since 2007. These comparisons are adjusted for Purchasing Power Parity (PPP) so that differing price levels and exchange rates between countries do not have an effect on the results.<sup>36</sup>

Scotland is a stable, safe and secure location with a transparent government and robust legal institutions with coherent regulatory practices making it a safe and attractive investment location. As outlined earlier in this report for the past seven years, the EY Attractiveness Survey has named Scotland as the most attractive location for inward investment in the UK, outside of London.

Scotland is an attractive place for investment with its pro-business and investor friendly financial policies. Our integrated, agile approach means we can provide a bespoke support to individual projects, and work with inward investors to introduce new and innovative workplace practices which promote inclusive growth and create a wellbeing economy.

In fact, Scotland has a flexible and business-friendly environment with a competitive tax regime and low business set up cost – up to 40% less than London. While Scotland does have more efficient set up costs than London and the South East, we are not primarily looking to attract efficiency seeking investment.

By locating in Scotland, business have access to a highly educated, skilled workforce with a strong work ethic. Around 30% of Scotland's working population has further education. Scotland has a multilingual workforce, speaking 170 languages.<sup>37</sup> There are low staff turnover rates, which make it easy for businesses to employ and retain staff.

### **SCOTLAND IS A STABLE, SAFE AND SECURE LOCATION WITH A TRANSPARENT GOVERNMENT AND ROBUST LEGAL INSTITUTIONS WITH COHERENT REGULATORY PRACTICES MAKING IT A SAFE AND ATTRACTIVE INVESTMENT LOCATION**

Business networks as measured from a Europe wide index published by the European Commission, takes into account multiple facets of the business environment, including business risk, financial institutions, and quality of education. Scotland's business network scored above 50% in 9 out of 14 categories and is ranked 28 out of 125 regions across Europe. Our economic strategy and our Covid-19

economic recovery implementation plan are predicated on a partnership approach with business, trade unions, the third and voluntary sectors, local authorities and our enterprise and skills agencies, that is based on shared ambitions.

The Scottish Government and business have long worked closely together towards our shared economic ambitions. One of the core strengths of the response to the Covid-19 crisis in Scotland, has been the boost in collaborative efforts by businesses in Scotland and the public sector. Working together has helped us tackle the critical issues of business resilience, helped protect the productive capacity of Scotland's industries, and built new and innovative supply chains around personal protective equipment and related supplies for the NHS and care sector. It is a partnership that has encompassed businesses of all sectors and sizes, and the public sector in all its forms, from the Scottish Government through enterprise agencies to local authorities.



We recognise that our economic recovery needs to be a national endeavour. We want to capture the gains in collaborative working, take on board new ideas for sector-led recovery and to create action-focused partnerships to tackle economic challenges and take advantage of opportunities and competitive advantage.

<sup>36</sup> <https://www2.gov.scot/Resource/0054/00545826.pdf>

<sup>37</sup> <https://www.sdi.co.uk/media/1747/why-scotland-document.pdf>

In 2017, Scotland's R&D expenditure was as follows.

- Scotland's Gross Expenditure on Research and Development (GERD) represented 1.63% of Gross Domestic Product (GDP), below that for the UK (1.69%), the EU (1.96%) and the OECD (2.37%). However, spending on R&D in Scotland increased between 2016 and 2017, from 1.53% of GDP in 2016 to 1.63% of GDP in 2017, an increase of 0.10 percentage points. Scotland's Research and Development performance is characterised by a particularly strong performance in Higher Education Research and Development (HERD) and a weaker performance in Business Enterprise Research and Development (BERD), with plans in place to rapidly ramp up this performance. Scotland's Higher Education Research and Development (HERD) spend was £1,072 million in 2017 which, as a share of GDP, ranked top of the twelve countries/regions of the UK, and ranked seventh highest (top quartile) in the OECD.
- Scotland's Business Enterprise Research and Development (BERD) spend is still relatively low compared with other countries: in 2017, Scotland's BERD spend as a share of GDP ranked eighth of the twelve countries/regions of the UK, and ranked in the third quartile of the OECD. However, Scotland has experienced relatively strong growth in BERD over recent years: Scotland's BERD spend was £1,356 million in 2018 - up 6.4% in real terms between 2017 and 2018, compared to a 3.9% real terms increase for the UK over the same period. We are on target to meet our target of doubling Scotland's BERD between 2015 and 2025.

Scotland has performed well in attracting R&D inward investment projects, with the highest level of projects of any part of the UK (including London). In the past five years (2015-19), Scotland (in total) attracted:

- 537 FDI projects of which 88 were R&D projects (16.4%).

In the past five years (2015-19), Scotland (in our opportunity areas) attracted:

- 349 FDI projects of which 65 were R&D projects (18.6%).

The opportunity areas set out in Section 6 of the plan are all high R&D sectors.

In Section 8 we seek to strengthen our offer to inward investors by setting out future policy plans on collaboration between universities and industry.

#### **4.6 SCOTLAND'S STRENGTHS: INFRASTRUCTURE, DIGITAL CONNECTIVITY AND OUR NATURAL CAPITAL**

The key factors of importance to inward investors considered under this heading are infrastructure and digital connectivity and our natural resources.

From city centre locations and business parks that are within an easy commute of a working community of 2.8 million people, to rural sites, industrial units, large-scale manufacturing plants, port-side hardstanding facilities and development land for new build options, Scotland has a great deal to offer to prospective new employees.

#### **Infrastructure: Transport Connectivity**

Scotland has been ranked as being the best connected large region in Europe<sup>38</sup>, and benefits from strong connectivity across a range of transport modes. Major investment in transport infrastructure, including for active travel, has improved access across the whole of Scotland and the UK. In Scotland's most populous region, fast and frequent trains connect Glasgow and Edinburgh, passing through and connecting the Central Belt, containing most of Scotland's most densely populated areas. Scotland's transport network also supports over £180 billion of trade with the rest of the UK, Europe and across the world<sup>39</sup>.

Scotland's five main airports have international flights that connect millions of passengers to around 150 destinations worldwide, and scheduled services to international destinations have more than trebled since 2001<sup>40</sup>. Scotland's international connectivity also benefits from frequent connections with some of the largest hub airports in the world, including London Heathrow and Amsterdam Schiphol.

Since 2007, we have invested over £20 billion across trunk roads, rail, buses, ferries and air services as well as active travel. We are committed to supporting active travel while setting out ambitious targets to decarbonise the rail network, to adapt our infrastructure to climate change impacts and introduce low emission zones in four cities: Glasgow, Edinburgh, Aberdeen and Dundee.

In Section 8 we seek to strengthen our offer to inward investors by setting out future policy plans on infrastructure.

38 fDi's European Cities and Regions of the Future 2020/21 – Winners <https://www.fdiintelligence.com/article/76767>

39 <https://www.gov.scot/publications/gdp-quarterly-national-accounts-for-scotland-2020-q1/>

40 Scottish Development International, Infrastructure and Connectivity <https://www.sdi.co.uk/business-in-scotland/infrastructure-and-connectivity>

### Infrastructure: Digital Connectivity

The Scottish Government, together with its partners, has invested £463 million to date in the Digital Scotland Superfast Broadband (DSSB) programme and has substantially exceeded its fibre broadband access targets. Over 97.8 percent of premises in Scotland are now able to access fibre broadband and over 94.3 percent can do so at superfast speeds of 30Mbps and above<sup>41</sup>. The DSSB programme committed to supplying commercial fibre broadband in Orkney, Shetland or the Western Isles – now over 80 percent of premises in these areas have access to fibre broadband.

Covid-19 has accelerated the shift to digital and placed an even greater emphasis on the need for a strong digital infrastructure. Home working is not a new concept but has become a core component of operating models in company responses to the Covid crisis. Scotland, particularly across the Highlands & Islands region, has been at the forefront of supporting remote working for over 15 years. We supported pioneering projects with companies including BT, Serco and Sykes to successfully test and adopt multiple approaches to remote working. There will be a strong role for Scotland to play in a pivot to a more future-facing distributed working model whereby companies rethink their corporate real estate footprint and engage a dispersed workforce in particular geographic skills hubs.

In Section 8 we seek to strengthen our offer to inward investors by setting out future policy plans on digital connectivity.

### Natural Capital

Our economy is fundamentally dependent on our natural environment, which along with our people, is one of our greatest national assets. The beauty and quality of our nature and landscapes is the essence of Scotland's global brand, attracting people and businesses to choose Scotland as a place to live, work and invest. Our key natural assets include:

#### Wind/Tidal

- Scotland is home to the world's first tidal array (Shetland) and the world's first floating offshore wind farm.
- Scotland has 12,000km of coastline and more than 790 islands. It has 25% of Europe's offshore wind and tidal resource.
- Scotland is the best place in the UK to build subsidy-free wind farms due to our abundant natural resources and over 60% of the UK's onshore wind capacity.
- We have the UK's largest wind farm producing 539MW. By comparison Norway's largest wind farm, Roan, produces 255.6MW and New Zealand's Tararua 161MW.

### Our Local Climate and Geography

Scotland's local climate and geography is a key natural assets. Its economic value is apparent across our world beating food and drink products. Only one country, Scotland, can make 'Scotch'. Only when the whisky has matured in Scotland for a minimum of three years, can it be labelled and sold as Scotch Whisky. Single malt Scotch Whisky is usually classified in one of five categories - Highland, Lowland, Speyside, Islay, and Campbeltown, with the local climate and geography of each region adding its own tastes and flavours to the whisky produced there.

Scottish salmon's good environmental story with its small carbon footprint and low water use plus global recognition of its taste, quality and provenance is clearly understood in almost every corner of the globe.<sup>42</sup>

Scotland is now the third largest farmed salmon producer in the world (the largest producer in EU and is globally third after Norway and Chile).

One of Europe's largest seafood producers, our cold, clean waters make Scotland's seafood some of the best in the world.

Scottish salmon was the first fish to gain the prestigious 'Label Rouge' quality mark. Unpolluted seas and strong currents are essential to help develop the firm, textured flesh and exceptional flavour Scottish salmon is renowned for.

<sup>41</sup> [Local Broadband Information - Scotland](#)

<sup>42</sup> <https://thefishsite.com/articles/new-record-for-scottish-salmon-exports-1>

Salmon has become Scotland's biggest food export with an estimated value of £600m in 2017, driven by the EU, US and China. Researchers and food manufacturers increasingly invest in new technologies to improve productivity of salmon farming in an efficient and sustainable manner, increasingly incorporating artificial intelligence.

In Section 8 we seek to strengthen our offer to inward investors through a commitment to reviewing the regulatory environment around our inward investment projects and ecosystem to maintain and enhance these benefits, while protecting our natural habitat and environment, so key to our quality of life and long-term economic benefits for local communities.

#### 4.7 SCOTLAND'S STRENGTHS: QUALITY OF LIFE

The key factors considered under this heading are life satisfaction, community support and the environment.

##### Life Satisfaction

Scotland's high quality of life as an attractor for talent and investors is well recognised. Edinburgh was rated fourth in Deutsche Bank's global quality of life survey 2019.<sup>43</sup>

A 2019 report named Glasgow as the best city in the UK for millennials to live and work in, with Aberdeen following in third place. Credit rating company [Totally Money](#) looked at 63 UK cities and assessed them on factors including work opportunities, cost of living, property prices and "fun stuff to do". The report took into account data such as weekly earnings, graduate work prospects, employment rates and the number of business start-ups.<sup>44</sup>

<sup>43</sup> [Mapping the world's prices 2019](#)

<sup>44</sup> [Glasgow Named the Best City in the UK for Millennials](#)

<sup>45</sup> [Expatistan Cost of Living Calculator – July 2020](#)

Life is culturally rich in Scotland, commutes are short and health care is free. Scotland's history and landscape draw millions of tourists, and the coast, lochs and mountains mean endless possibilities for outdoor activities. Scotland's cosmopolitan cities are full of life, culture and entertainment.

Along with highly competitive salaries, Scotland's cities offer monthly living costs that are roughly 10% lower than other UK cities such as Cambridge and Oxford and as much as 30% lower than London<sup>45</sup> – with no compromise on skills and talent.

In section 8, we outline our intent to conduct a review of policy and regulation in Scotland, which will include the environment and our natural capital, to enhance our quality of life proposition.

##### Talent in a Progressive, Tolerant Society

Scotland is also a tolerant and progressive society which upholds progressive values and human rights. The Scottish Government condemns human rights abuses and corruption wherever it occurs and is fully committed to the UN Guiding principles on Business and Human Rights. We uphold these values and principles in our commitment to equality, social justice, and sustainable, inclusive growth, at home and abroad. Guidance is in place to support the investment decision-making process with regard to the human rights record of companies.

In Section 8 we seek to strengthen our offer to inward investors through a commitment to review the regulatory environment around our inward investment projects and ecosystem, to enhance our quality of life proposition.



**SCOTLAND'S HIGH QUALITY OF  
LIFE AS AN ATTRACTOR FOR  
TALENT AND INVESTORS IS  
WELL RECOGNISED**

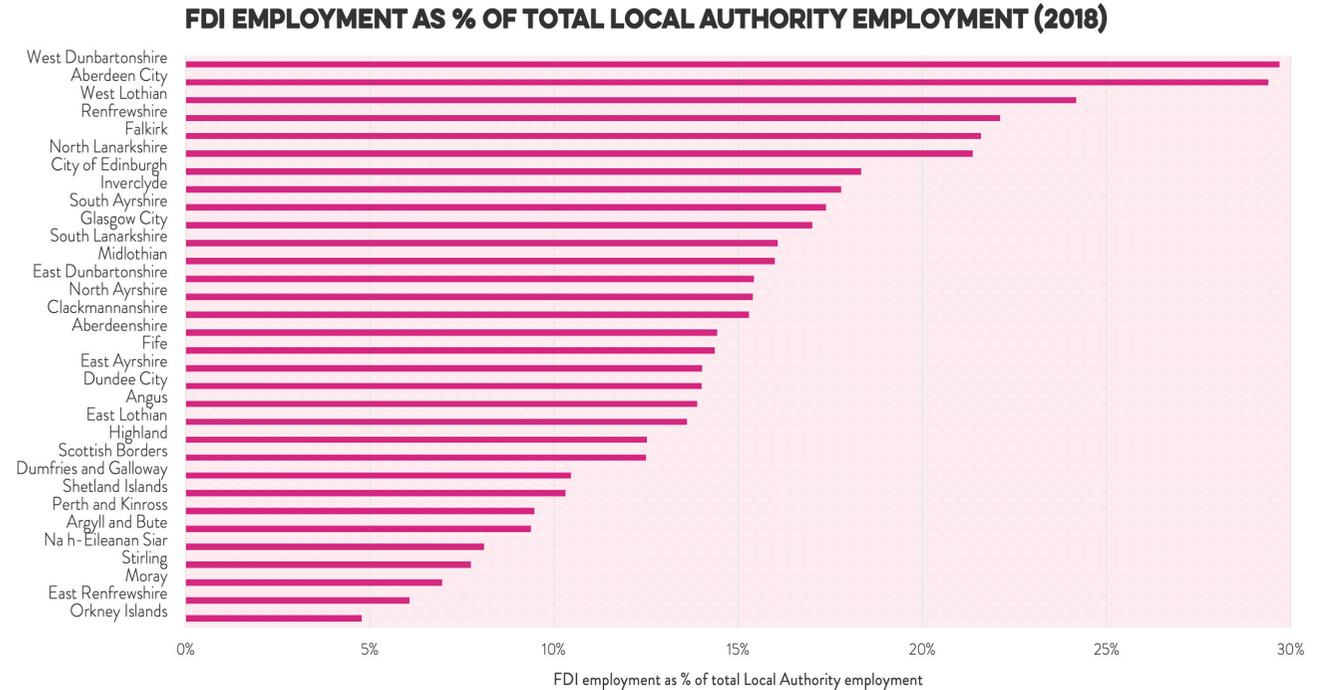
#### 4.8 SCOTLAND'S STRENGTHS: REGIONS AND CLUSTERS OF EXPERTISE

Attracting inward investment is competitive, and increasingly so with more nations and regions chasing fewer investments. To succeed in this market, we have to understand and leverage our strengths across all of Scotland's regions.

Scotland benefits from a diverse spread of sector specific strengths across many of our regions and the benefits of employment by inward investors and felt across all of Scotland's regions.

Inward investment lifts wages across the regions, bringing higher wage benefits at both a regional and a national level.

**Figure 19:** FDI Employment as a percentage of total Local Authority employment (2018)



**Source:** Scottish Enterprise analysis using data from [Businesses in Scotland](#)

**TO SUCCEED IN THIS MARKET, WE HAVE TO UNDERSTAND AND LEVERAGE OUR STRENGTHS ACROSS ALL OF SCOTLAND'S REGIONS**

Clusters are regional concentrations of expertise and activities in groups of related industries. They emerge naturally through market processes and as spillovers among such activities enhance performance at the firm and regional level.



Examples of positive effects, that often grow with the critical mass of expertise in a given location, are a labour market with specialised skills, local supplier networks with specialised capabilities, and a knowledge pool driven by business innovation activities and knowledge institutions. Clusters differ from cluster organisations; the latter manage the networks of firms and other entities within a given cluster. In less populated or rural areas, the ‘agglomeration’ effects due to the presence of a large number of interdependent firms are weaker. However, rural clusters can be important drivers of development and emerge from: one or more ‘pivotal’ companies (and their ‘ecosystem’ of suppliers and partners); from a pre-existing developed set of skills/traditions; or as the result of a natural resource.<sup>46</sup>

**USING OUR DEEP UNDERSTANDING OF KEY REGIONAL ASSETS WHICH ARE OF INTERNATIONAL SCALE AND QUALITY, WE WILL SEEK TO BUILD PLACES AND PRESENT THESE AS STRONG INVESTMENT OPTIONS WITHIN THE OVERALL SCOTTISH PROPOSITION**

Some examples of these strong place based assets include:

#### Low Carbon Transport in Dundee

Michelin Scotland Innovation Parc in Dundee is a globally competitive centre for advanced manufacturing, skills and innovation in low carbon energy and sustainable transport. The site has excellent infrastructure, connectivity and space for companies to grow. It includes an advanced skills academy to develop the workforce of the future and comprehensive company support packages. Future investment opportunities will include a hydrogen technology integration centre, to demonstrate the coupling of hydrogen technologies in the transport and energy sectors at scale.

#### High Value Manufacturing in Glasgow

The major asset underpinning Scotland’s ambitions in high value manufacturing is the Advanced Manufacturing Innovation District Scotland (AMIDS). Located near Glasgow Airport, this will become an internationally recognised centre for innovation, research and manufacturing in Scotland’s industrial heartland. AMIDS includes the National Manufacturing Institute for Scotland (NMIS), the Advanced Forming Research Centre (AFRC), the Lightweight Manufacturing Centre (LMC) and the Medicines Manufacturing Innovation Centre (MMIC). In section 5 we consider further Scotland’s high value manufacturing assets including the AMIDS.

### Low Carbon Infrastructure in Hunterston

Hunterston Port and Resource Centre (PARC) will become a key element in Scotland's low carbon infrastructure. There are three core pillars to the site – Marine, Port activity and Industrial use across a range of sectors including light manufacturing and renewable energy generation. The dry dock area can be used for the construction of floating offshore wind turbines for the renewable energy sector and on decommissioning and recycling assets from the oil & gas sector.

### Energy Transition in Aberdeen

The £62 million Energy Transition Fund (ETF) seeks to help both accelerate economic recovery from the Covid-19 pandemic in a key sector and region, and assist with Scotland's long term aims to decarbonise the economy – shifting the energy sector from using fossil fuels to renewable energy sources.

## SCOTLAND HAS ATTRACTED 6.3% OF RENEWABLE ENERGY PROJECTS THAT CAME INTO EUROPE, AND 6.4% OF THE JOBS OVER THE LAST THREE YEARS

The ETF will boost the North East renewable energy sector further, helping businesses and workers in the region build resilience to economic fluctuations, and help to diversify the region's energy sector and wider economy whilst maximising inclusive growth impacts.

The potential investment projects for consideration have been identified and will be the focus of the ETF programme:

- Energy Transition Zone

---

- Net Zero Solution Centre

---

- Global Underwater Hub

---

- Hydrogen projects (with some links to Carbon capture, utilisation and storage (CCUS) projects)

We are working with regional partners and supporting them as they develop business cases at pace, the approval of which will allow these projects to move into delivery phase. As well as articulating the economic benefits, these business cases will also give details of how the projects will fit within the wider energy ecosystem, and demonstrate strategic links with broader government policy aims.

### Industrial Biotechnology in Grangemouth

Industrial Biotechnology is a clean technology which can support the shift away from chemical and petrochemical based industries, many of whom are located in Grangemouth, towards sustainable high value manufacturing. The vision, as part of the Falkirk Growth Deal, is to develop new Industrial Biotechnology pilot plant and demonstrator facilities in Grangemouth to test CO2 re-use and biomass as feedstocks, and develop new, clean biorefinery processes.

### Low Carbon Rail in Fife

Spanish train manufacturer Talgo has announced plans to locate a proposed major new train manufacturing facility at Longannet in Fife, supporting the creation of around 1,000 direct high value manufacturing jobs and providing new opportunities to develop a cluster of low carbon rail innovation and supply chain companies around this major investment. Longannet offers the opportunity to develop a physical focal point for this clustering of rail skills, innovation, test and demonstration and supply chain activities on a site with excellent rail and port connectivity.

### Precision Medicine in Glasgow

Precision Medicine enables clinicians to match medical treatments to the individual characteristics of each patient, based on an increasingly data-driven approach to healthcare. Glasgow has world class clinical and research assets for precision medicine that industry can access. Scotland's assets and expertise in precision medicine are considered in more detail in Section 5.

### Healthtech in Inverness

The healthtech sector incorporates many of Scotland's strengths in medical technology and diagnostics as well as sensors, data analysis, AI and digital technology to meet the needs of a rapidly expanding point-of-care market. Inverness has a rich history in innovation in the sector attracting investors from around the world, including significant investment from US and Scandinavian companies choosing Inverness and surrounding rural locations as a base to design, develop, evaluate and manufacture cutting edge products and services.

### The Marine Economy in the Highlands and Islands

The Highlands and Islands are well placed to take advantage of the growth potential in the marine economy. The region has 61% of the UK coastline, combined with innovative businesses, outstanding research capability and a skilled workforce. The European Marine Energy Centre in Orkney already demonstrates the potential of the wave and tidal energy sector. There is now an opportunity to build on this through an increased focus on innovative aquaculture and marine biotechnology. Aquaculture and its supply chain support more than 12,000 jobs and offer opportunities in some of Scotland's most remote and fragile communities.

Having considered the criteria inward investors consider when making investment decisions in this section, we turn to look at how we can match these criteria and investment opportunities to Scotland's strengths.

**THE HIGHLANDS AND ISLANDS ARE WELL PLACED TO TAKE ADVANTAGE OF THE GROWTH POTENTIAL IN THE MARINE ECONOMY. THE REGION HAS 61% OF THE UK COASTLINE, COMBINED WITH INNOVATIVE BUSINESSES, OUTSTANDING RESEARCH CAPABILITY AND A SKILLED WORKFORCE**



## 5.1 A VALUES-LED PROPOSITION

Scotland has a strong narrative as a progressive, inclusive sustainable country with a clear set of values set out in the National Performance Framework around fair work, net zero and sustainable and inclusive economic growth. That narrative in turn forms the basis of our ‘sales pitch’ to inward investors, many of whom increasingly position their values at the centre of their mission statement and focus on the wider benefits they contribute to society beyond generating short term profits. A successful economy is one which delivers high productivity, high innovation, high levels of technology and high wages for the long term. It is therefore fundamental that our values inform the decisions we make on which investors we engage with to ensure alignment and a solid foundation for an enduring partnership.

Collective wellbeing is at the heart of Scotland’s economic strategy, which seeks to create an economy where wellbeing is as fundamental as GDP when measuring success. Our participation in the Wellbeing Economy Governments (WEGo)<sup>47</sup> group of nations places us at the forefront of this shift globally.

Scotland has set itself a target of becoming a Fair Work Nation by 2025, by seeking to create shared value for both employers and employees. Fair work means creating high quality jobs where staff can make a difference, and then benefit from the value they have helped to create. In Scotland, we see fair work as being fundamentally important to delivering inclusive growth – by driving innovation, productivity and inclusion.

There is already a growing momentum of businesses implementing these principles across Scotland as they undertake a commitment to create jobs, develop talent, deliver flexibility, promote creativity and increase productivity and efficiency. In Scotland, investors can already make a commitment to the Scottish Business Pledge, access a range of resources, including funding and tools to support fair and flexible working objectives as a means to deliver business success.

- Action 1. We will place our values at the centre of our engagement with current and potential inward investors, to ensure a strong partnership basis to our relationships around promoting inclusive growth and creating a wellbeing economy with zero carbon and fair work at its core.

## 5.2 WHAT WE WILL DO DIFFERENTLY

To deliver this plan we need to be clear about what we are going to do differently, and why. In this section we will identify Scotland’s strategic sectors, and why they are important to shaping Scotland’s future economy. But the change in our approach is much wider and encompasses a number of key aspects.

Our historic focus has been on landing new projects and the creation of direct jobs. We have been largely agnostic in the sectors we have pursued; values have not driven our focus. Scotland’s regions have often worked in silos, with little focus on cluster building around specific strengths. Inward investment policy has been developed in isolation. This plan will move to a strategic focus, whereby we focus on a defined set of sectors, and target specific investors and projects which will help further strengthen Scotland’s capabilities in those sectors. We will not only consider the creation of new projects and direct jobs but also the wider ‘spillover’ benefits that a project can deliver, and where in Scotland those might land. Values will be central to our offer, and inward investment policy will be aligned with the wider policy agenda.

We will also retain the necessary degree of flexibility in our approach to learn and adapt in what is a highly complex and competitive global environment.

**A SUCCESSFUL ECONOMY IS ONE WHICH DELIVERS HIGH PRODUCTIVITY, HIGH INNOVATION, HIGH LEVELS OF TECHNOLOGY AND HIGH WAGES**

<sup>47</sup> <https://www.gov.scot/groups/wellbeing-economy-governments-wego/>

**Figure 20:** What We Will Do Differently

In the following sections we detail what changes we will make to deliver this new approach to securing inward investment. In section 7 we describe how we will articulate Scotland’s proposition and the channels we will use to take that message to market. In section 8 we will detail the policy changes we plan, both directly covering our approach to inward investment and the wider policy areas that make Scotland an attractive proposition. Much of this is already underway and requires alignment to our new inward investment approach, and where new policy initiatives are required these are identified.

### 5.3 FOCUSING ON KEY INVESTORS IN OUR OPPORTUNITY AREAS

This Plan sets out a clear, evidence-based direction for where Scotland can deliver the maximum benefit to our economy from inward investment, based on our demonstrated strengths aligned with global opportunities. Proactively identifying the inward investors we want to partner with is a key part of this approach. Gaining a deep understand of the strategic decision making criteria of our target investors involved building relationships with them, not only in Scotland but also in their headquarter locations. In making decisions about the location of our inward investment attraction teams, it is important to recognise that inward investors are by their nature global, and the location of key decision makers will vary depending

on the specifics of any given business. However a small number of global locations are typically either the home to our target inward investor businesses, or are locations where they will have significant global decision making presence. This is likely to depend on the businesses we are targeting and where their global headquarters are based. We intend to support a small number of key centres in important locations in Europe, North America and Asia. We see London as a key centre given its global links.

- Action 2. We will align our global resources and footprint to the nine priority opportunity areas set out in the Plan, and in the locations where we can maximise access to these investors. SDI has assigned lead generation leads for each of the nine opportunity areas. SDI’s specialists will spend at least 80 percent of their effort on proactive opportunities aligned to these opportunity areas.
- Action 3: We will target the immediate expansion of our top 50 existing investors to rapidly scale opportunities. We will proactively strengthen and deepen our relationship with these investors – both in Scotland and at their global HQs – with a view to maximising the additional investment and job creation opportunities through a deeper understanding of their strategic direction and positioning the role Scotland can play to support those objectives.
- Action 4: We will identify and proactively target 50 leading global companies we want to attract to Scotland across our nine opportunity areas. Where these do not already exist, we will build strategic relationships with these businesses to understand their global expansions plans and the role Scotland can play in these plans. We will keep this list under review to monitor new entrants and shifts in global industry dynamics.

## 6.1 WHERE SCOTLAND'S COMPETITIVE AND COMPARATIVE ADVANTAGE MEETS GLOBAL OPPORTUNITY

As we identified earlier in this report, Scotland has had good success to date in attracting inward investment. That success has generally been built on prioritising areas of greatest opportunity where there are significant inward investment deal flows into Europe. Typically these have been Software and IT, Business Services and Financial Services. Over 10,000 jobs have been created in Scotland in these sectors in the past three years and their overall deal flow into Europe remains high.<sup>48</sup>

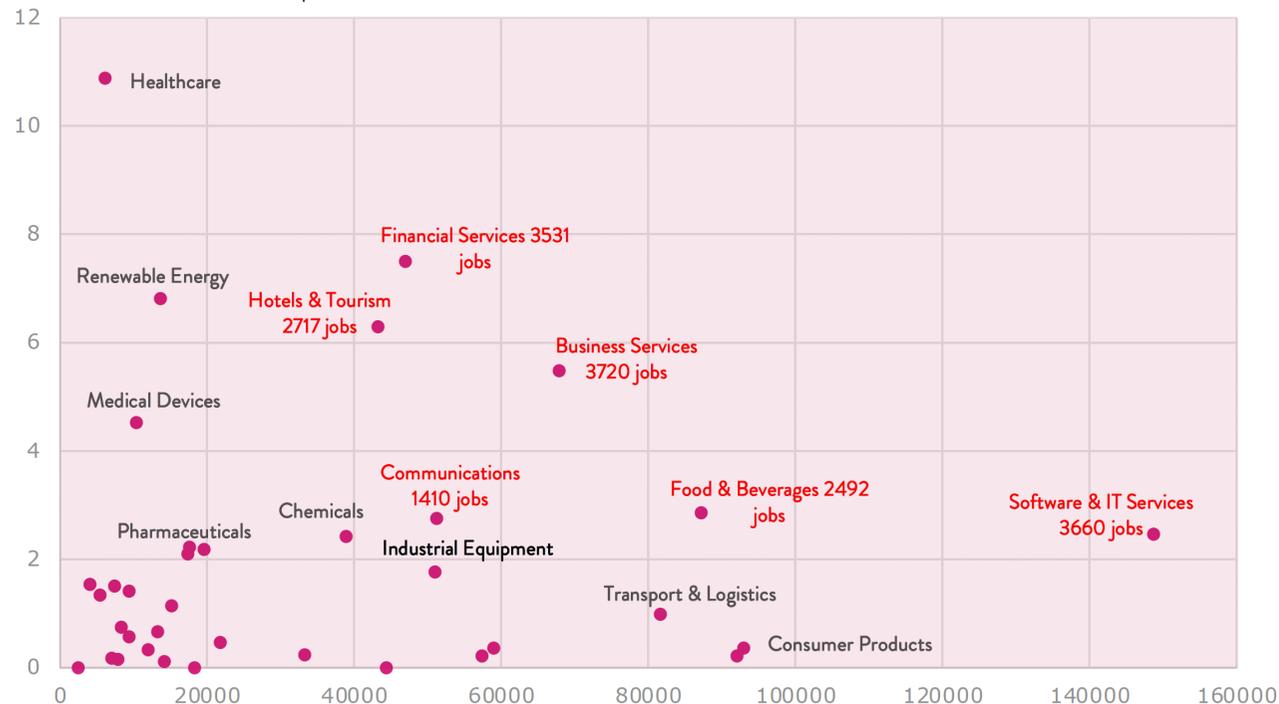
## SCOTLAND HAS HAD GOOD SUCCESS TO DATE IN ATTRACTING INWARD INVESTMENT

The chart shows how successful Scotland has been. While representing less than 1% of Europe's population, Scotland has successfully attracted a relatively high proportion of European jobs and projects across a number of sectors.<sup>49</sup>

**Figure 21:** Scotland's Competitive Sectors Matched Against Deal Flows into Europe

Vertical Axis: RoUK & FDI Jobs to Scotland as % of FDI to Europe Jan 2017 to Oct 2019  
Horizontal Axis: FDI Jobs to Europe Jan 2017 to Oct 2019; Both Axis Exclude Retail & Real Estate

Red: Sectors >1000 Jobs in Scotland



**Source:** SDI Analysis using data from fDi Markets, a service from The Financial Times Limited (2020). All Rights Reserved

However as we have identified, there is significant potential to deliver additional higher gains for Scotland's economy by maximising the wider spillover benefits of inward investments.

<sup>48</sup> fDi Markets, a service from The Financial Times Limited (2020). All Rights Reserved

<sup>49</sup> fDi Markets, a service from The Financial Times Limited (2020). All Rights Reserved

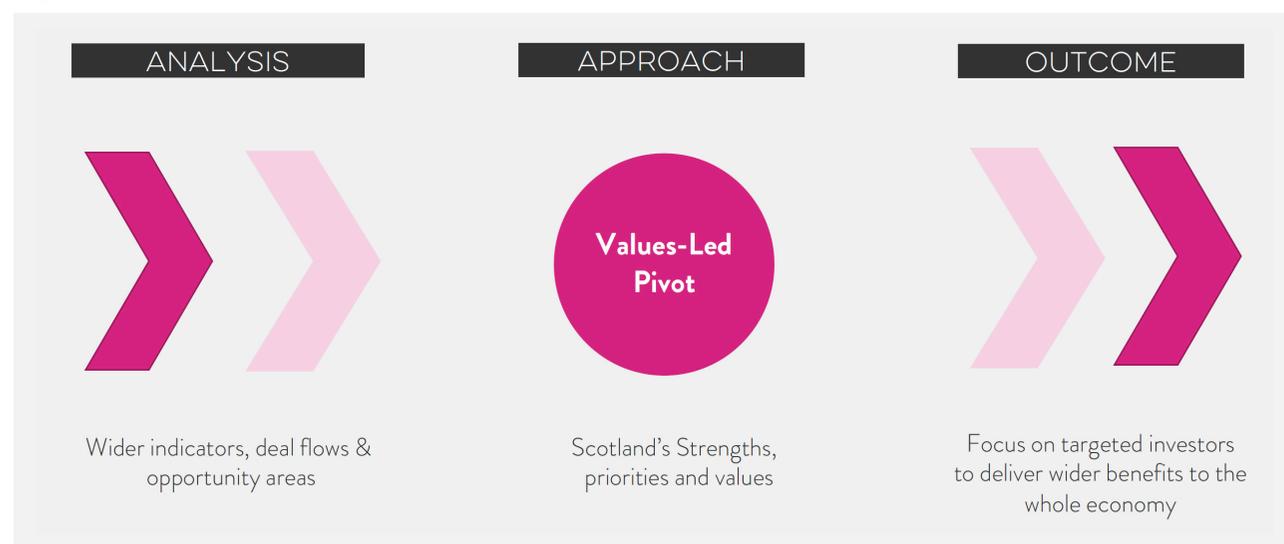
## 6.2 EVIDENCE-INFORMED ANALYSIS SET IN THE CONTEXT OF OUR VALUES-LED APPROACH

The plan is based on a detailed programme of analysis. This analysis draws on more than 25 data sets including from Scottish Government statistics, Office for National Statistics, Scottish Development International, Financial Times FDI markets, EY, the Department for International Trade (DIT), OECD and NESTA which were interrogated to build our understanding of the impacts of investment on the economy, to identify our areas of current and future competitive and comparative advantage and to understand the types of projects likely to deliver the widest range of benefits. The plan also draws on the rich economic literature on FDI, including the emerging literature on assessing and targeting quality FDI.

To understand where our public sector efforts should be focused, we have analysed Scotland's existing and emerging competitive advantages against global investment deal flows and assessed their potential fit with our values-led approach. We have developed an analytical approach that helps us to understand the potential wider economic impacts of projects in different sectors to guide decision making. We have also analysed the resilience of different sectors to the impacts of the Covid-19 pandemic.

This approach is data driven but is also informed by the economy that we want to create for Scotland. Therefore, while the data directs us towards opportunities for Scotland, we will only pursue these opportunities where they fit with our priorities and values.

**Figure 22:** Our Analytical Approach



The analysis is driven by a wealth of data and analysis taken from a wide variety of sources to try to ascertain Scotland's performance in different sectors and understand the future opportunities which will have the widest benefit to the Scottish economy. The analytical methodology is described in much greater detail in the Analytical Methodology note produced by the Office of the Chief Economic Adviser accompanying the release of this plan.

**OUR APPROACH IS DATA DRIVEN BUT IS ALSO INFORMED BY THE ECONOMY THAT WE WANT TO CREATE FOR SCOTLAND**

To understand Scotland's performance and the size and future growth potential of different sectors the following data sources have been used:



#### Current performance and investment flows

- Financial Times FDI Markets data on project numbers, capital expenditure and jobs into Scotland<sup>50</sup>
- Financial Times FDI Markets data on project numbers, capital expenditure and jobs into Europe



#### Future Growth

- Financial Times FDI Markets time series data on FDI projects into Europe to predict growth
- EY survey of investors predicting growth sectors<sup>51</sup>

These data sources are used to produce a Revealed Comparative Advantage (RCA) index, highlighting the sectors in which Scotland has demonstrated strengths in attracting projects.

Detailed analysis has also been carried out to assess the potential wider economic impacts of projects and how they compare across sectors. As set out in Section 3.4, and backed up by an extensive economic literature on FDI, benefits from foreign companies can spill over to domestic businesses, leading to increases in productivity, wages, jobs and output. As part of the Plan, a detailed literature review has been carried out to understand the characteristics of projects that generate wider economic impacts. The key strands identified are as follows:

1. **Supply chains** – as well as the direct benefits of purchasing products and services from domestic business, the economic literature suggests that benefits from foreign-owned firms can spill over to domestic firms through supply chain developments. Firms have an incentive to transfer knowledge to their suppliers in order to improve the quality of their inputs. Additionally, downstream firms benefit from a greater variety and quality of inputs.
2. **Innovation** – the benefits from innovation and research and development spending can benefit other firms throughout the economy through knowledge spillovers and demonstration effects. In addition, employees of innovative inward investment firms may use the knowledge they have gained to start their own innovative companies.

3. **Labour market** – a well-functioning labour market helps to spread the benefits from inward investment firms through the movement of labour, with employees bringing skills and experience with them when they move job.
4. **Agglomeration and cluster building** – there are more opportunities for knowledge and good business practices to spill over to other firms when there are many similar firms in close proximity geographically.
5. **Productivity** – targeting inward investment firms that are world-class in their levels of productivity offers the potential for some of their practices and other ways of doing business to spill over to domestic firms.
6. **Regional impacts** – spillovers can often be local, so it is important to identify regional strengths, and the potential for local cluster building to attract inward investors into different regions of Scotland so that regional economies can also benefit.

<sup>50</sup> fDi Markets, a service from The Financial Times Limited (2020). All Rights Reserved

<sup>51</sup> [EY UK Attractiveness Survey 2020](#)

These insights from the economic literature have been paired with a variety of data sources to create a series of wider economic impact indicators. These indicators show which sectors particularly demonstrate the characteristics described above and so help in the choice of the sectors to prioritise in order to achieve wider economic benefits from inward investment. These data sources include:

#### Supply chain impacts of inward investment

- Scottish Government Input Output Tables<sup>52</sup>

#### Evidence on the economic spillovers of inward investment

- Department for International Trade analysis<sup>53</sup>
- Detailed economic literature review

#### Innovation and R&D spending

- NESTA analysis on Scottish patents<sup>54</sup>
- Scottish Government statistics on business R&D in Scotland<sup>55</sup>

#### Wages and productivity

- Scottish Government statistics on average wages by sector<sup>56</sup>
- Scottish Government statistics on average gross value added per head by sector<sup>57</sup>

#### Regional impacts, natural capital and agglomeration

- Scottish Government statistics on the distribution of employment across Scotland, used to calculate location quotients<sup>58</sup>
- Scottish Government Urban Rural Classification<sup>59</sup>
- Scottish Government Natural Capital Accounts<sup>60</sup>
- Scottish Government labour market statistics<sup>61</sup>
- UK research on clusters<sup>62</sup>

As noted above, more detailed information on the methodology underlying the selection of future opportunities is contained in the Analytical Methodology note produced by the Office of the Chief Economic Adviser accompanying the release of this plan.



52 [Scottish Government Input-Output Tables](#)

53 Department for International Trade, “Estimating the economic impact of FDI to support the Department for International Trade’s promotion strategy”, <https://www.gov.uk/government/publications/estimating-the-economic-impact-of-fdi-to-support-dits-promotion-strategy-analytical-report>

54 NESTA, Mapping Innovation in Scotland Findings 2019

55 Business enterprise research and development statistics: 2017, Scottish Government, <https://www.gov.scot/publications/business-enterprise-research-and-development/>

56 [Scottish Annual Business Survey](#)

57 [Scottish Annual Business Survey](#)

58 [Scottish regional employment statistics](#)

59 Scottish government Urban-Rural Classification

60 [Scottish Natural Capital Accounts](#)

61 [Scottish Labour Market Statistics](#)

62 [UK research on clusters](#)

### 6.3 IDENTIFYING SCOTLAND'S OPPORTUNITY AREAS

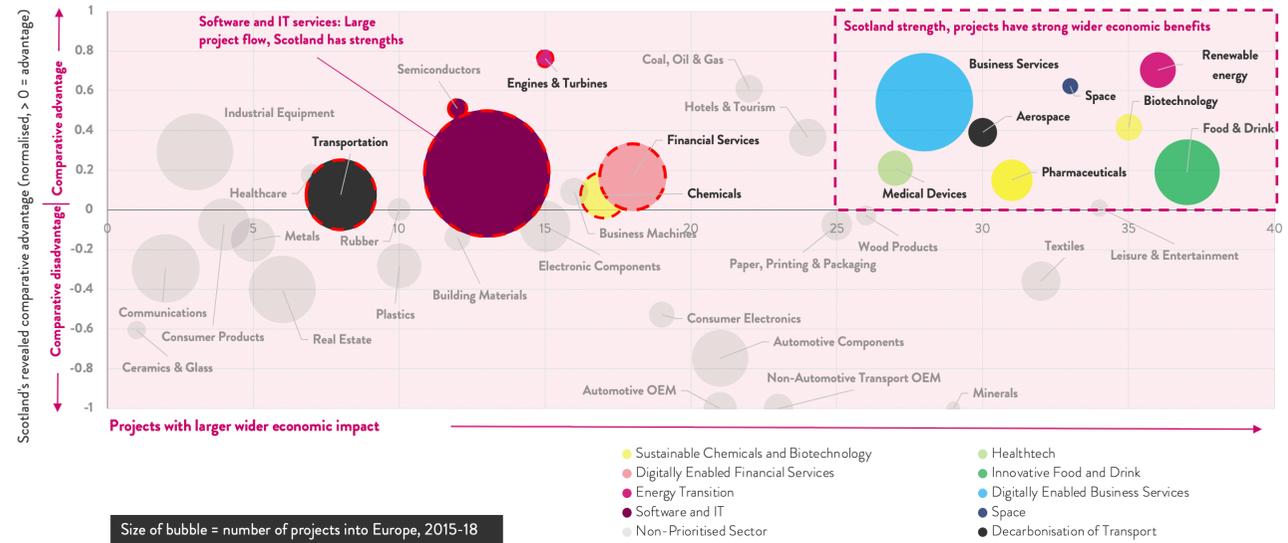
As described above, the analysis identified the 'points of intersection' between Scotland's specific global competitive strengths, major flows of inward investment, and the sectors and types of investment which typically yield greater spillover to the rest of the wider economy.

The chart alongside summarises this analysis. It highlights the sectors in which Scotland has a comparative advantage (vertical axis), the extent of wider positive impacts on the economy (horizontal axis) and the deal flow, or opportunity for growth in each sector (the size of the 'bubble'). This analysis allows us to identify the sectors which offer the greatest opportunity for us to meet our objectives.

The quantitative evidence shown in the chart was also paired with qualitative evidence and sector expertise, and aligned with the values and priorities outlined in the National Performance Framework for Scotland.<sup>63</sup>

## THIS ANALYSIS ALLOWS US TO IDENTIFY THE SECTORS WHICH OFFERS THE GREATEST OPPORTUNITY FOR US TO MEET OUR OBJECTIVES

**Figure 23:** Targeting Opportunities that will Deliver Wider Benefits to Scotland



**Source:** Office of the Chief Economic Adviser Analysis using data from multiple sources. Please see the technical methodology note for more information.

The areas highlighted with red dotted lines show the sectors that the data identifies as priority sectors, or opportunity areas, for inward investment. Where bubbles are coloured, this shows that they are included in the prioritised opportunity areas. Greyed out sectors are not identified as priorities by this analysis.

Of the red dotted areas on the chart, the box in the upper right quadrant shows the sectors where Scotland performs strongly and that score highly against the wider economic impact score set out previously.

Some sectors indicated a potential in purely economic terms but did not match with our values and aspirations for Scotland's economy.

Other sectors such as Software and IT services do not score as highly as some others on wider economic impacts, but Scotland has a comparative advantage in this area and there is a very large flow of projects into Europe (as evidenced by the size of the bubble). Other sectors (such as space) currently demonstrate a relatively small opportunity but this is expected to grow substantially as the sector matures. In other broad sectors, such as financial services, prioritisation is based on the future prospects for the sector in the area of digitally enabled financial services. The analysis also shows the rationale for choosing a number of future opportunities including healthtech and innovative food and drink.

63 <https://nationalperformance.gov.scot/>

Based on the analysis conducted a total of nine opportunity areas were identified as being a priority for Scotland's inward investment activities.

These nine opportunity areas are:

1. Energy transition
2. Decarbonisation of Transport
3. Software and IT
4. Digital Financial Services
5. Digital Business Services
6. Space
7. Healthtech
8. Transformation of Chemical Industries
9. Food & Drink Innovation

## 6.4 COVID IMPACT AND IMPETUS

These opportunity areas have also been analysed to understand their resilience to the economic disruption caused by Covid-19. Independent research by market commentators such as Wavteq, OCO Global and EY suggest that the areas chosen here are also likely to be amongst the most resilient, with healthtech, digital, energy transition, software and IT and financial services amongst the sectors they identify as robust to the economic shock of Covid-19. The Renewable Energy sector for example announced major new offshore wind projects during the crisis. Niche sectors may also be subject to positive investment flows e.g. within Biotechnology, E-Health, Food and Drink and Digital Technologies.

64 <https://www.wavteq.com/>

**Figure 24:** Our Opportunity Areas (highlighted) are Considered Likely to be More Resilient through the Crisis

### SECTOR RISK ASSESSMENT OF CORONAVIRUS – 2020 INITIAL PROJECTIONS

Major decline in FDI	Minimal decline in FDI	Growth in FDI
Tourism	Food processing	eCommerce
Entertainment	Consumer goods	EdTech
Retail	Renewable energy	HealthTech
Luxury goods	Logistics	Biotechnology
Aviation	Life sciences	Digital technologies
Real estate	Mobility	Cybersecurity
Coal, Oil & Gas	R&D	
Automotive	IT	
	Financial Services	

**Source:** Wavteq<sup>64</sup>

There remain, of course, considerable uncertainties around long-term impacts. Source geographies for inward investment are being impacted in different ways by the pandemic, and to different extents, and they will recover at different rates.

Scotland's supply side proposition has also been altered through the pandemic. For example, Scotland's university response to vaccination and treatment research, combined with company innovation and skills base has attracted new healthtech investment.

The crisis will motivate some inward investors to revise their supply chain and international presence. The shortening of industry value chains as a result of Covid-19 is underpinned by investors seeking to build in an element of resilience to ensure they are able to service their markets and customers effectively.

In some instances, companies will draw activity closer to their home markets. Other companies will set up multiple facilities to serve different world regions. Work with existing inward investors in Scotland is an important priority, to support operations and to encourage new expansion activity.

We also believe there will be a strong role for Scotland to play in a pivot to distributed working accelerated by Covid whereby companies rethink their corporate real estate footprint and engage a dispersed workforce located in particular geographic skills hubs.

The pandemic may also accelerate mindset shifts towards a net zero world, leading to enhanced sector opportunities. Inward investment projects linked to remote working may increase e.g. across digitally enabled industries.

With this level of uncertainty a degree of flex will be required in implementing the approach to be responsive to key market developments. The analysis that has underpinned the identification of our priorities will be maintained and refreshed. In an uncertain, volatile and fiercely competitive world, it is vital that Scotland continuously develops its distinctive strengths and comparative advantages, mixing and matching its strongest assets and capabilities to capitalise on new and emerging global opportunities.

This includes using our deep understanding of the key assets in each region and presenting these as strong investment options within the overall Scottish proposition to ensure that the benefits of inward investment can be felt throughout the country.

## 6.5 SCOTLAND'S OPPORTUNITY AREAS FOR INWARD INVESTMENT

The nine opportunity areas identified broadly fall under three overarching areas for Scotland's Economy of Net Zero, Digital and High Value Manufacturing, with several of the opportunity areas contributing to more than one of these priority themes.

### NET ZERO

Scotland is committed to becoming a net-zero society by 2045 – five years before the rest of the UK, and in line with the advice from the government's independent expert advisors, the UK Committee on Climate Change<sup>65</sup>. Our targets for reductions in Greenhouse Gas emissions are contained in the Climate Change Act<sup>66</sup> (the levels of the Scottish targets are expressed as percentage reductions from the 1990/1995 baseline).

<sup>65</sup> [Committee On Climate Change](#)

<sup>66</sup> [Scottish Government Climate Change Policy](#)

<sup>67</sup> [Scotland's AI Strategy](#)

Delivering a green economic recovery, to respond to the Global Climate Emergency and impacts of Covid-19 is a priority for the Scottish Government as set out in the response to the Advisory Group on Economic Recovery led by Benny Higgins and forthcoming update to the Climate Change Plan. Meeting our targets will require a transition in the energy sector from using fossil-fuels to renewables as well as decarbonisation across a range of energy-intensive sectors, including transport.

## SCOTLAND IS COMMITTED TO BECOMING A NET-ZERO SOCIETY BY 2045 – FIVE YEARS BEFORE THE REST OF THE UK

### DIGITAL

With its strength as a destination for the tech industry, its vibrant start-up ecosystem and world-class universities Scotland has a competitive advantage in digital across a range of opportunity areas including: Software and IT; Financial Services (including fintech); and Business Services.

As acknowledged earlier in this Plan, the Covid-19 crisis has placed digital at the forefront of the response and subsequent recovery steps across the private, public and third sectors. There is now multi-lateral recognition of the need to consider new models of delivering public, private and third sector services. Across all sectors, including financial and business services, technology

is now a key enabler for delivering positive economic and social outcomes for people, communities and business alike.

The UK is ranked 2 in the Global Readiness for AI Index (OECD countries) and the Scottish Government in conjunction with The Data Lab and partners is developing an AI strategy for Scotland to ensure that we realise that potential.<sup>67</sup>

### HIGH VALUE MANUFACTURING

Manufacturing is vital to Scotland's economy, employing more than 180,000 people across the country. It encompasses a broad range of sectors from food & drink and chemicals to life sciences and space. A large proportion of the jobs are highly skilled, with engineering, digital and commercial skills all important. These jobs are also widely dispersed among the towns and cities of Scotland.

The opportunity is now to grow Scotland's manufacturing sector, strengthen supply chain linkages and increase productivity using advanced manufacturing technologies such as automation, AI and digital manufacturing techniques. This is supported by a coordinated plan, Making Scotland's Future, to build skills, innovation and leadership and secure increased investment.

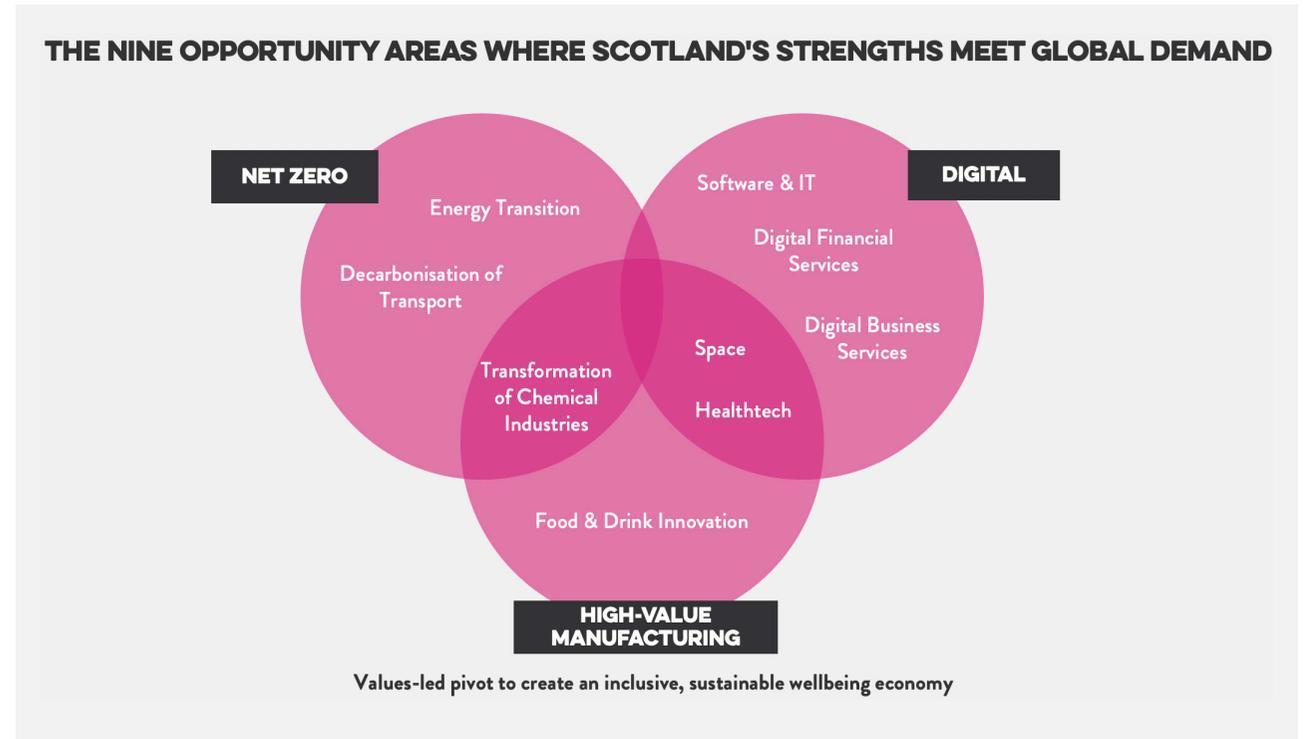
The major asset underpinning these ambitions in high value manufacturing is the Advanced Manufacturing Innovation District Scotland (AMIDS). This will become an internationally recognised centre for innovation, research and manufacturing in Scotland's industrial heartland.

Key elements of AMIDS are:

- The National Manufacturing Institute Scotland (NMIS) that will include the Manufacturing Skills Academy, as well as a fully digitalised factory of the future and collaboration hub for manufacturers of all sizes and from all sectors.
- The Advanced Forming Research Centre (AFRC), Scotland's High Value Manufacturing Catapult centre focusing on research and development of manufacturing technologies, metal forming and forging research.
- The Lightweight Manufacturing Centre (LMC) to support innovation in the aerospace and automotive industries.
- The Medicines Manufacturing Innovation Centre, which will be the catalyst for development of advanced manufacturing in Scotland's life sciences sector.

**SCOTLAND'S ELECTRICITY SYSTEM IS NOW LARGELY DECARBONISED – IN 2019 MORE THAN 90% OF SCOTLAND'S ELECTRICITY WAS GENERATED FROM RENEWABLES**

**Figure 25:** Scotland's Nine Opportunity Areas



### Opportunity Area 1: Energy Transition

We now examine each of these nine opportunity areas in terms of Scotland's strengths, success and opportunities.

Energy transition is the shift in the global energy sector from using fossil-fuels like oil, gas and coal, to renewable energy sources like solar, wind and wave. It's also about reducing carbon dioxide emissions across a range of energy-intensive sectors like heat, transport and some industrial processes, through various forms of decarbonisation.

While Scotland's electricity system is now largely decarbonised – in 2019 more than 90% of Scotland's electricity was generated from renewables – the ambition of a net zero, sustainable, carbon economy by 2045 means we will continue developing our existing strengths in renewable energy in areas like fixed-bottom and floating offshore wind, and emerging areas, such as tidal, wave, hydrogen, carbon capture and storage, and local energy systems.

A key element of the transition is the ongoing need for fossil fuels and the commitment of the oil and gas industry in Scotland to deliver a Net Zero Hydrocarbon Basin by 2050. This would be the first Net Zero Hydrocarbon basin in the world and is supported by the industry's Roadmap 2035. This will require new technology and ways of working which may be attractive to companies looking to invest in Scotland.

Scotland is a highly attractive key location for investment in renewables. In terms of inward investment deal flow in renewable energy, Scotland has attracted 6.3% of the total projects that came into Europe and 6.4% of the jobs, over the last three years. Scotland has strong competitive advantages in several specific areas across the energy transition.

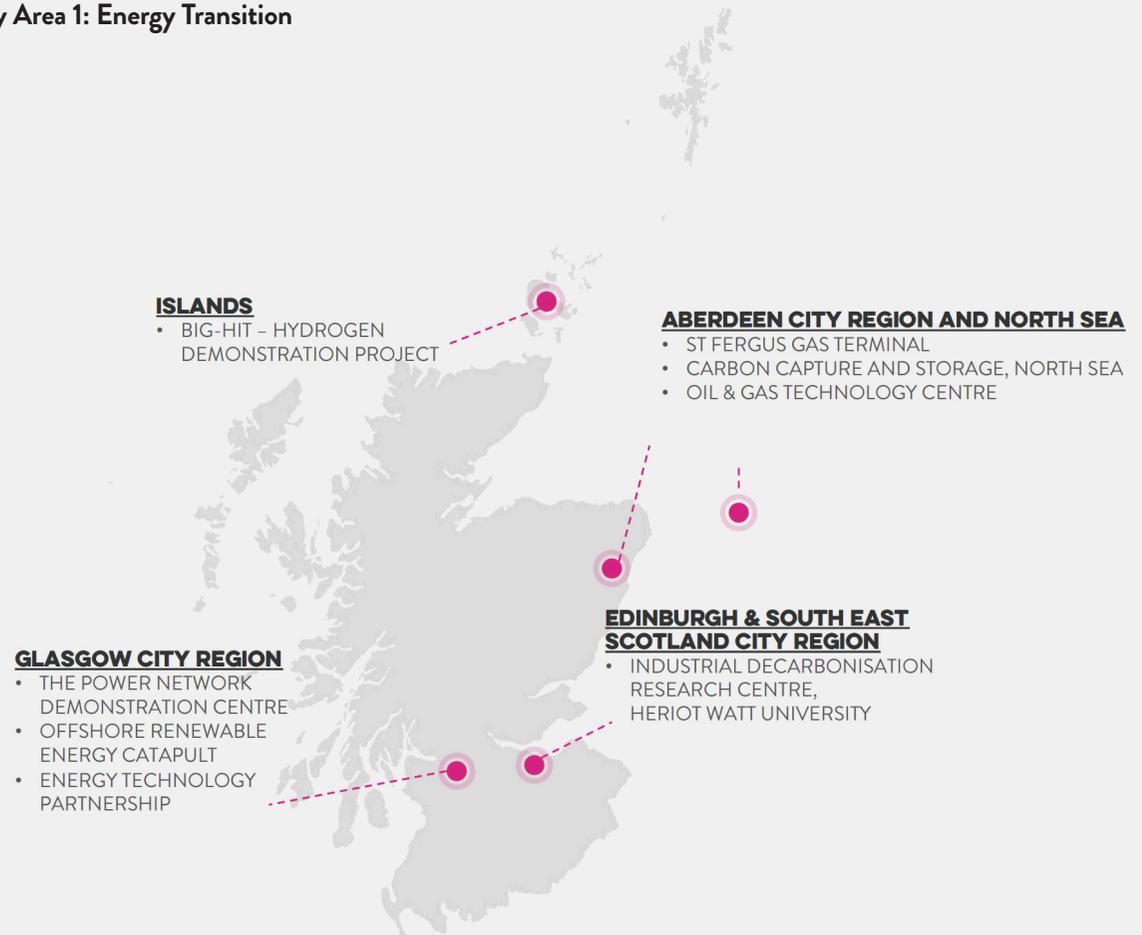
**Offshore Wind:** Scotland is already a global leader. This position is based on:

- **natural assets** – Scotland has 25% of Europe's offshore wind resource.
- **built assets** – including excellent port infrastructure. An extensive list of the various ports and harbours used can be found on the offshore Scotland website at [www.offshorewindscotland.org.uk](http://www.offshorewindscotland.org.uk).

- **skills** – with expertise built up in the offshore oil and gas industry and a number of universities which specialise including Offshore Renewable Energy Catapult (OREC) at Strathclyde University and the ORCA Hub (Offshore Robots for Certification of Assets) at Heriot Watt and Edinburgh Universities which uses robotics to research applications in offshore renewables.
- **research and innovation** – with excellent test and demonstration facilities.

**SCOTLAND IS A  
HIGHLY ATTRACTIVE  
KEY LOCATION FOR  
INVESTMENT IN  
RENEWABLES**

### Opportunity Area 1: Energy Transition





### Hydrogen:

In the North East, Scotland has an emerging Hydrogen Coast, which runs from Orkney to Aberdeen and to Fife, with a number of new and existing projects. World-leading hydrogen demonstration projects, such as BIG-HIT in Orkney, test the integration of renewable energy to create hydrogen for power, heating and transport.

As a result of funding from the Scottish Government Energy Transition Fund, plans are underway to develop a Hydrogen Hub in Aberdeen which would present the opportunity to attract international investors to develop solutions to use green hydrogen in the transport sector. Our hydrogen inward investment priorities will also include attracting electrolyser manufacturers to Scotland.



### Carbon Capture and Storage (CCS):

Scotland's competitive advantage in CCS is based on the built and natural assets of the North Sea oil and gas industry and the great offshore engineering skills and experience of that workforce.

The St Fergus gas terminal in North East Scotland is being developed as a major site for both hydrogen production and CCS.



### Local Energy Systems:

Scotland has key strengths in the enabling technologies (data analysis, software, sensors and power electronics) to manage the shift to smart, flexible local energy networks that can match power supply and demand.

The Power Network Demonstration Centre in Glasgow is a key asset in developing innovative solutions for energy systems.



### Decarbonising heating and cooling:

Decarbonising heating and cooling could make a significant contribution to Scotland's net zero ambitions. From 2024 all new homes built in Scotland (from 2025 elsewhere in the UK) must use renewable or low-carbon heating, which will create significant demand for heat pumps and therefore the opportunity to attract inward investment from leading international heat pump manufacturers and their supply chains.

The Oil and Gas Technology Centre (OGTC) based in Aberdeen and Offshore Renewable Energy Catapult (OREC) in Glasgow are two key Scottish based technology organisations, well connected not only in the UK but in many countries globally, and are unique offerings for many companies in addressing the energy transition and developing or deploying new technology.

Scotland is world renowned for its expertise in the energy sector. The existing skills base is exceptional and competitive globally. Scotland's universities and colleges continually develop, expand and deliver renewable energy-specific courses, producing graduates with highly specialised skills in areas including Renewable Energy Engineering, Sustainable Energy Systems, Offshore Renewable Energy and Marine Renewable Energy. Academic institutions focusing on energy transition include Heriot Watt's Industrial Decarbonisation Research Centre and the Energy Technology Partnership. Research by Scottish Renewables in 2019 showed almost 13,000 people in Scotland were studying courses or modules relating to renewable energy.

Through innovative collaboration, the Energy Skills Partnership ensures that colleges and industry work together to establish programmes that increase Scotland's capability and capacity to deliver the right skills for the energy, engineering and construction sectors to meet industry demand.

Embedded Work Based Learning programmes are leading to consistently increasing numbers of apprenticeships in an Energy related framework and colleges are increasing the delivery of vocational courses including Wind Turbine Technicians and Global Wind Organisation (GWO) Qualifications.

### Opportunity Area 2: Decarbonisation of Transport

Scotland has a highly skilled workforce with a strong tradition of manufacturing high value, low volume products for marine, energy, aerospace and transport sectors with a focus on heavy-duty vehicles rather than the high-volume automotive sector.

Key manufacturing companies make buses, refuse vehicles, earth moving vehicles, emergency vehicles and marine vessels. We are at the forefront of demonstration and deployment of electric and other low carbon powertrains for many of these types of vehicles and the infrastructure to support them. We have ambitious plans to build our capability in these areas, including in the area of electronic propulsion systems that are needed to decarbonise them, and have set bold targets for the decarbonisation of the road, rail and aviation sectors to drive the development of innovative products and services.

In addition to the production of vehicles, we have already established the UK's most comprehensive EV charging network and are developing hydrogen refuelling capacity.

## SCOTLAND HAS A HIGHLY SKILLED WORKFORCE WITH A STRONG TRADITION OF MANUFACTURING HIGH VALUE, LOW VOLUME PRODUCTS FOR MARINE, ENERGY, AEROSPACE AND TRANSPORT SECTORS

### Opportunity Area 2: Decarbonisation of Transport



\*ONE OF INNOVATIVE TRANSPORT FIRMS OPERATING IN SCOTLAND

There are a range of ambitious, innovative, low carbon transport projects across Scotland, including:

- The development of the Michelin Scotland Innovation Parc in Dundee, a globally competitive centre for advanced manufacturing, skills and innovation in low carbon energy and sustainable transport;
- The deployment of Europe's largest hydrogen bus fleet, in Aberdeen;
- The UK's largest electric taxi fleet, in Dundee;
- The BIG HIT and Surf 'n' Turf projects in the Orkneys creating integrated approaches to hydrogen in transport and heat networks;
- The deployment of the world's first hydrogen dual-fuel refuse collection vehicles in Fife;
- Project PACE, a partnership between government and energy network operators on the development and innovative management of electric vehicle charging networks.

A wide range of companies are involved in the transport supply chain covering on and off road vehicles, and the marine, aerospace and rail sectors. Examples include:

- Alexander Dennis Ltd, manufacturer of electric buses and developer of the UK's first prototype hydrogen fuel cell double deck bus;
- Hillend Engineering, developer of zero emission refuse collection vehicles and other heavy duty applications;
- Logan Energy and Hydrasun, developers of integrated hydrogen fuelling systems;

- Emergency One, developing zero emission vehicles for the emergency services;
- Calmac, the operator of the world's first diesel-electric hybrid ferries, serving routes around the Clyde and Hebrides;

Scotland's universities and research centres are home to considerable expertise in transport, mobility and related sectors. These include:

- The Driving the Electric Revolution centre of excellence at the University of Strathclyde, linked to the Power Networks Demonstration Centre and the National Manufacturing Institute for Scotland;
- The Hydrogen Accelerator, based at St Andrews University and involving institutions across Scotland to provide expert advice and support the development and deployment of hydrogen-related transport projects;
- St Andrews University, a leading player in research into battery chemistry and fuel cells;
- Heriot-Watt University, world leading in transport logistics;
- Edinburgh Napier University, a hub for deployment of Ultra Low Emission Vehicles, including the Transport Research Institute.

Collaboration between industry and education is shaping the curriculum and talent pipeline in areas such as:

- Electric Vehicles and High Voltage Safety Training;
- Hydrogen powered transport;
- Rail.

This pipeline is being strengthened by the transition of skilled workers from the Oil and Gas industry applying their skills in the low carbon sector. This is all underpinned by The Climate Emergency Skills Action Plan which will enhance the availability of the right skilled talent in Scotland.

Scotland's National Transport Strategy (NTS) embraces innovation and technological advances and provides a framework for them to be used to Scotland's benefit: to create more sustainable modes; to provide greater and equal opportunities for disadvantaged groups; and increase the efficiency and safety of the transport system. The Strategy recognises that we need to ensure Scotland is at the forefront of growth in ULEV markets; that there is a fair distribution of investment costs that benefit all consumers; and the Scottish businesses capitalise and gain from new market and technological opportunities.

The NTS sets out that we all have a responsibility for realising the ambitions set out in the Strategy, and we are committed to working with stakeholders to develop and implement the delivery of the NTS and the actions set out in this plan.

## SCOTLAND'S UNIVERSITIES AND RESEARCH CENTRES ARE HOME TO CONSIDERABLE EXPERTISE IN TRANSPORT, MOBILITY AND RELATED SECTORS

### Opportunity Area 3: Software & IT

Scotland has over 9,400 digital technology companies engaged in a variety of activities from software development and IT services to digital agencies, games development and telecommunications. Scotland's dynamic software sector provides products and services across a wide range of end markets from public services through sectors such as banking and insurance to renewable energy and space. In terms of inward investment deal flow in Software and IT, Scotland has attracted 1.3% of the total projects that came into Europe and 1.4% of the jobs, representing 30% and 40% respectively higher than population share over the last three years.

Scotland has a network of business support for the sector, including:

- ScotlandIS: the membership and cluster management organisation for Scotland's digital technology industry.
- CodeBase Digital Tech Hub, Edinburgh: the largest technology incubator in the UK which provides affordable office space, services and networking.
- Creative Clyde, Glasgow: A flourishing riverside community for media, technology and creative businesses that already counts BBC Scotland, STV, BIP Solutions and Film City Scotland as its residents.
- Techcube, Edinburgh: An integral part of Edinburgh's tech start-up success story. It creates a collaborative business hub environment.
- Seabraes Zone, Dundee: Provides flexible, commercial space for digital tech companies, building on Dundee's success as a digital media and creative industries hub.

The digital revolution is impacting all sectors across Scotland as increasing types of businesses are harnessing the benefits of technology to drive innovation and increase competitiveness.<sup>68</sup> Already around 100,000 people are employed in digital technology roles across all sectors and there is a steady stream of high-quality graduates creating a vibrant market with the specialist talent for continued growth.

Two emerging sectors with great potential are in Space Tech (covered in more detail below) and GovTech (that is the application of emerging technologies to solve problems in the public sector). GovTech is developing rapidly through the work of Scotland's public sector tech accelerator Civtech, enhanced by Connecting Scotland and the Digital Nation challenge.

Scotland's Digital Skills Academy, [CodeClan](#) is an industry and public sector initiative with a mission to help bridge the digital skills gap, fast tracking individuals into digital technology roles through a blended delivery model.

ScotlandIS has established a new Diversity and Inclusion group. According to the organisation women make up around 24% of the technology workforce in Scotland, a number which has doubled since 2014. Some degree of acceleration has been under way but further progress must be made to reach gender balance.

### Opportunity Area 3: Software & IT

#### GLASGOW CITY REGION

CREATIVE CLYDE – MEDIA, TECH AND CREATIVE BUSINESS COMMUNITY

#### TAY CITIES REGION

SEABRAES ZONE – COMMERCIAL SPACE FOR DIGITAL TECH COMPANIES

#### EDINBURGH & SOUTH EAST SCOTLAND CITY REGION

- SCOTLANDIS – MEMBERSHIP AND CLUSTER MANAGEMENT ORGANISATION
- CODEBASE DIGITAL TECH HUB
- TECHCUBE – COLLABORATIVE BUSINESS HUB

68 [Scotland's Digital Technologies Summary Report 2019](#)



Universities continue to evolve their computing science related courses in line with industry demand, including areas such as ethical hacking, digital health and fintech. Similarly, work based learning opportunities continue to develop and grow across the full breadth of digital skills and across all business sectors.

#### Opportunity Area 4: Digital Financial Services

The global market for Financial Services is estimated to be worth \$26tn, with an emerging Fintech market of around \$40bn and projected to grow.

Scotland is a highly competitive location. In terms of inward investment deal flow in Financial Services, Scotland has attracted 1.5% of the total projects that came into Europe and 0.7% of the jobs, over the last three years.

Scotland is one of Europe's leading financial centres and the second largest international financial hub in the UK, after London. There are 88,000 people employed in Financial Services in Scotland, across banking, capital markets, asset management and servicing, pensions and investment and insurance.

Fintech is the innovative application of new technology and data to transform how financial services and products are delivered to customers and businesses and improving the way people and businesses purchase, access and manage their finances. Fintech is being applied 'horizontally' across the economy and is not confined to one economic sector. It involves a range of technologies and data tools applied across business services, retail, government services, regulatory controls etc.

#### Opportunity Area 4: Digital Financial Services

##### **GLASGOW CITY REGION**

- J.P. MORGAN, EUROPEAN TECHNOLOGY CENTRE
- UNIVERSITY OF STRATHCLYDE, DEVELOPED UK'S FIRST FINTECH QUALIFICATION

##### **TAY CITIES REGION**

- NCR, R&D CENTRE OF EXCELLENCE
- AVIVA, DIGITAL COMMERCIAL TRAINING HUB

##### **EDINBURGH & SOUTH EAST SCOTLAND CITY REGION**

- LLOYDS BANKING GROUP, DIGITAL TECHNOLOGY HUB
- EDINBURGH UNIVERSITY, BLOCKCHAIN TECHNOLOGY LAB
- BAYES CENTRE FOR DATA SCIENCE AND INNOVATION, RBS DATA TEAM
- GLOBAL OPEN FINANCE CENTRE OF EXCELLENCE

The application of fintech provides opportunities to develop new business models, create new businesses, generate jobs, increase efficiencies, improve productivity and deliver better inclusive social outcomes for people.

Through its innovative and collaborative model, FinTech Scotland has led Scotland to be recognised as the UK's first fintech cluster centre of excellence by the European Economic Cluster accreditation body and one of only three in Europe. This cluster excellence has been further reinforced by the establishment of the world's first Global Open Finance Centre of Excellence by FinTech Scotland in collaboration with the University of Edinburgh and various other major bodies and institutions.

## **THE COMBINATION OF A STRONG, MATURE FINANCIAL SERVICES SECTOR AND VIBRANT GLOBALLY RECOGNISED FINTECH CLUSTER IS WHAT GIVES SCOTLAND ITS EDGE**

Fintech start-up and scale-up enterprises include the globally renowned FNZ, which partners with major financial institutions to enable them to provide multi-channel wealth management services to their clients, and Nucleus Financial, advising life companies and fund managers on new models for pensions and investment products. The adviser platform, which has £14.3bn of assets under administration and more than 90,000 customers, floated on London's Alternative Investment Market in 2018. Further examples are Money Dashboard, an online personal financial management

service with 100,000 UK users and Previser, an AI instant payment solutions and a European top 50 fintech business.

Some of the UK's largest financial firms are headquartered in Scotland, including RBS, TSB, Standard Life Aberdeen and Baillie Gifford. Scotland is strategically valued by a range of successful global financial service companies including Morgan Stanley, Aviva, BlackRock, Citi and State Street. HSBC selected Scotland to establish a UK centre of excellence for its global risk and compliance operations. Barclays is developing a new campus in Glasgow for the bank's technology and operations teams, creating 2,500 new jobs.

Scotland has several major technology development centres for global Financial Services companies:

- JP Morgan has its European Technology Centre in Glasgow, working on areas like machine learning, cybersecurity, big data and mobile payments
- NCR has its R&D Centre of Excellence in Dundee, developing next generation ATMs
- Aviva created its Commercial Digital Training Hub in Perth to bring together its online and traditional brokering teams and maximise financial technology benefits
- Lloyds Banking Group has invested in a Digital Technology Hub in Edinburgh

This combination of a strong, mature financial services sector and vibrant globally recognised fintech cluster is what gives Scotland its edge.

Scotland has a strong mix of technology and financial expertise and a highly skilled workforce. Nine universities across Scotland provide more than 50 specialised banking, finance and risk management courses and 8,500 students study finance and accounting in Scotland's universities each year.

Work Based Learning opportunities and Apprenticeships in financial services are increasingly popular and companies like Barclays, Morgan Stanley and Standard Life Aberdeen are already seeing the benefits of employing apprentices.

Fast Track is an award-winning work-readiness course, developed for those keen to launch a career in financial services. It is co-designed and co-delivered by industry and colleges working in collaboration and supports new entrants with the mix of skills needed for the sector: financial and customer services and technical and meta skills.

Scotland also has relevant world class research strengths that attract global talent including Data Sciences, Informatics, Artificial Intelligence and Blockchain:

- Edinburgh University School of Informatics is the largest in Europe and is ranked first in the UK for research power. It has a Blockchain Technology Lab within the School of Informatics.
- Several Scottish universities have expertise in Artificial Intelligence including Glasgow, Aberdeen and St Andrews.
- RBS has located a data team within Edinburgh University's new Bayes Centre for Data Science and Innovation
- The University of Strathclyde developed the UK's first Fintech qualification and fintech courses are now delivered by six Scottish universities.

Fintech Scotland is developing this cluster by linking emerging fintech enterprises technology firms, large Financial Services firms and universities to achieve critical mass and ensure Scotland has the foresight and flexibility to embrace market developments, for example in open finance, financial inclusion, payments, capital markets and regulation adapt to changes in the market, such as Open Finance.

Scotland aims to position itself as a Global Open Finance Centre of Excellence, demonstrating how it can support sustainable, inclusive growth that delivers social and economic benefits.

**SCOTLAND HAS A COMPELLING PROPOSITION FOR THE DELIVERY OF THESE SERVICES, AND WE HAVE WITNESSED THE SECTOR TRANSFORM FROM THE DELIVERY OF TRANSACTIONAL SERVICES TO MORE COMPLEX AND HIGHER VALUE SERVICES**

### Opportunity Area 5: Digital Business Services

The Global Business Services market was worth \$211 billion in 2019.

Global Business Services (GBS) includes outsource service providers and in-house shared service centres which provide a range of services to customers. Typically, these include customer services, finance and accounting, human resources, payroll, legal services, industry specific services and technology support and development.

The sector has been experiencing a period of significant change in services delivered, operating models and digital transformation due to technological, economic and political factors.

Scotland is a very competitive location. In terms of inward investment deal flow in GBS, Scotland has attracted 2.2% of the total projects that came into Europe and 3.4% of the jobs, over the last three years.

### Opportunity Area 5: Digital Business Services

DIGITAL BUSINESS SERVICES SCOTLAND'S STRENGTHS\*

#### GLASGOW CITY REGION

- MORGAN STANLEY
- BARCLAYS
- ATOS\*\*

**INVERNESS & HIGHLAND CITY REGION**  
CAPGEMINI\*\*

**ABERDEEN CITY REGION**  
KPMG\*\*

#### EDINBURGH & SOUTH EAST SCOTLAND CITY REGION

- J.P. MORGAN\*\*
- AMAZON

\*SOME OF THE WORLD LEADING COMPANIES WITH GBS OPERATIONS LOCATED IN SCOTLAND;  
\*\*COMPANY WITH MULTIPLE SCOTTISH LOCATIONS.

Scotland has a compelling proposition for the delivery of these services, and we have witnessed the sector transform from the delivery of transactional services to more complex and higher value services. The main reasons for companies choosing Scotland as a delivery location include: access to a talented workforce with over 150,000 people employed across the sector; a competitive cost base; and world-class infrastructure and connectivity.

This opportunity area makes a significant contribution to Scotland's inward investment success with around 30% of all FDI coming from GBS over the last decade. World leading companies that have located GBS operations here include Sky plc, Amazon, KPMG, Barclays, JP Morgan, Morgan Stanley, Capgemini, Cigna and Tesco plc.

As the opportunity area continues to adapt and transform at pace there are opportunities for Scotland to attract more higher value operations. Not only more complex customer services and business services functions which are more important for businesses than ever, but also centres of excellence in areas including: Artificial Intelligence; Blockchain; Cyber; and emerging digital technologies such as Augmented Reality.

Companies delivering GBS can access Scotland's Apprenticeship programme to attract new talent into their business and as a route to upskilling and reskilling their existing workforce. Key elements of this programme include:

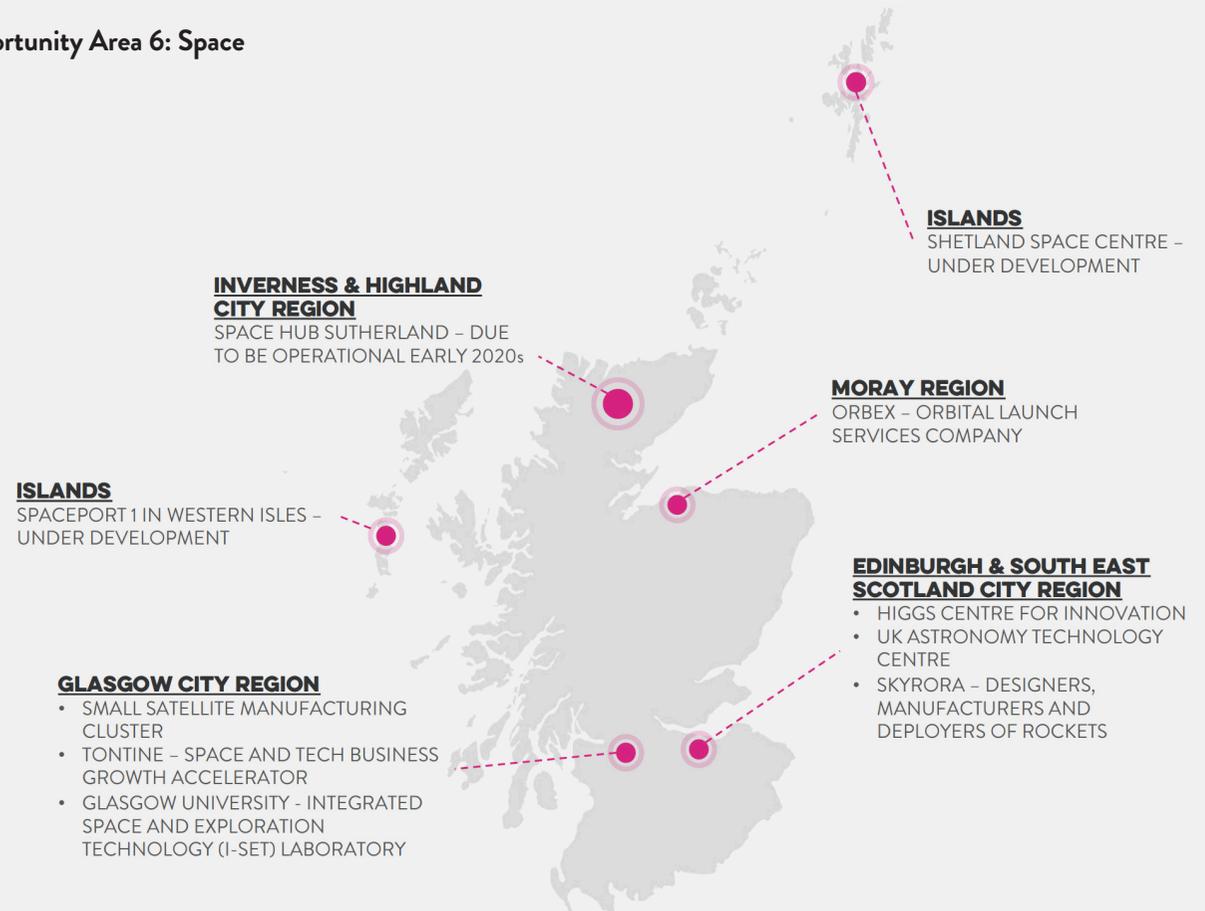
- Foundation Apprenticeships in Business Skills
- Modern Apprenticeships in Business and Customer Services
- Masters Level in Graduate Apprenticeships in Business Management

### Opportunity Area 6: Space

The global space market is estimated to be worth £400bn by 2030. The Scottish Government's ambition is for Scotland to become the first country in Europe to provide an end-to-end solution for small satellite manufacture, launch and innovation in satellite data analysis. Scotland is already 'punching above its weight' with 133 companies operating in the space sector in Scotland employing 8,000 people (19% of the UK total).

More small satellites are being designed and built in Glasgow than any other city in Europe by companies such as Spire, AAC Clyde Space and Alba Orbital. Rocket manufacturers and launch operators, like Skyrora and Orbex, have already chosen Scotland as a location to invest and there will be opportunities in developing the launch supply chain. Satellite data and its applications are accelerating, creating opportunities for Scotland's data analysis companies such as Ecometrica, Global Surface Intelligence, Bird.i and Astrostat.

### Opportunity Area 6: Space





The UK Astronomy Technology Centre in Edinburgh is the centre for expertise in this field and is currently developing the replacement Hubble telescope. Edinburgh is also home to the Higgs Centre for Innovation: a business incubator to support start-ups and SMEs in the satellite, space and data-intensive sectors. The University of Glasgow's Integrated Space and Exploration Technology (I-SET) laboratory opened mid-last year and works focuses on exploration technologies and spaceflight hardware. The laboratory provides researchers with hi-tech facilities and ground-breaking devices, such as a Helmholtz cage simulating Earth's magnetic field in orbit. Tontine in Glasgow is a growth accelerator for innovative space and technology businesses.

Scotland is naturally well suited to support launch activities and has unique geographic advantages such as remote location, close to the sea and in the northern half of the northern hemisphere. This means Scotland is ideally located to reach attractive polar and sun synchronous orbits which currently account for 95% of future orbital requirements, including earth observation activity. There are currently five commercial spaceports being developed in Scotland including 3 vertical launch sites: Space Hub Sutherland, Shetland Space Centre and Spaceport1 in the Western Isles, and two horizontal launch sites at Glasgow Prestwick Airport and Machrihanish. All of the spaceport developments are progressing at speed, with Space Hub Sutherland, in the Scottish Highlands, the most advanced as it aims to be the UK's first vertical launch site and is due to be operational early in this new decade.

**THE SCOTTISH GOVERNMENT IS FULLY COMMITTED TO TACKLING CLIMATE CHANGE AND WITHIN SCOTLAND THERE IS HIGH ALIGNMENT BETWEEN THE OVERARCHING POLICY GOALS OF NET-ZERO AND THE CORE PRODUCTS AND KEY SKILLS OF THE SECTOR**

Scotland continues to attract and develop the highly skilled workforce needed to grow this high-tech, research and development led sector and to ensure the skills and education systems are fully engaged in supporting this growth. The Scottish Government is working in partnership with industry through the Scottish Space Leadership Council (SSLC) to raise the profile of Scotland as the home of 'agile space'. Our collective aim is to become a leading global destination for those wishing to access space and space services or to locate or establish their businesses in an environment supportive of the growth and success of industrial space businesses.

The Scottish Government is fully committed to tackling climate change and within Scotland there is high alignment between the overarching policy goals of net-zero and the core products and key skills of the sector. There are enormous societal and economic opportunities and we aim to ensure that the environmental impact of space activity does not come at a greater cost than the corresponding benefits. Our rocket manufacturers have made significant developments to support the reduction in the environmental signature of their vehicles. Through a mixture of innovative fuels, smart designs, advanced materials and manufacturing techniques, they aim to dramatically reduce the carbon footprint associated with launch. Furthermore space data is set to be at the very heart of tackling the major issues facing our society, with satellite data currently used to monitor 35 of the 45 essential climate variables defined by the UN. Scotland has leading expertise in the collection, analysis and utilisation of data for Earth Observation (EO) that can play a critical role in the transition to a net-zero economy. We want Scotland to be a leading nation in addressing global climate change and through designing, manufacturing, launching and analysing satellites and satellite data we will be.

### Opportunity Area 7: Healthtech

Healthtech describes the range of products and services that integrate digital health technology, data capture & analysis, sensors and AI, to create personalised health solutions for this rapidly expanding market, estimated to be worth \$150bn globally.

Innovations in health technologies and models of healthcare will enable more people to monitor and manage their health and wellbeing at home and remain independent. They will increase efficiencies and reduce costs in healthcare systems, improve quality of care, particularly in remote and rural areas, and tailor health services and precision medicine to match the needs of individual patients.

As well as creating new products and services, Healthtech has the capacity to upgrade existing products and technologies widely used in the NHS to accelerate care delivery and enable clinical staff to make faster decisions at point of care.

Examples of this include Capsule Endoscopy (via NHS ScotCap) programme, using miniature cameras ingested by patients. These link to existing NHS technologies to help improve diagnosis and early intervention in colon cancer.

Scotland's approach to the sector is characterised by 'The Triple Helix' which is based on strong collaboration between the NHS, industry, academia. The strong collaborative spirit in Scotland is an asset which attracts and anchors businesses in Scotland.

Not only making a vital contribution to the economy, this collaborative approach and ground-breaking innovation underpinned the recent sector response to Covid-19. As highlighted in a recent publication<sup>69</sup>, Scotland's life science sector has been heavily involved in the global Covid-19 response, contributing across the test supply chain, vaccine development and associated supply chain as well as therapeutics.

69 <https://www.gov.scot/publications/coronavirus-covid-19-life-sciences-sector-support/>

Scotland has a long history of innovation in healthcare and the NHS in Scotland has a clear focus to foster innovation, in particular from Scottish based businesses, and to support its adoption within the health service. There is a strong ecosystem to support that, including:

- The Health Innovation Assessment Portal (HIAP) allows companies to register innovations and receive feedback from suitably experienced and qualified stakeholders across NHSScotland.
- The Scottish Health Technologies Group (within NHS Health Improvement Scotland) evaluates the properties and effects of innovative non-medicine health technologies and to provide manufacturers

and others with opportunities to submit innovations for assessment within NHSS.

- Scottish Health Innovations Ltd (SHIL) was set up by the Scottish Government to encourage innovation from our clinicians to build on the world-class research for which Scotland is renowned. Some of the world's most important drug discoveries have been made by Scots - salbutamol to relieve asthma attacks, beta blockers used to treat heart conditions and the world's first artificial vaccine against hepatitis B infection, to name a few. Medical techniques and devices including ultrasound scanning and MRI were also [developed in Scotland](#).

### Opportunity Area 7: Healthtech

#### **INVERNESS & HIGHLAND CITY REGION**

- LIFE SCIENCES CLUSTER

#### **ABERDEEN CITY REGION**

- ABERDEEN BIO-THERAPEUTICS HUB FOR INNOVATION (BIOHUB)

#### **TAY CITIES REGION**

- TAY CITIES DEAL FOCUS ON SECTOR GROWTH
- UNIVERSITY OF DUNDEE

#### **GLASGOW CITY REGION**

- DIGITAL HEALTH & CARE INSTITUTE (DHCI)
  - "FUTUREQUIPPED" PROJECT
- QUEEN ELIZABETH UNIVERSITY HOSPITAL CAMPUS
  - IMAGING CENTRE OF EXCELLENCE
  - PRECISION MEDICINE INNOVATION CENTRE
  - CLINICAL INNOVATION ZONE
  - ICAIRD
- GLASGOW UNIVERSITY
  - PRECISION MEDICINE LIVING LAB
- MEDICINES MANUFACTURING INNOVATION CENTRE

#### **EDINBURGH & SOUTH EAST SCOTLAND CITY REGION**

- SCOTTISH HEALTH TECHNOLOGIES GROUP, HEALTH TECHNOLOGY ASSESSMENT
- EDINBURGH BIOQUARTER

- To develop industry partnerships the Scottish Government funds test beds to develop innovations able to provide real-world evidence to improve patient outcomes at the same or less cost than current practice.
- The Bio-therapeutics Hub for Innovation (BioHub) on Aberdeen's Foresterhill Health Campus will provide physical infrastructure and support programmes to grow businesses, nurture new commercialisation opportunities, and connect life sciences academics and health researchers to industry. It is intended to build on the existing life sciences cluster in the north east of Scotland, and is scheduled to open to tenants in 2022.
- The BioHub will bring together the triple helix of academics, clinicians and commercial organisations offering space for collaboration and networking, in order to develop the next generation of medicinal therapies and products.
- The BioHub has received investment through the Aberdeen City Region Deal, a partnership between the Scottish and UK Governments, Aberdeen Council, Aberdeenshire Council and private sector-led economic development body Opportunity North East (ONE).

In addition, Scotland already has a rich talent pool in key areas of digital health innovation, data analytics, AI and sensors. More than 7,000 people work in healthtech companies across Scotland and there is a pipeline of 17,000 graduates each year with digital health expertise.

## SCOTLAND HAS WORLD CLASS CLINICAL AND RESEARCH ASSETS THAT INDUSTRY CAN ACCESS

There are around 150 businesses operating in healthtech in Scotland from innovative homegrown firms like AxSys Technology, Aridhia, ODx Innovations, Nugensis, MIME Technologies, Aseptium, Gaeltec and Sitekit, to large multinationals such as Lifescan, Canon Medical Research Europe Ltd, Selex and Lockheed Martin. ODx Innovations recently chose Scotland ahead of Ireland, other sites in UK, EU and US as representing the most attractive mix of cost, availability of skills and clinical partnerships. This has allowed them to increase employment from 1 to circa 90 staff within 18 months.

Scotland is at the forefront of healthtech innovation:

The Digital Health and Care Institute (DHCI) connects industry, universities, NHS, social care and government, making it easy for companies to develop and test near-market solutions in a range of health and care environments.

NHS24, Scotland's national digital health and care provider, develops and tests new products and services through its Scottish Centre for Telehealth and Telecare

Scottish Health Technologies Group (SHTG) and work on Health Technology Assessment (HTA)

The Farr Institute of Health Informatics Research uses Scotland's high-quality electronic healthcare datasets to help develop new medicines and improve healthcare services.

The Edinburgh BioQuarter is a leading global destination for healthcare delivery, ground-breaking medical research and life sciences innovation and entrepreneurship. The site boasts a major acute teaching hospital, a world-renowned school of medicine and a host of ambitious life sciences companies.

Precision medicine enables clinicians to match medical treatments to the individual characteristics of each patient, based on an increasingly data-driven approach to healthcare. Scotland is a highly competitive global player in this emerging field through a combination of:

- significant investments in major clinical and research assets;
- world class clinical research and a highly skilled workforce;
- high quality electronic health records.

Scotland has world class clinical and research assets that industry can access.

Major investments have been made at the £1bn Queen Elizabeth University Hospital (QEUH) campus in Glasgow, making it the first clinical-academic industry campus worldwide designed around the clinical implementation of precision medicine.

These assets include

- The Imaging Centre of Excellence, equipped with ultra-high-performance MRI scanners for research and clinical applications.
- Precision Medicine Scotland Innovation Centre.
- A Clinical Innovation Zone to foster open innovation and collaboration between world-leading clinical academics and co-located industry partners.

Scotland's key role in the sector has been recognised with The University of Glasgow being awarded £38m to create the Precision Medicine Living Lab, an internationally leading project focused on translating cutting-edge science and innovation into a real world clinical setting, and the decision to base the UK-wide Medicines Manufacturing Innovation Centre in Renfrewshire. MMIC is working to develop the new generation of manufacturing processes for the pharmaceutical and fine chemical industries.

Inverness Campus brings together commercial companies, NHS Highland via Raigmore Hospital and the new elective care centre, with UHI as part of a £100m investment to grow and sustain skills and companies in the Highlands.

Scotland has a growing number of companies involved in precision medicine, including: Canon Medical Systems; Siemens Healthineers; MR Coil Tech; Spiritus; Aridhia; Causeway Therapeutics; Fios Genomics; Pharmatics; Sitemic; Destina Genomics, ReproCELL Europe; BioClavis; ThermoFisher Scientific and Arrayjet.

The Industrial Centre for Artificial Intelligence Research in Digital Diagnostics (iCAIRD) brings together a pan-Scotland collaboration of 15 partners from across industry, the NHS, and academia.

To support the growth of the sector in Scotland, industry and education have jointly developed a range of apprenticeship programmes in Health & Social Care, Data Science, Software Development and Science & Technologies. Uptake of these sector specific frameworks are increasing year on year.

**SCOTLAND HAS A LONG HISTORY OF INNOVATION IN HEALTHCARE AND THE NHS IN SCOTLAND HAS A CLEAR FOCUS TO FOSTER INNOVATION, IN PARTICULAR FROM SCOTTISH BASED BUSINESSES, AND TO SUPPORT ITS ADOPTION WITHIN THE HEALTH SERVICE**

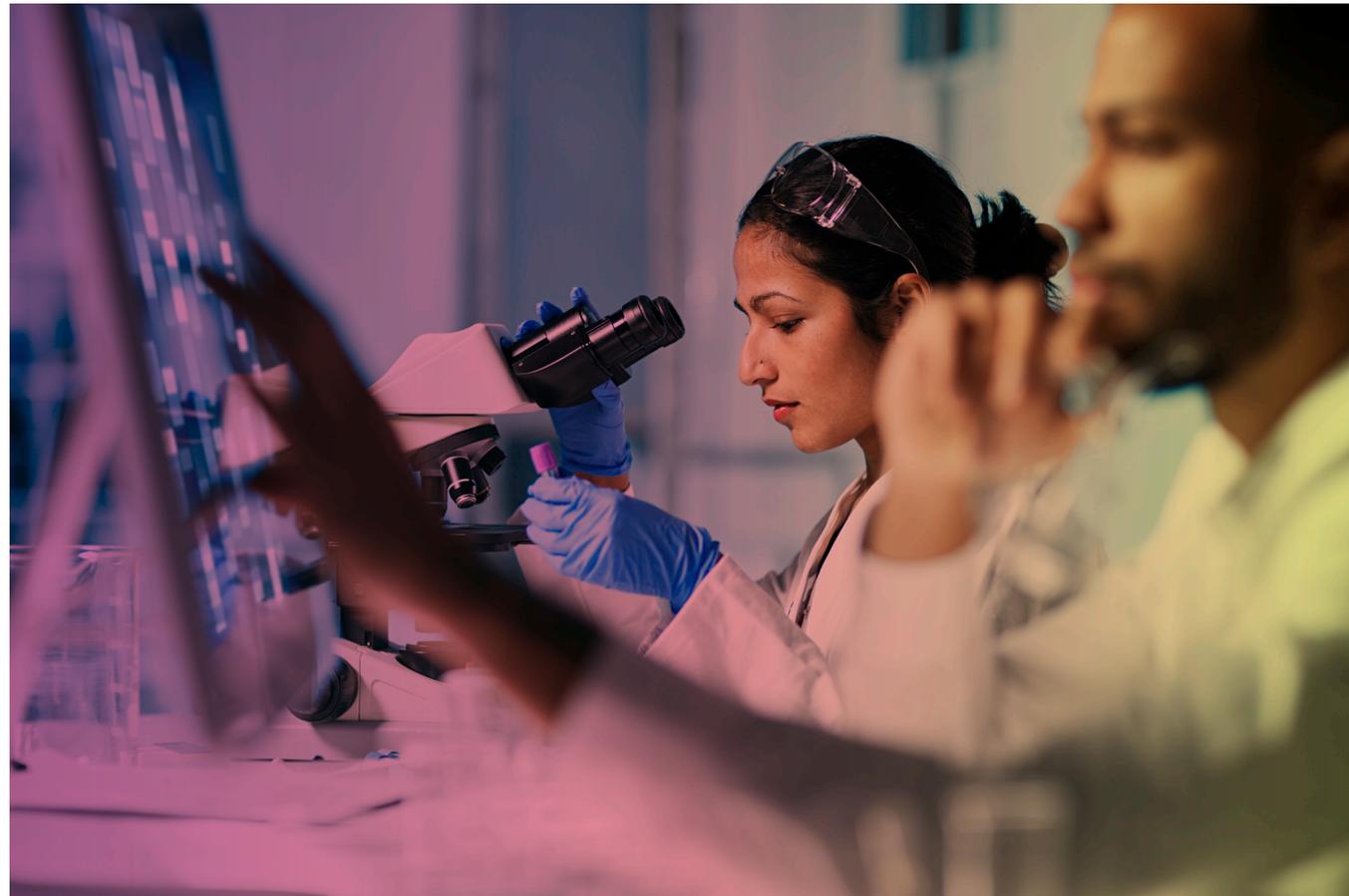
Other notable centres include:

DHCI flagship Smart Housing project (FUTUREquipped) is working with 13 colleges across Scotland to pool knowledge and expertise in healthtech, sensors, augmented and virtual reality and advanced construction technologies to ensure participants are aware of the latest developments in these sectors: <https://youtu.be/9XxwoY2Dw7I>.

NHS Greater Glasgow & Clyde Medical Devices Unit (MDU) is specialist team providing medical technology development capabilities and a gateway to enable collaboration with industry and academia, offering

imaging, mechanical, electronic and low-level software design and development capabilities.

Strathclyde Universities Medical Devices Unit, offers research brokering, spin-in and spin-out information, support and advice for clinicians and clinical staff with research needs (including advice on postgraduate study or research in Medical Devices) and information on our current pre-commercial project portfolio. In addition the Institute retains close links with the medical technology industry in Scotland and the rest of the UK and actively encourages contact from SMEs as well as established medical companies.



### Opportunity Area 8: Transformation of Chemical Industries

Scotland's chemicals sector manufactures bulk chemicals, such as petrochemicals and fertilisers, as well as fine and speciality chemicals, such as food flavours, fragrances, pigments and pesticides.

Scotland is a key location for investment. In terms of inward investment deal flow in the Chemicals sector, Scotland has attracted 1.2% of the total projects that came into Europe and 3% of the jobs, over the last three years.

Industrial Biotechnology is an emerging, clean technology which can support the transition of these petrochemical based industries to sustainable manufacturing, producing many of these products from renewable feedstocks, including CO<sub>2</sub> through Carbon Capture and Utilisation (CCU), and innovative biological processes.

The global market for Industrial Biotechnology is projected to reach \$577bn by 2026.

Scotland's competitive edge in Chemicals and Industrial Biotech is based on:

- A highly qualified talent pool of 1,000 graduates in chemistry, or related subjects, each year and 10,000 skilled staff already working in the sector.
- Research excellence: According to Scottish Economic Statistics published by Scottish Enterprise in February 2020, Scotland's chemical sciences research base is consistently ranked top three in the world.
- Innovation assets such as:
  - CMAC, based at the University of Strathclyde, which conducts world class research in Continuous Manufacturing and Advanced Crystallisation helping global pharma companies revolutionise the way they make pharmaceuticals and high value products;

- IBiolC: The Industrial Biotechnology Innovation Centre in Glasgow, which connects industry with research expertise to accelerate the development of new biotechnology processes and products for the global market;
- Heriot Watt University, which is the lead for the UK Decarbonisation Research and Innovation Centre, specialising in CCU technologies.

Built assets include Grangemouth: Scotland's largest industrial site and home to Scotland's largest port.

This site is currently responsible for 40 percent of the Scottish manufacturing sector's total CO<sub>2</sub> emissions.

Scotland's vision for Industrial Biotechnology is built on transforming this major petrochemical industrial site at Grangemouth into a hub for sustainable high value manufacturing that can help move the industry towards net zero emissions. The first steps in this journey are the development of new industrial biotechnology pilot plant and demonstrator facilities on-site to test CO<sub>2</sub> re-use and biomass as feedstocks, and create new, clean biorefinery processes.

### Opportunity Area 8: Transformation of Chemical Industries

#### GLASGOW CITY REGION

- CMAC FUTURE MANUFACTURING RESEARCH HUB – WORLD CLASS RESEARCH IN CONTINUOUS MANUFACTURING AND ADVANCED CRYSTALLISATION
- INDUSTRIAL BIOTECHNOLOGY INNOVATION CENTRE

#### FALKIRK REGION

GRANGEMOUTH – MAJOR PETROCHEMICAL INDUSTRIAL SITE AND SCOTLAND'S LARGEST PORT

#### EDINBURGH & SOUTH EAST SCOTLAND CITY REGION

- HERIOT WATT UNIVERSITY,
- LEADING UK DECARBONISATION RESEARCH AND INNOVATION CENTRE
  - SPECIALISING IN CCU TECHNOLOGIES



There are 150 Chemicals companies across Scotland employing over 10,000 people. Businesses include: Ineos, FujiFilm, DSM, GlaxoSmithKline, DuPont Teijin Films and Syngenta. There are 120 companies in Industrial Biotechnology, such as: Celtic Renewables; CelluComp; AMT; Horizon Proteins; Ingenza; Glycomar; and Cuantec.

Key skills initiatives within the sector include:

- Working in partnership, industry, education and enterprise agencies have developed The Life & Chemical Science Workforce Development tool, <https://skills.directories.scot/> It helps all parties identify availability of the workforce across Scotland on a regional and Scotland-wide basis and identify and source skills provision to match individual needs.
- Scotland continues to develop its skills and training provision to meet the increasing demand for jobs within Life & Chemical Sciences, particularly in Engineering, Digital and Quality & Regulatory roles.

**SCOTLAND HAS ATTRACTED 1.2% OF THE TOTAL PROJECTS THAT CAME INTO EUROPE AND 3% OF THE JOBS, OVER THE LAST THREE YEARS IN THE CHEMICALS SECTOR**

#### Opportunity Area 9: Food and Drink Innovation

Innovation in Scotland's Food and Drink sector can help it tackle global challenges by, for example:

- Creating healthier food and drink products;
- Developing food production systems, particularly for the agriculture sector, that will help the industry achieve net zero emissions targets by 2045 and protect and restore the natural environment;
- Introducing advanced manufacturing technologies that improve productivity and sustainability.

Innovative companies include: Intelligent Growth Solutions which has created highly sophisticated technology for indoor vertical farming which enables efficient production of food in any location around the world; and Soil Essentials who use data from satellites, drones and weather models to improve sustainable farming techniques, crop output and productivity across the sector.

**FOOD AND DRINK IS A LEADING SECTOR OF SCOTLAND'S ECONOMY, WITH £15 BILLION IN ANNUAL SALES, INCLUDING OVER £6 BILLION IN INTERNATIONAL EXPORTS ACROSS A VERY DIVERSE RANGE OF PRODUCTS**

#### Opportunity Area 9: Food and Drink Innovation

##### **STIRLING & CLACKMANNANSHIRE CITY REGION**

SCOTTISH AQUACULTURE INNOVATION CENTRE

##### **ARGYLL AND BUTE REGION**

SCOTTISH ASSOCIATION FOR MARINE SCIENCE

##### **GLASGOW CITY REGION**

NATIONAL MANUFACTURING INSTITUTE SCOTLAND – INNOVATION IN METHODS OF PRODUCTION

##### **HIGHLANDS AND ISLANDS MARINE**

##### **ABERDEEN CITY REGION**

THE ROWETT INSTITUTE, ABERDEEN UNIVERSITY

- SPECIALIST HUMAN NUTRITION UNIT

##### **TAY CITIES REGION**

THE JAMES HUTTON INSTITUTE

- INTERNATIONAL BARLEY HUB
- ADVANCED PLANT BREEDING CENTRE

##### **THE BORDERLANDS**

- SCOTLAND'S RURAL COLLEGE – DIGITAL DAIRY VALUE-CHAIN
- LOCH ARTHUR COMMUNITY
- DUMFRIES FARMERS MARKET

Aquaculture is a good example of an established sector that can use innovation to tackle these challenges. The sector generates 2,000 direct jobs and its supply chain supports a further 10,000 jobs, offering opportunities in some of Scotland's most remote and fragile communities. Scotland is one of a limited number of countries that can farm premium Atlantic salmon healthily and cost-effectively.

The iconic Scotch whisky industry is at the forefront of Scotland's sustainable growth ambitions with pathways to achieve net zero by exploring new technologies, focusing on water stewardship responsibilities, building circular economy supply chain collaborations and by developing 'net zero cereals' together with farmers, maltsters and the International Barley Hub.

### **THE ICONIC SCOTCH WHISKY INDUSTRY IS AT THE FOREFRONT OF SCOTLAND'S SUSTAINABLE GROWTH AMBITIONS WITH PATHWAYS TO ACHIEVE NET ZERO BY EXPLORING NEW TECHNOLOGIES**

The South of Scotland by its very nature of rurality and geography has a wide offering which is bespoke and responds to the potential of this area as demonstrated through the Local Authorities inclusive and active approach in promoting and capitalising benefits for the area. Dumfries and Galloway Council has Food and Drink Strategy<sup>70</sup> as well as championing their own initiatives including Naturally DG<sup>71</sup>.

Food and drink is a leading sector of Scotland's economy, with £15 billion in annual sales, including over £6 billion in international exports across a very diverse range of products. The sector is marked by significant international investment already, particularly across the aquaculture and dairy industries.

Scotland has key Food & Drink research and innovation assets including:

- The Rowett Institute at Aberdeen University, which is a global leader in nutrition research. Its specialist Human Nutrition Unit conducts controlled volunteer trials that help companies develop healthier food and drink products.
- The James Hutton Institute, which combines strengths in crops, soils and land use and environmental research. The Institute makes a major contribution to understanding the issues of food production, agritech and environmental sustainability. These capabilities will be strengthened by investments from the Tay Cities Region Deal in the International Barley Hub and Advanced Plant Breeding Centre at the Invergowrie site.
- Scottish Aquaculture Innovation Centre, which connects industry and research to tackle the key issues facing the sector, including the health and welfare of farmed fish, applications of technology to improve productivity and ways to minimise the environmental impact of fish farming.

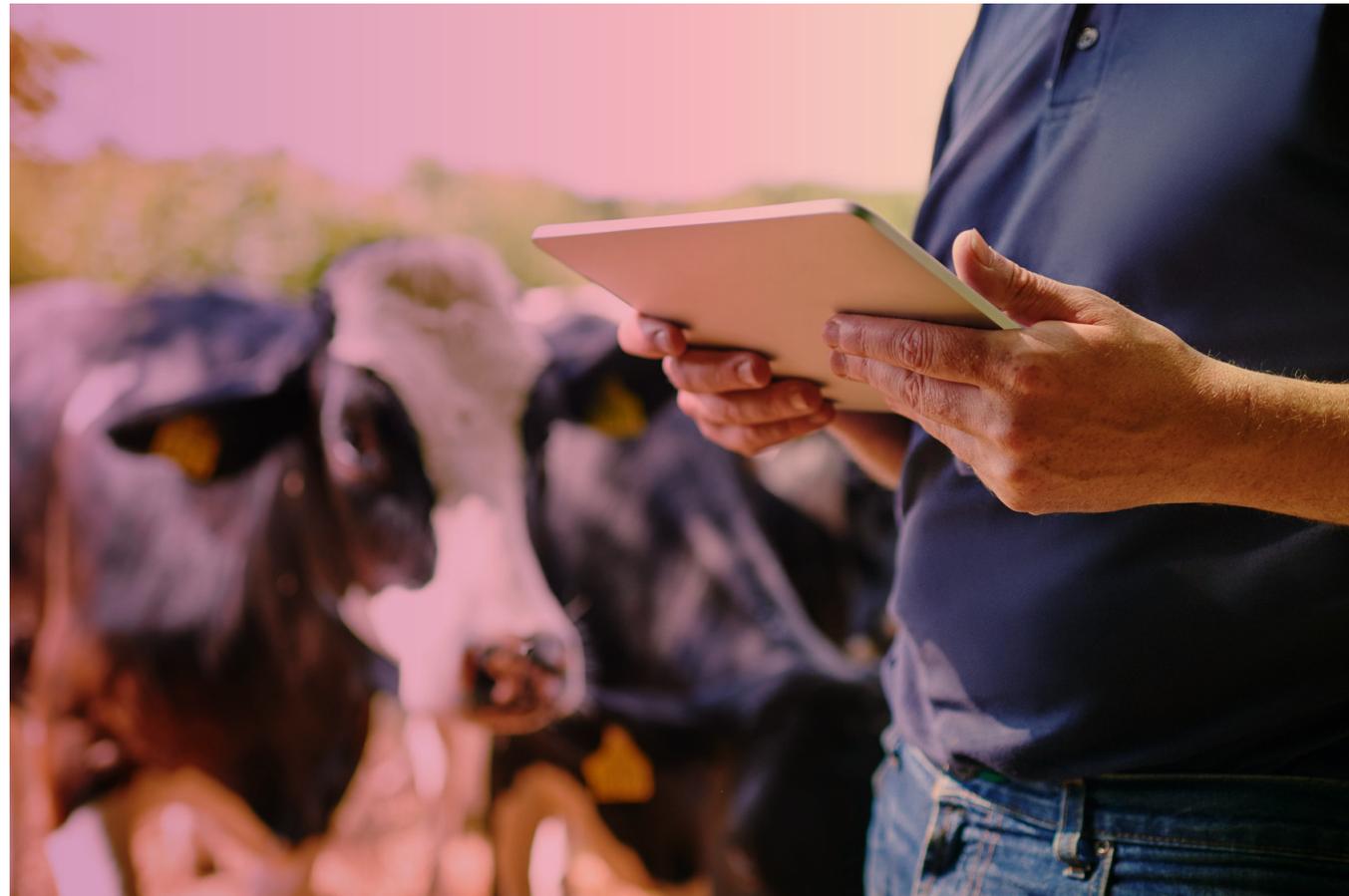


70 <https://www.dumgal.gov.uk/media/21038/Food-and-Drink-Strategy-2019/pdf/DG-Food-and-Drink-Strategy-2019-2022.pdf?m=636879000723530000>

71 <https://www.totalizemedia.co.uk/casestudy/naturallydg/>

- Scottish Association for Marine Science (SAMS) in Oban is the oldest marine research organisation in the United Kingdom. Researchers use ingenuity in observing, understanding and predicting the changes in our ocean to develop new solutions to the problems of climate change, depletion of marine life, water pollution, waste, and food security to develop environmentally advanced innovation and commercialisation products to benefit the blue economy.
- Loch Arthur Community <https://locharthur.org.uk/> offers 'Opportunities for Young People and Adults with additional needs in food manufacturer'. This working community in the South West of Scotland includes men and women with learning disabilities to have a living and working experience around growing and producing food and drink not only for the community but for purchase nationally. This is undertaken using sustainable methods with a focus on health and wellbeing - not only in their own community but the wider community that they sit within. A commercially viable model of production, sales and hospitality has been created around it and their products (specialism in cheese production) is now exported Internationally.
- Dumfries Farmers Market (DFM) [www.dumfriesfarmersmarket.co.uk](http://www.dumfriesfarmersmarket.co.uk) offer a Food and Drink Incubation Model which supports and creates pathways and opportunities for incubation of food and drink innovation and developing viable business models and where ideas can be nurtured and developed into viable businesses. DFM has developed an online model during this time of Covid lockdown and is currently developing a business case of a sustainable central distribution and transport model to further grow the businesses.
- A digital dairy project led by Scotland's Rural College (SRUC) was awarded £50,000 in seed-corn funding by UK Research and Innovation. The project will produce a detailed Strength in Places application aimed at establishing South-West Scotland and Cumbria as the leading region for advanced, sustainable and high-value dairy processing. The project will help create a more efficient and resilient dairy industry. By using digital twinning, combining digital communications and advanced manufacturing, it will enable the tracing of milk, cheese and other products and provide assurance to retailers, wholesalers and consumers.

**THE FOOD AND DRINK INDUSTRY CONTINUES TO EXPLORE NEW AND INNOVATIVE METHODS OF PRODUCTION, COLLABORATING WITH LEADING UNIVERSITIES**



The Food and Drink industry continues to explore new and innovative methods of production, collaborating with leading universities, engaging in developments through NMIS and ensuring vocational qualifications are fit for purpose for this fast-evolving sector.

In addition there are significant collaborative structures between the industry and public sector in Scotland, who are working jointly to double the value of the sector to £30 billion by 2030. As a result Scotland's international reputation for food and drink continues to strengthen.

Scotland offers a full range of skills provision, from Foundation Apprenticeships through to degree and postgraduate level qualifications, with high quality skills provision emerging from universities such as Robert Gordon University, Abertay University and Glasgow Caledonian University.

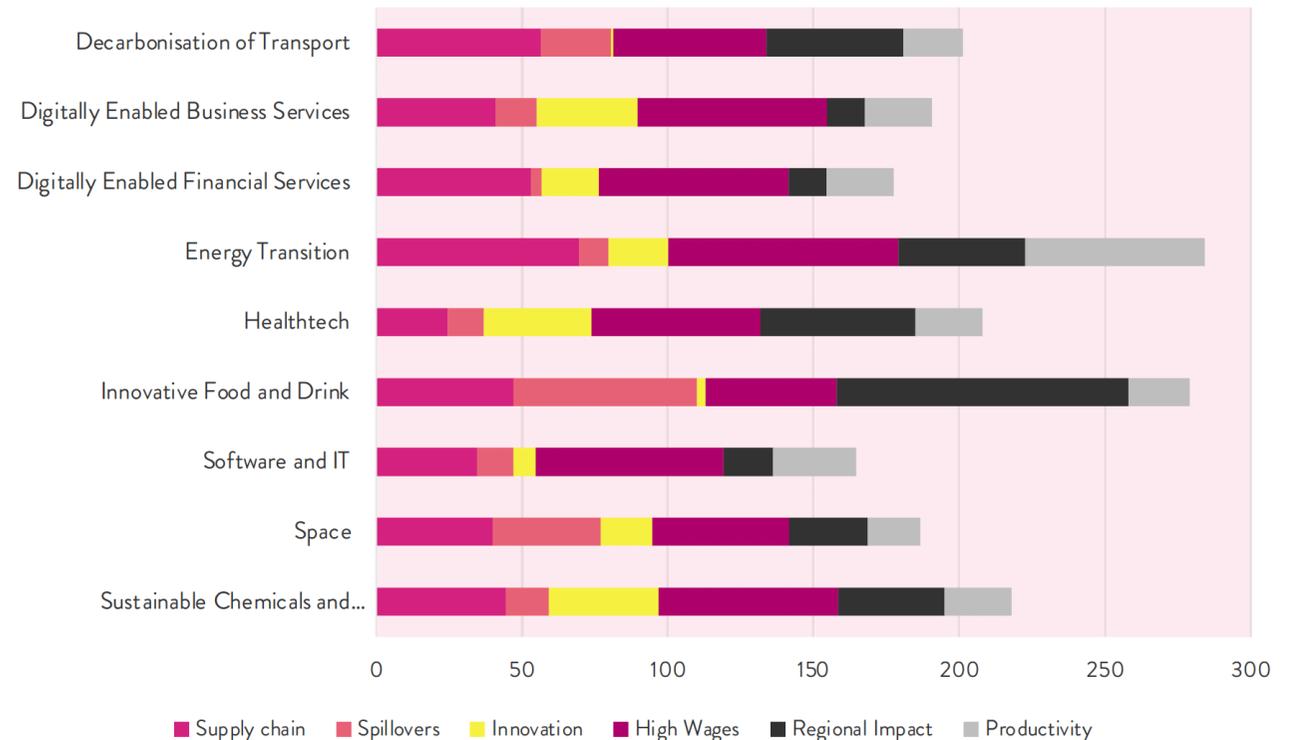
## THE NINE OPPORTUNITY AREAS OUTLINED DELIVER A MIX OF WIDER BENEFITS TO THE ECONOMY



### 6.6. DELIVERING WIDER ECONOMIC BENEFITS

The nine opportunity areas outlined above deliver a mix of wider benefits to the economy. Energy transition and decarbonisation of transport can add high value to local supply chains. Healthtech, digital business services and biotechnology spur innovation. Food and drink innovation drives significant regional impact. All opportunities areas provide high quality jobs with good wages.

**Figure 26:** Opportunity Areas Deliver a Mix of Wider Benefits



**Source:** Office of the Chief Economic Adviser Analysis using data from multiple sources. Please see the technical methodology note for more information.

The chart shows the type of spillover benefits that each opportunity area delivers to the wider economy. Through a focus on these sectors, and building clusters attractive to inward investors, we can increase the value of spillover benefits to Scotland's economy and realise a higher share of the additional job, wages, economic activity and tax revenues identified in Section 3.

## 6.7 DELIVERING WIDER ECONOMIC BENEFITS ACROSS SCOTLAND'S REGIONS

Central to our values-led approach is a commitment to ensuring all regions are able to share in Scotland's economic success. The Scottish Government is clear that the benefits of a growing economy should be felt in all of Scotland's communities. From an inward investment perspective this means understanding the country's assets, natural and built, people and skills, that exist across all of Scotland's regions and being able to promote these in the context of a national prospectus.

Scotland already benefits from a broad spread of inward investment across the country, and this is something this plan seeks to build on. We have already seen from the Chart in section 4 that inward investment jobs are already widely dispersed across Scotland. Glasgow, Edinburgh and Aberdeen all rank in the top 10 UK cities for inward investment projects, with Livingston, Dundee and Falkirk also attracting significant inward investment.<sup>72</sup>

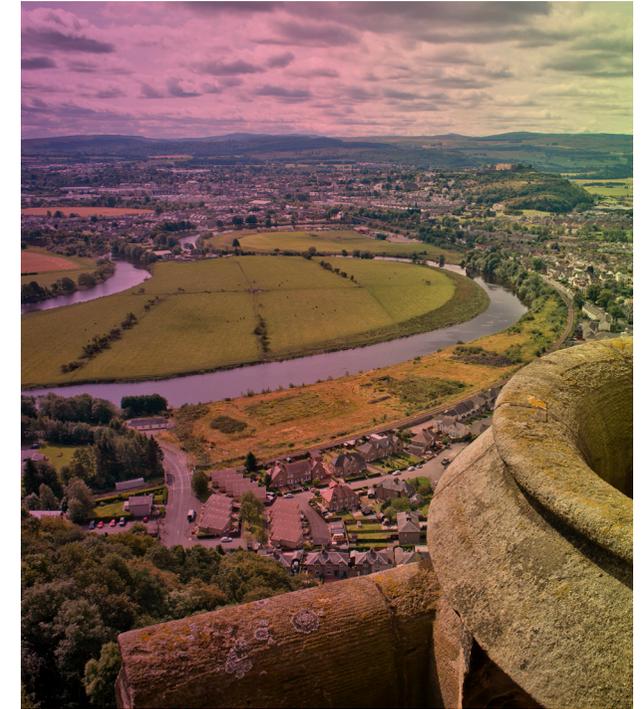
## CENTRAL TO OUR VALUES-LED APPROACH IS A COMMITMENT TO ENSURING ALL REGIONS ARE ABLE TO SHARE IN SCOTLAND'S ECONOMIC SUCCESS

There is however also considerable advantages in 'going to market' with a single, strong, focus on Scotland as the investible proposition. The work that has been done in recent years to coordinate and align Scotland's cities and regions behind a single set of messages around capital investment propositions – for example at the annual MIPIM event – shows the value of this approach. Viewed from the outside Scotland is not a large geography. Indeed from the perspective of international investors travel distances between the various parts of the country lend themselves to it being thought of as a single entity.

Different regions of Scotland have different assets that can attract different types of inward investment, but on the international stage these offer most value as part of an overall, single Scottish prospectus.

Our challenge therefore is to combine the strong messaging of 'Scotland as the investible proposition' – built on our values and coherent focus on the nine opportunities areas - with the ability to showcase and promote our regional strengths that can play on a truly global stage. To work with Scotland's regions to shape proposals to sell those regional strengths through our platforms as part of an overall, single Scottish prospectus. To promote within that the building of clusters of excellence around place-based assets of international quality.

In Section 4.7 we identified the importance of Scotland's Regions and some of the key assets they already possess that are central to attracting inward investment, and in Section 5 we detailed the regional strengths as they relate to our nine identified opportunity areas. Here we align this Regional approach with the wider policy agenda, including the importance of Place to the Governments overall policy priorities.



The report of the Advisory Group on Economic Recovery 'Towards a Robust, Resilient Wellbeing Economy for Scotland'<sup>73</sup>, published in response to Covid-19, recognises recent reforms, including the 2016 review of the enterprise and skills system, to improve alignment and enhanced coordination in our regional economic development.

Building on these achievements the report recommends that 'Scotland should pivot to a more regionally focused model in order to address the specific new challenges of economic recovery, This model should be tasked to drive delivery of place-based and regional solutions, especially the City-Region Growth Deals.'

<sup>72</sup> EY Scotland Attractiveness Survey 2020

<sup>73</sup> [Towards a Robust, Resilient Wellbeing Economy for Scotland: Report of the Advisory Group on Economic Recovery](#)

City Region Deals (CRDs) and Regional Growth Deals (RGDs)<sup>74</sup> are agreements between Scottish Government, UK Government and local government designed to bring about long-term strategic approaches to improving regional economies. Such long-term investment plans can have the potential to fundamentally shift local economies, as well as address the regeneration of deprived areas.

Flowing on from CRDs and RGDs Regional Economic Partnerships (REPs) have evolved. These are collaborations between local authorities, the private sector, education and skills providers, our economic agencies and the third sector. REPs represent every community in Scotland and we are working with multiple partners (incl. Convention of Scottish Local Authorities (COSLA), Scottish Local Authorities Economic Development (SLAED), Scottish Futures Trust (SFT), enterprise agencies and the private sector) to facilitate this.

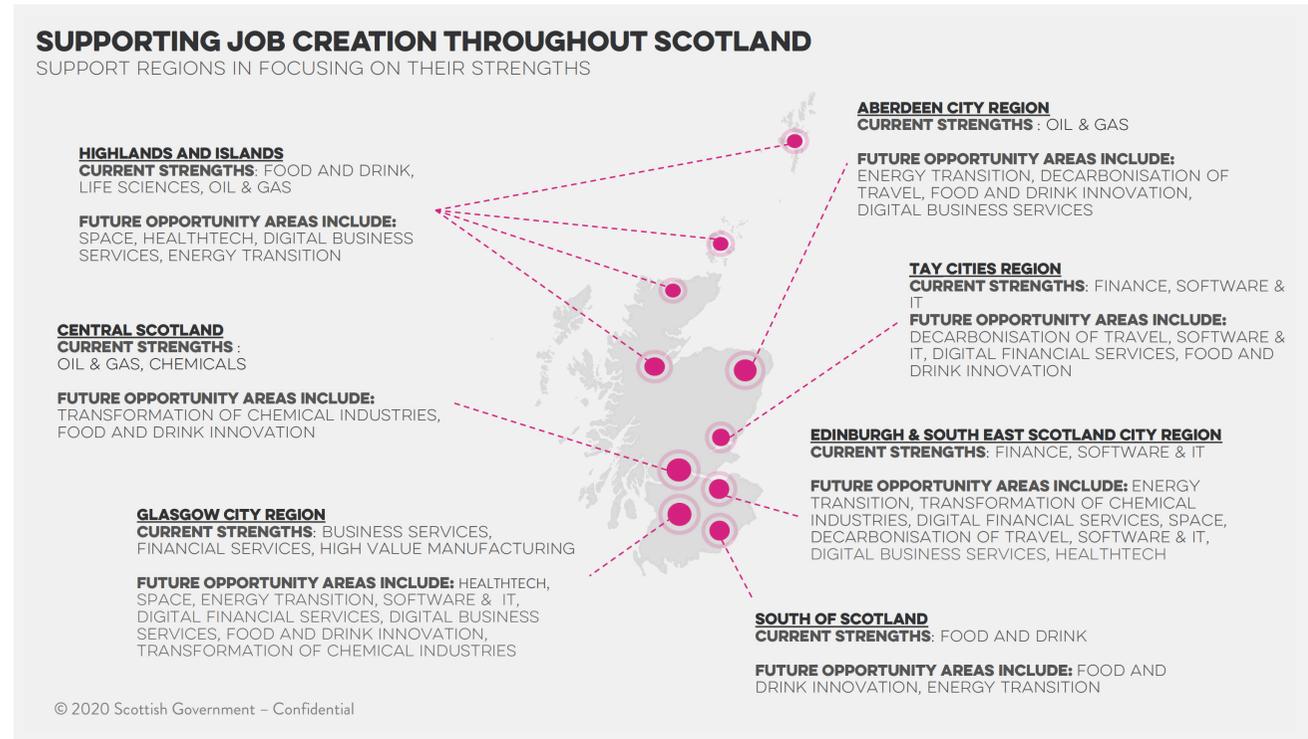
South of Scotland Enterprise (SOSE)<sup>75</sup>, the economic and community development agency for the South of Scotland was launched on 1 April 2020. SOSE was established as a centre of opportunity, innovation and growth in recognition of the distinct geographical and sectorial differences and challenges that the South of Scotland faces.

- Action 5: We will ensure that our strategic inward investment efforts align with regional growth plans and with Scotland's Enterprise Areas, building on the strengths and assets each region in Scotland has to offer to create regional clusters of expertise and secure the benefits from inward investment across Scotland.

74 [City Region Deals](#)

75 [SOSE](#)

**Figure 27:** Examples of Growth Potential through Development of the Nine Opportunity Areas across Scotland



**SOUTH OF SCOTLAND ENTERPRISE WAS ESTABLISHED AS A CENTRE OF OPPORTUNITY, INNOVATION AND GROWTH IN RECOGNITION OF THE DISTINCT GEOGRAPHICAL AND SECTORIAL DIFFERENCES AND CHALLENGES THAT THE SOUTH OF SCOTLAND FACES**

## 6.8 LEVERAGING INWARD INVESTMENT

The focus of this plan is to make Scotland even more successful in attracting inward investors to Scotland, and to maximise the wider 'spillover' benefits of that investment to our economy, aligned with our values. As we have recognised, inward investment brings a lot more than money, but the money it does bring – for the establishment of world class facilities, technology, capital equipment, employee recruitment and training is significant, running into hundreds of millions of pounds.

According to FDI Markets, the total inward investment into Scotland in 2019 was \$3.92 billion, of which \$3.37 billion was in our nine identified Opportunity Areas.

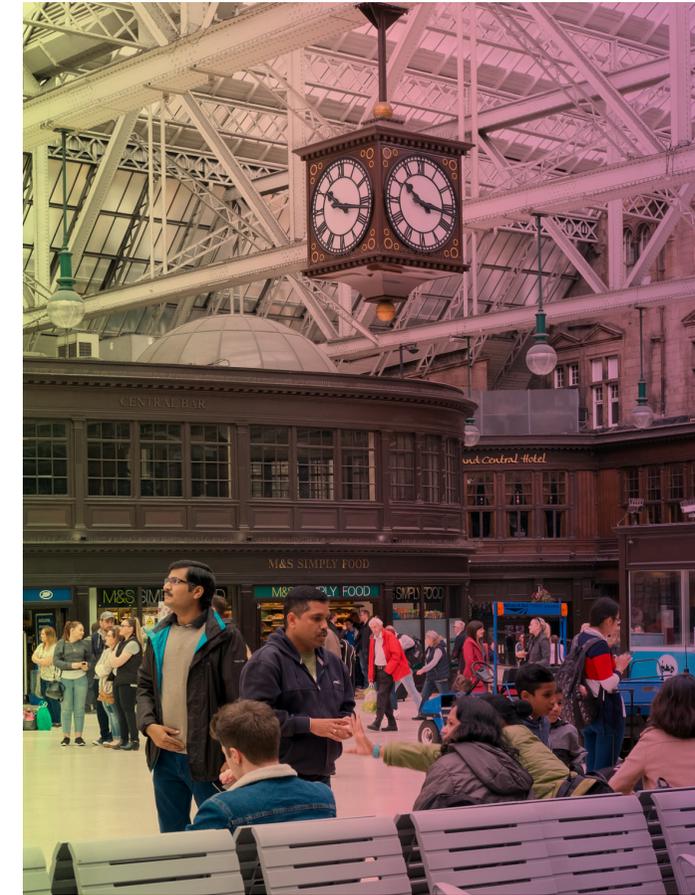
Leveraging that investment is important. Capital outlay by government and agencies to support inward investment can leverage significantly higher investments by the businesses themselves. Successful global businesses, in particular those who align with our values, who are committed to Fair Work and are generating high value jobs value long terms relationship and partnership with the countries they chose to base operations in. Investment by the public sector is often as much a signal of a commitment to that partnership as the value of the money itself.

The value of the benefits to Scotland economy of a successful inward investment strategy has already been highlighted.

Through a combination of facilitation and financial support, Scottish Enterprise/Scottish Development International has historically delivered an average of 6,000-8,000 jobs per annum from new and existing inward investors.

In what is an increasingly competitive global market for inward investment, it is important that Scotland has a strategic and focussed approach to our support. To deliver this more targeted and transparent approach, we will focus resource on strategic investments that shape places and deliver high value jobs, aiming ultimately to allocate approximately £20 million per annum to this work. This will allow us to deliver the existing pipeline of planned inward investment but also to begin development of a portfolio of potential projects and investment which strongly focus on longer term economic aims, including the creation of a low carbon economy, and which seeks to deliver 100,000 jobs over 10 years. We will work with our enterprise partners so that the return on investment is visible and accountable, and seek also to quantify the expected wider spillover benefits to the Scottish economy: boosting exports, supporting R&D and innovation, supporting inclusive growth, strengthening supply chains and building clusters of expertise.

- Action 6: We will focus resource on more strategic investments that shape places and deliver high value jobs, aiming ultimately to allocate approximately £20 million per annum to this work.
- Action 7: We will align with the Scottish National Investment Bank (SNIB) and other sources of capital to support incoming companies to grow.



**THE FOCUS OF THIS PLAN IS TO MAKE SCOTLAND EVEN MORE SUCCESSFUL IN ATTRACTING INWARD INVESTORS AND TO MAXIMISE THE WIDER 'SPILLOVER' BENEFITS TO OUR ECONOMY**

## PLATFORMS: SELLING SCOTLAND'S STRENGTHS

### 7.1 A TEAM SCOTLAND APPROACH TO DELIVERING OUR PROPOSITION

This plan gives us a clear, well defined, and compelling national prospectus for Scotland and its regions, as a strong inward investment proposition. Scotland's targeted values-led approach to inward investment needs to be communicated clearly and effectively on the world stage.

Scotland's brand messaging, delivered through the Scotland Is Now campaign provides that vehicle, and has established routes to market. Aligning the shift in our inward investment focus to the wider messaging context is key to the success of this plan. As is providing the collateral and tools for our front line teams to deliver that message consistently and effectively in an international context. Scotland is the proposition, Scotland is the brand and Scotland is Now is the marketing campaign.

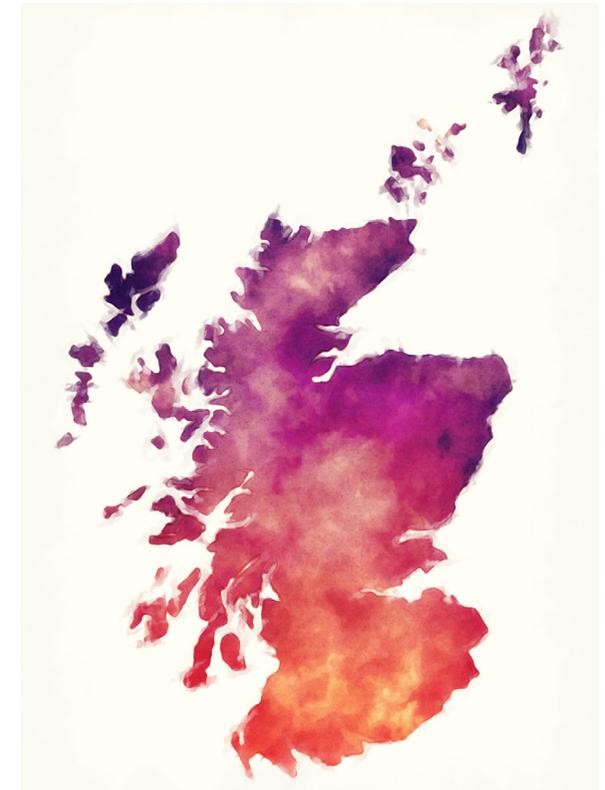
**ATTRACTING INVESTMENT IS A GLOBALLY COMPETITIVE BUSINESS. SCOTLAND BENEFITS FROM A CONSIDERABLE ARRAY OF INTERNATIONAL ASSETS, AND THE ABILITY TO COORDINATE THEM BEHIND A SINGLE PROPOSITION**

- Action 8: We will position a better Scotland by investing in targeted Scotland is Now activity to support the nine opportunity areas.

Attracting investment is a globally competitive business. Scotland benefits from a considerable array of international assets, and the ability to coordinate them behind a single proposition. We have seen the value of this approach in our work to promote Scotland's exports as articulated in 'A Trading Nation'. To deliver our message, and identify and land key target inward investors, we need to mobilise the whole of our international network – including SDI, Scottish Government international network, Universities and alumni, industry associations and trade bodies, GlobalScots and Trade Envoys behind this new strategic direction, and to give them the tools to fully exploit opportunities.

We must have not only a co-ordinated approach but take a strong, confident, consistent message to investors and to the market as a whole. The Table below details these international assets and the role they will play in this coordinated approach.

- Action 9: We will align and galvanise Scotland's international network behind the Plan and give them the tools to promote Scotland effectively.
- Action 10: We will develop Regional Prospectuses to highlight the strengths and attractions of Scotland's regions, aligned with the international strengths and assets identified in this plan. These will be showcased on a global stage to increase visibility and attraction to inward investors.



**Figure 28:** Scotland's International Network

Partner	Contribution
<b>Brand Scotland</b>	<p>The Brand Scotland collective brings together the efforts of the Scottish Government, VisitScotland, Scottish Enterprise/Scottish Development International and Universities Scotland to harness our energy, expertise and resources and reach out internationally to tell the story of the kind of country Scotland is, what we are doing now, and increase economic revenue to Scotland from overseas.</p> <p>The core strategy is to present Scotland's strengths in the context of current performance and create a clear, consistent narrative that will be shared with stakeholders, media and partners across all the pillars at home and abroad</p> <p>It is based around four pillars encouraging people from around the world to be part of Scotland's future; to live &amp; work, study, visit and do business here.</p> <p>We know that Scotland's reputation is strong among those who know about us and positive sentiment about Scotland is high. But levels of awareness of Scotland need to be higher if we are to extend our reputation further and boost Scotland's exports, inward investment and population. Brand Scotland and Scotland is Now are key tools to achieve this.</p> <p>Through this plan we will capitalise on the international marketing campaigns and materials that have been created to showcase Scotland's vision, ambition and values.</p>
<b>Scotland Is Now</b>	<p>Scotland Is Now is a bold campaign narrative projecting Scotland as the progressive, pioneering and dynamic nation it is. Increasing Scotland's attractiveness and ensuring the flow of new investment is a strategic priority for the campaign.</p> <p>Through Brand Scotland and Scotland Is Now, we will develop a suite of consistently branded tailored prospectuses that reflect the breadth of offer across Scotland in our priority areas, showcasing out physical, people and natural assets. We will make this collateral available to anyone who can play a role in supporting Scotland to achieve its international objectives and who can speak credibly to these opportunities in international markets.</p>
<b>Scottish Government International Network</b>	<p>Working as part of our single unified overseas network, the Scottish Government's external network of offices provide a platform for, and a more joined up approach to existing and new activity by government, partners and businesses support investment attraction to Scotland.</p> <p>The Scottish Government's external network of offices are located in China, Germany, Belgium, France, Ireland, UK, USA and Canada. The network delivers and supports activity by the Scottish Government, its agencies and public and private partners in key locations outside Scotland, building on established expertise.</p> <p>Where we have SG and SDI colleagues in the same market they will undertake joint business planning to ensure that activities are fully aligned and mutually supportive.</p> <p>The scale, scope and focus of this activity varies depending on the specific opportunities in a particular location, however, as a whole, the network is there to pursue government to government relations, represent and protect Scotland's interests and to raise Scotland's international profile through economic and cultural diplomacy.</p>

Partner	Contribution
<b>Scottish Enterprise/ Scottish Development International (SDI)</b>	<p>Scottish Development International is the international division of Scottish Enterprise. With 30 offices in 20 countries, the SDI overseas network is our front line international sales force. Our in-market team members are absolutely central to identify inward investment opportunities and making connections for Scotland. The priorities outlined in this plan will help to give our international sales force even more focus and support them with the collateral, training and networks in Scotland and internationally to take Scotland's offer to the world.</p> <p>SDI already has a presence in the markets that offer the strongest potential for investment and will continue to make adjustments to in-market resources to ensure that we have the right people in the right place to deliver for Scotland.</p>
<b>Skills Development Scotland (SDS)</b>	<p>Investors are now consistently identifying skills as a key factor in their decision making around investment locations, Scotland's National Skills Agency plays a leading role in co-ordinating the people and skills offer to potential investors demonstrating the versatile, responsive and high quality provision we have in Scotland to meet their growth demands.</p> <p>As part of the Team Scotland approach with SDI, SDS works with international and field teams to support potential investors in understanding the Scottish skills landscape helping them inform their decisions.</p> <p>Ultimately, we are all here to provide investors with a tailored service to ensure that the people and skills requirements match the ambitions of the investment.</p>

Partner	Contribution
<b>Ministerial Engagement</b>	<p>Ministerial visits and trade missions have an important role in supporting our inward investment activities. The presence of a Minister can open doors in government and in the business community which can facilitate trade, raise Scotland's international profile and enhance our reputation, as well as providing strategic opportunities to engage with some of our existing investors in their domestic markets.</p> <p>Through this plan and A Trading Nation, the Scottish Government and its agencies have a well-defined set of trade and investment objectives where ministerial intervention and support adds value.</p> <p>Typically we will ask ministers to:</p> <ul style="list-style-type: none"> <li>• Lead export missions or events: where a ministerial-led delegation to a key country or event can add profile to our events, open doors, and help progress our objectives.</li> <li>• Help close deals where this can involve providing government encouragement or assurances so that a business decision be taken.</li> <li>• Provide economic diplomacy where the minister can meet in-market institutions and build a greater understanding of Scotland.</li> <li>• Meet existing inward (and capital) investors to help ensure continued investment or increased investment. As many inward investors are also exporters of goods and services from Scotland, this also supports our export growth objectives.</li> <li>• Meet new inward (and capital) investors to help businesses/investors understand the Scottish market. Minister for Trade, Investment and Innovation will undertake monthly overseas visits to markets. Other ministers will also undertake trade and investment activity and the above objectives will help shape their interventions.</li> </ul> <p>Whether the weight of a visit pivots around opening doors (facilitating access to decision makers) or raising Scotland's profile overseas (positioning Scotland effectively at key global events) we will work hard to ensure the business case for requesting ministerial participation demonstrably moves forward a clearly articulated inward investment relationship or opportunity.</p> <p>Post Covid the widespread use of webinars and other online tools has proved very effective in maximising the impact of Ministerial engagement. It is envisaged that this will continue as a complement to traditional face to face visits into the future.</p>

Partner	Contribution
<b>GlobalScot</b>	<p>Introductions and informal advice are often key to achieving international business success. So as well as strengthening our network of overseas offices we are extending our reach by tapping more deeply into the Scottish overseas diaspora by refreshing and expanding the GlobalScot network.</p> <p>For nearly 20 years the GlobalScot network has been leveraging the drive and talent of Scots, and those with an affinity to Scotland, to help the wider Scottish business community thrive internationally. But now, the world in which we operate within has changed dramatically. GlobalScot can help bring together all of those across the world who have Scotland at their hearts to deliver tangible economic, social and cultural benefits to our communities. At a time of health, social and economic challenges, having a powerful network that works to connect those around the world for the good of our country and communities, has never been more important.</p> <p>As well as advocating for Scotland, having a role in identifying new investment opportunities and feeding intelligence in to the system, GlobalScots can also play an important role as mentors to members of the existing investor community in Scotland. Particularly in supporting Scottish based staff to make the case for further investment.</p> <p>A new GlobalScot community engagement platform, launched in July 2020, provides businesses and GlobalScots with the tools to connect, collaborate and support one another for the benefit of Scotland.</p>
<b>Trade Envoys</b>	<p>Whilst their title suggests a focus on exports, in reality our Trade Envoys make no distinction and recognise trade and investment as two sides of the same coin. Established in 2017, this network of honorary appointees of the Scottish Government works in a non-political capacity to represent Scotland in promoting its trading interests and focus on identifying strategic opportunities for Scottish businesses and, as appropriate, to represent the Scottish Government overseas when Ministers are unavailable.</p>
<b>Department for International Trade</b>	<p>The UK Government Department for International Trade (DIT) has an extensive international footprint and is also constantly seeking and promoting the UK as a place to invest. Within that DIT also has a duty to promote Scotland. We will work closely with our colleagues in DIT, both in Whitehall and in-market to share our priorities and prospectus to ensure that they are fully equipped and informed to showcase Scotland's offer. This approach will extend to feeding in to the ways in which we support DIT's Ministerial engagement programme with existing UK investors.</p>
<b>Scottish Funding Council/ Scotland's Universities</b>	<p>The Scottish Funding Council is a major investor in its own right; £1.8bn a year to our universities and colleges to invest in our people, world-leading research, innovation and skills for Scotland's economy.</p> <p>Universities, in turn, play an important role in attracting foreign direct investment ensuring that a strong talent pool is available for companies investing in Scotland. They are globally recognised sources of research and innovation, and their reputation allows them to act as ambassadors. Scotland's universities are engines of innovation and graduate talent. They can help drive BERD (Business Expenditure on R&amp;D) and their willingness to work with innovative organisations supports many investment decisions. Producing skilled graduates, ready for industry, and access to their expertise is described as instrumental in 60% of inward investment successes. Our universities have global R&amp;D relationships with major corporations, and we will lever their ability to introduce us to opportunities around our key propositions.</p>

Partner	Contribution
<b>Alumni Networks</b>	<p>Our Alumni Networks are powerfully connected and can help raise the international profile of Scotland. Scottish universities and colleges have strong international links. It is estimated there are 1.5 million alumni of Scottish institutions globally. The Muscatelli Report suggested how HEIs might encourage some of their most influential alumni to join a network of people able to help connect Scotland with potential inward investors. A short-life working group has been established to co-create the Alumni Action Plan with the aim of publication later this year.</p> <p>In addition to alumni networks, there are networks of academic and business connections who are able to present some of Scotland's prospectuses in a more credible and powerful way than any public agency could. We will seek to identify and work in partnership with those who can act as credible international advocates for Scotland across our priority themes.</p>
<b>Industry Associations and Trade Bodies</b>	<p>Industry bodies have an important role to play in the delivery of our inward investment plan. They can give us foresight into potential areas of opportunity for inward investment. We should strategically engage groups that can influence or advise our future strategy and extend our message and reach globally.</p>
<b>Academic Support for Inward Investors</b>	<p>Where businesses have particular R&amp;D requirements, Interface and our Innovation Centres can facilitate rapid connections to Scottish academics for R&amp;D, research and skills.</p> <p><a href="#">Interface</a> provides a free and impartial service matching businesses to Scotland's world leading academic expertise. Interface works with businesses of all sizes, in all sectors, connecting them to academic expertise, research, technologies and specialist facilities. Their service has helped hundreds of organisations to become more competitive enabling them to increase their profits, maximise their export potential and ultimately become more sustainable.</p> <p>A University international collaboration model around IP is set out later in this document.</p> <p>Our seven <a href="#">Innovation Centres</a> offer a route to accelerating technological advances by helping businesses increase the pace of innovation. Funded by the Scottish Funding Council with support from Scottish Enterprise and Highlands and Islands Enterprise, the Innovation Centre programme was first launched in 2012. Between 2013-2018, £120m was invested in the first phase of the Innovation Centres across a range of sectors. Centres include digital health and precision medicine, to data and industrial biotechnology.</p> <p>To provide information on research strengths on key themes - <a href="#">Scottish Research Pools</a> offer insights into the breath of research across 11 academic disciplines in Scottish Universities.</p> <p><a href="#">Universities Scotland</a> is the representative body of Scotland's 19 higher education institutions.</p>

## POLICIES: SUPPORTING INWARD INVESTMENT PROJECTS AND ENABLING THE ECOSYSTEM

### 8.1 WHAT INVESTORS WANT AND HOW WE WILL PROVIDE IT

In previous sections we have set out our ambition for Scotland, our priorities in terms of our nine opportunity areas where Scotland's strengths meets global demand and the platforms we will use to promote Scotland.

In section 4 we looked at Scotland's current strengths and what support investors need from government. Here we turn our attention to meeting those investor needs by supporting both inward investment projects and enabling the ecosystem. As we saw in Section 4, this support is specifically around the skills of the workforce, the business environment, infrastructure reliability and quality of life as key factors.<sup>76</sup> This section of the Plan identifies the changes in policy we will make to meet investor expectations and to deliver the shift in focus set out in this plan. Some of these policy changes are already underway and others are new.

To ensure alignment across government, and the wider economy ecosystem, this Plan has been developed with reference to a wide range of other policy work either published or under development, including the Infrastructure Capital Spending Review and forthcoming Infrastructure Investment Plan, Scotland's Digital Strategy, Future Skills Action Plan, Climate Change Action Plan, the Technology Ecosystem Report prepared by Mark Logan and links to the recommendations of the Benny Higgins Advisory Group on Economic Recovery and is also aligned to the operational plans of the contributing government agencies.

### 8.2 FURTHER STRENGTHENING OUR SKILLS PIPELINE

As we saw in Section 4 not only is the availability of skills a key determining factor in attracting inward investment, but it is an area in which Scotland scores highly compared to our competitors. Across the range of the sectors and technologies we have identified as priorities, Scotland is already well served by our skills pipeline. However to further improve our performance in attracting inward investment, and importantly to maximise the wider spillover benefits, we have identified the skills pipeline as an area where additional policy initiatives can make a significant difference. This manifests itself not only in terms of attracting inward investment, but also of course in providing more jobs, of higher value, in the economy and in increasing tax revenues as a consequence.

The skills required to deliver and maximise the opportunities presented in each of the nine opportunity areas are also cross cutting. Innovation, self-management and social intelligence are the foundations of the workforce as we move into the 4th industrial revolution. Agility and transferability of digital skills, critical thinking and analysis of data are integral to each area and Scotland's skills system responds through the implementation of innovative approaches to academic and work-based learning provision. Our skills system is designed to build capacity, transferability and flexibility across multiple industries.

Digital skills in particular is an area where there is a need for significantly upscaling the skills pipeline to keep pace with global trends in technology and to provide the quantum of skills required to support our ambitions to increase both inward investment



**ACROSS THE RANGE OF THE SECTORS AND TECHNOLOGIES, WE HAVE IDENTIFIED AS PRIORITIES SCOTLAND IS ALREADY WELL SERVED BY OUR SKILLS PIPELINE**

<sup>76</sup> EY UK Attractiveness Survey 2020

to Scotland and the growth of Scottish technology businesses. Digital skills directly support a number of our target sectors – including software and IT, Digital Business Services and Digital Business Services – but they are key across all nine of our identified target sectors. Scotland already has a key focus in this area. Scotland’s Digital Skills Academy, [CodeClan](#) is an industry and public sector initiative which provides a targeted and effective process to upskill and add to the digital labour skills pool.

In May 2020, former Skyscanner COO Mark Logan was commissioned by Kate Forbes, Cabinet Secretary for Finance, to undertake a short-life review into how Scotland’s technology sector can contribute to the country’s economic recovery after the Covid-19 pandemic. The review’s recommendations are primarily concerned with stimulating and accelerating the maturity of Scotland’s “Technology Ecosystem” and identifies three fundamental supporting areas upon which the performance of the Technology Ecosystem depends.

- Education and Talent: at school level, at university (and parallel access paths), and at start-up/ scale-up level.
- Infrastructure: including physical co-location environments for start-ups and the social infrastructure required to support a vibrant technology ecosystem.
- Funding: including grant funding, public and private investment regimens.

The report presents a blended portfolio of interventions, combining those that provide immediate performance benefits with others designed to significantly improve the long-term performance of the ecosystem. The report has been endorsed by key figures across business, technology and academia as potentially transformational.

This will be further underpinned by the refresh of the Scottish Government’s Digital Strategy which is underway.

A key part of this expansion of skills will include upskilling of traditionally underrepresented groups in the sector, including women. There has been growth in female employment across digital technology roles but women are still significantly underrepresented – the factors contributing to the gender imbalance are summarised in ‘Tackling the Technology Gender Gap Together’.<sup>77</sup> There have been a multitude of robust and influential studies and reports that show why not only gender but all types of inclusion and diversity in the workplace matter, demonstrating impacts on higher productivity, increased innovation and better financial performance, such as outlined in McKinsey’s report, [Diversity Wins: How Inclusion Matters](#). Both the public and private sectors must strive to drive greater inclusion and diversity in the workplace.

Work based learning is well understood and a prominent feature in the sector to ensure it has access to and develops the skills required. Modern Apprentices are an integral part of the talent pipeline into the sector and employers are increasingly embracing related Foundation and Graduate Apprenticeship programmes – including a newly developed Foundation Apprenticeship in Digital Manufacturing.

### **A MULTITUDE OF ROBUST AND INFLUENTIAL STUDIES AND REPORTS SHOW WHY NOT ONLY GENDER BUT ALL TYPES OF INCLUSION AND DIVERSITY IN THE WORKPLACE MATTER, DEMONSTRATING IMPACTS ON HIGHER PRODUCTIVITY, INCREASED INNOVATION AND BETTER FINANCIAL PERFORMANCE**

Demand is also increasing for upskilling the existing workforce in all aspects of Digital Manufacturing, including robotics, IoT, data, additive manufacturing, composites and artificial intelligence. The NMIS Manufacturing Skills Academy will play a vital role in delivering this Continuous Professional Development.

The Inward Investment Plan identifies Scotland’s affordable skilled workforce as its number one asset. Higher levels of digital skills are needed across all sectors and are key to attracting greater flows of inward investment to Scotland.

- Action 11: We will increase the number of people trained in Scotland in advanced digital skills from 4,000 to 10,000 every year. This creates a very strong credible proposition for Scotland to market internationally, as well as helping retrain and re-employ people losing jobs in other sectors. We will align with the actions relating to the skills agenda being developed as a consequence of the Logan Review recommendations.

<sup>77</sup> [Tackling the Technology Gender Gap Together](#)

### 8.3 IMPROVING THE BUSINESS ENVIRONMENT

In Section 4 we outlined Scotland's current strengths in providing a Business Environment that is attractive to inward investors. Here we outline our policy plans to further enhance these strengths and address gaps. As we have reflected earlier in the document, global exposure spurs innovation and improves productivity. We also highlighted our intention to focus primarily on attracting resource seeking investment which aligns with our values and strategic direction. We do not compete primarily on the cost of our labour, but on the skills of our people.

### ACROSS A NUMBER OF AREAS WE HAVE IDENTIFIED OPPORTUNITIES TO FURTHER IMPROVE SCOTLAND'S OFFERING TO INVESTORS BY RESOLVING PARTICULAR OBSTACLES IN KEY SECTORS

#### Partnering with Investors: Planning, Regulation and Intellectual Property

Investors seek clarity when making decisions. They expect, and deserve, clear communication on what our expectations are, the high standards we uphold across a range of aspects where inward investment can interact with wider society. And they expect planning and regulatory decisions to be made as rapidly as possible. Investors can work with decisions, what is difficult is uncertainty. Across a number of areas we have identified opportunities to further improve Scotland's offering to investors by resolving particular obstacles in key sectors. These include:

- Energy transition – where we seek to influence UK legislation around known industry issues such as the structure and longevity of incentives, e.g. Feed In Tariffs, and the costs of connecting new and dispersed energy developments to the grid.
- Health tech – Scotland has a significant strength in a single collated NHS data set, and ensuring that access to this is simple and safe, with proper data safeguards in place, would be a major attractor for the health tech sector. There are also international regulatory models to explore around the point at which clinical human trials lead to payment to the company which can provide an incentive for companies to locate here without compromising safety or clinical standards.
- Software and IT/digital services – digital services and software are both part of the everyday and increasingly posing a challenge to models of governance, ownership of and use of data. Understanding that most companies will wish to use data responsibly, and seeking to establish ground rules around what that looks like in practice could act as a 'stamp of approval' for data-led products and services developed in Scotland, and therefore as an attractor for companies looking to develop them.

- Action 12: We will work with partner organisations to review the regulatory environment around the nine opportunity areas (restrictions and levers) to create the right enabling environment for investment projects and to attract inward investors.

Any such review should include the environment and our natural capital, align with our values and enhance our quality of life proposition.

Scotland has a strong record of attracting inward investment, especially R&D, with the highest level of projects of any part of the UK (including London). The University sector makes a very significant contribution to this. Overseas companies are attracted by factors including talent, IP and the ability to support research. Universities benefit from this in many ways, from student recruitment and retention to funded research and consulting. Where the Universities currently operate separately, there is an opportunity to strengthen their collaboration, and offer the totality of the sector and expertise in Scotland as a single accessible package. In the opportunity areas identified in this plan, this could relate to for example nano-technology: Edinburgh University has its strengths in software, and Glasgow University in hardware, and so between them offer an exciting and compelling opportunity for companies looking to develop across both. Working collaboratively to convert knowledge into commercial opportunity, as separately recommended in the Muscatelli report on using Scotland's universities to boost the economy, could increase Scotland's success in competing for innovation-rich projects.

- Action 13: There are strong links between Scotland's University knowledge base, inward investment and innovation. We will support stronger ties between academia and industry in Scotland, by working with Universities to agree a collective approach to stimulating inward investment and innovation, including through the handling of IP.

## 8.4 WORLD-CLASS INFRASTRUCTURE, DIGITAL CONNECTIVITY AND OUR NATURAL CAPITAL

In Section 4 we outlined current strengths in Infrastructure and Digital Connectivity. Here we outline our policy plans to further enhance these strengths and address gaps.

### Infrastructure

The second Strategic Transport Projects Review (STPR2) will determine the Scottish Government's future transport investment priorities over the next two decades, it is critically important that we take the correct decisions, particularly in a post-Covid world.

The outcomes from STPR2 will help achieve the outcomes of our National Transport Strategy by making it more accessible for residents, visitors and business and create better connectivity with sustainable, smart and cleaner transport options, highlighting the vital contribution that transport investment can play in enabling and sustaining Scotland's economic growth.

We intend to establish an international rail cluster in Scotland to unlock supply chain opportunities. We want Scotland to be a leader in the innovation and manufacture of net-zero rail products, services and solutions, including integration of circular economy principles into efficient design, supply, maintenance and end-of life use within the rail sector.

The cluster, which we aim to establish at Longannet, will be built around existing strengths in rail in Scotland and will seek to enhance the innovation and supply chain in the decarbonisation of our rolling stock and wider network.

The value of investing in infrastructure goes beyond the physical roads, railways, homes, schools and hospitals delivered. It has the capacity to unlock economic potential, support jobs, and enable our businesses and communities to grow. Infrastructure can provide the largest GDP boost of any Scottish Government investment – that is why we committed to our National Infrastructure Mission to increase annual investment by 1% of 2017 Scottish GDP by end of next Parliament.

This will mean that annual investment in our hospitals, schools, houses, transport, low carbon technology and digital connections, will be around £1.56 billion higher by 2025-26 than 2019-20. The Mission will bring a level of investment in our vital economic and social infrastructure that will protect and create jobs in the short term, and support growth and productivity in the long term. Infrastructure investment also has a key role to play in our wider economic response to the pandemic, both in the short and long term. We know that infrastructure projects already underway have been subject to significant adjustment in the light of Covid-19.

## THE VALUE OF INVESTING IN INFRASTRUCTURE GOES BEYOND THE PHYSICAL ROADS, RAILWAYS, HOMES, SCHOOLS AND HOSPITALS DELIVERED

To support the delivery of the National Infrastructure Mission, we are publishing the Infrastructure Investment Plan in September 2020, which provides the strategic framework for the next 5 years' pipeline of projects and programmes to boost our inclusive economic growth, build sustainable places, and increase delivery of our climate and environmental ambitions.

That in turn ensures we provide the necessary market confidence, and send a clear message that Scotland is open for business.

- Action 14: We will focus on infrastructure that will enable inward investment decision making with our Infrastructure Investment Plan which provides the strategic framework for the next 5 years' pipeline of projects and programmes – with expected value of around £32 billion over 5 years to support inward investment attraction. This investment will be targeted to boost inclusive economic growth, build sustainable places, and increase delivery of our climate and environmental ambitions.

## POLICIES: SUPPORTING INWARD INVESTMENT PROJECTS AND ENABLING THE ECOSYSTEM

### Digital Connectivity

The Scottish Government is investing £600 million to extend superfast broadband access to 100% of premises across Scotland through our Reaching 100% (R100) programme. This funding will be delivered through three contracts covering the whole of Scotland, with a broadband voucher scheme available for any premises not reached by the R100 contracts or commercial build.

The R100 programme builds on the success of our £400 million Digital Scotland Superfast Broadband (DSSB) programme which, over the past seven years, has connected over 950,000 premises to fibre broadband – around 110,000 more than originally anticipated. It is estimated that the DSSB programme will generate over £2.76 billion of total benefit over 15 years, with every £1 of public funding expected to generate £12 of benefits to the Scottish economy.

The Scottish Government is investing up to £25 million to deliver 4G mobile infrastructure and services in up to 40 “notspots” – areas with no mobile coverage – in rural Scotland through our Scottish 4G Infill Programme. The first mast went live in February 2020 with delivery continuing until 2022/23. We have published a 5G Strategy and established the Scotland 5G Centre to put the right conditions in place to facilitate widespread investment in, and deployment of, 5G in Scotland.

The Scottish Government is working with the Scottish Futures Trust and partners on the development of a strategy with the datacentre and international connectivity industry to encourage new investment in sustainable Scottish data hosting facilities.

- Action 15: We will continue to invest in Scotland’s digital infrastructure by investing in superfast broadband to extend superfast broadband access to 100% of premises across Scotland.

### Enhancing our Natural Capital

The Environment Strategy for Scotland sets out our vision for Scotland’s environment, and recognises that the environment is vital to our economy. It supports the productivity of many sectors, supplying energy, resources and essential natural processes.

By delivering its Regulatory Strategy, One Planet Prosperity, the Scottish Environment Protection Agency (SEPA) is changing the way it works to help as many businesses as possible to go beyond compliance, reducing energy and water use, waste and emissions. The most successful businesses in the 21st century will be those that are able to reduce energy and resource use across everything they do, and manage their environmental impacts effectively. By working across whole sectors – and with other partners such as the

finance industry – SEPA is aiming to help the most ambitious businesses to achieve these aims and enable them to be successful, one planet businesses.

### 8.5 ENHANCING QUALITY OF LIFE

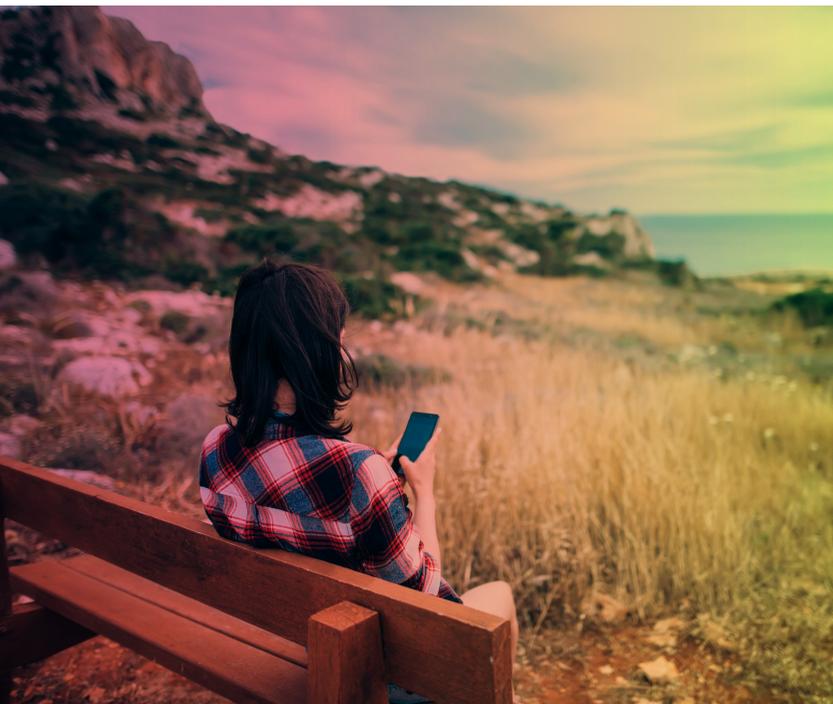
In Section 4 we outlined Scotland’s current strengths in Quality of Life. Here we outline our policy plans to further enhance these strengths and address gaps. As part of the review outlined we will include the environment and our natural capital to enhance our quality of life proposition.

#### Distributed Working

Home working is not a new concept but has become a core component of corporate operating models in response to the Covid crisis. Scotland, particularly across the Highlands & Islands region, has been at the forefront of supporting remote working for over 15 years. We have supported pioneering projects with companies including BT, Serco and Sykes to successfully test and adopt multiple approaches to remote working.

There will be a strong role for Scotland to play in a pivot to a remote or distributed working model accelerated by Covid whereby companies rethink their corporate real estate footprint and engage a dispersed workforce in particular geographic skills hubs. This model will support further economic development across Scotland’s regions and aligns with our plans to increase our investment in digital infrastructure and skills to enable remote working and bring digital social equity. We will align with other Scottish Government activity around workplace transformation.

- Action 16: We will focus effort on promoting Scotland to inward investors as a global leader in the creation of a supportive environment for remote, distributed and local working, and aligned to the development of our Moving to Scotland resource.



## 9 | MEASUREMENT AND EVALUATION

The actions identified in Sections 5, 6, 7, 8 and 9 are collated in a table in the Executive Summary and in Appendix A of this Plan.

Current inward investment measurement frameworks such as EY's annual UK Attractiveness Survey, focus largely on the creation of projects and direct jobs. In the Plan we highlight the shift to a more focused approach on the delivery of, not only new projects and direct jobs, but also wider spillover benefits to the whole of Scotland's economy. We need to measure what matters. We are developing a new appraisal, performance measurement and evaluation framework for inward investment.

This will shape the public sector's response to inward investment projects that are aligned to Scotland's values and are likely to deliver the widest range of benefits to our economy.

It will support and enable policy makers and practitioners to make informed choices about how they prioritise their efforts in-market and in Scotland and can be used to help galvanise wider public and private sector actors in support of new opportunities.

**IN THE PLAN WE HIGHLIGHT THE SHIFT TO A MORE FOCUSED APPROACH ON THE DELIVERY OF, NOT ONLY NEW PROJECTS AND DIRECT JOBS, BUT ALSO WIDER SPILLOVER BENEFITS TO THE WHOLE OF SCOTLAND'S ECONOMY**

As well as capturing the direct benefits of individual projects this framework will enable colleagues to consider the widest range of potential impacts projects could deliver for Scotland and will incentivise collaboration throughout the system to achieve them.

- Action 17: We will review the process used by our enterprise agencies to ensure the return on investment criteria encompass both direct, and wider, spillover benefits in our economy.

- Action 18: We will benchmark our current response timescales against comparable international standards to understand where we can make improvements to remove any unnecessary barriers to inward investment.

We will drive implementation of the actions listed in this plan through a regular structured review process across government and agencies to track progress.



The Programme for Government 2019-2020 committed to publishing an evidence-led plan for inward investment.

The 4th Industrial Revolution, Brexit and the Covid-19 pandemic present great global challenges but also great opportunities for change.

Inward investment makes a distinct and positive impact on Scotland's economy.

The Inward Investment Plan sets out the rationale and evidence for actions that position inward investment to play a key role in our economic recovery.

Scotland has performed well in the past on winning inward investment projects but our previous approach has been focused on landing new projects and jobs.

In the future, we will proactively target opportunities that will create not only jobs but also bring wider spillover benefits that will positively impact Scotland's regions and wider economy.

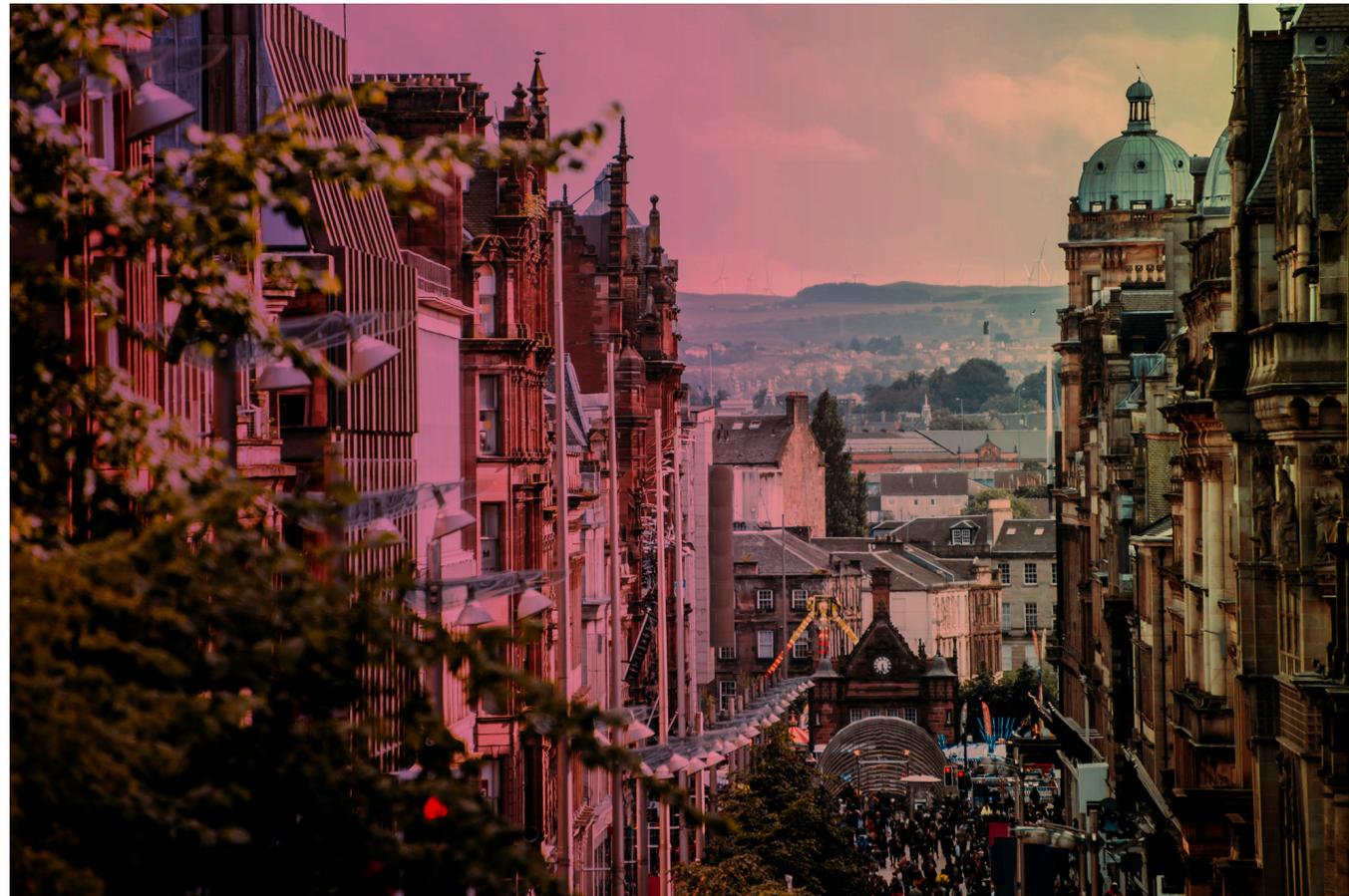
We will focus our effort on the nine opportunity areas where Scotland's strengths meet the world's needs, intersecting with future global investment flows.

The proposed strategic approach focuses the existing investment ecosystem to attract inward investors aligned with our values of fair work and a net zero, low carbon future.

This Plan sets out the priorities, platforms and policies of this focused approach to inward investment. It has the potential, under certain conditions, to create in the region of an additional 20,000 jobs, increase Scottish GDP by £4.2bn, boost Scottish exports by £2.1bn, and add up to £680m in additional government revenues per annum.

Scotland is developing a strong narrative as an open, progressive, inclusive sustainable country with a clear set of values set out in the National Performance Framework. It is important that our work to attract inward investment aligns and contributes to that narrative in order to deliver our ambition for Scotland.

**SCOTLAND IS DEVELOPING  
A STRONG NARRATIVE AS  
AN OPEN, PROGRESSIVE,  
INCLUSIVE SUSTAINABLE  
COUNTRY WITH A CLEAR  
SET OF VALUES SET  
OUT IN THE NATIONAL  
PERFORMANCE FRAMEWORK**



# ANNEX A

## INWARD INVESTMENT PLAN ACTIONS

### OUR AMBITION: SETTING THE DIRECTION ON INWARD INVESTMENT

<b>ACTION 1</b>	We will place our values at the centre of our engagement with current and potential inward investors. To ensure a strong partnership basis to our relationships around promoting inclusive growth and creating a wellbeing economy with zero carbon and fair work at its core.
<b>ACTION 2</b>	We will align our global resources and footprint to the nine priority opportunity areas set out in the Plan, and in the locations where we can maximise access to these investors. SDI has assigned lead generation leads for each of the nine opportunity areas. SDI's specialists will spend at least 80 percent of their effort on proactive opportunities aligned to these opportunity areas.
<b>ACTION 3</b>	We will target the immediate expansion of our top 50 existing investors to rapidly scale opportunities. We will proactively strengthen and deepen our relationship with these investors – both in Scotland and at their global HQs – with a view to maximising the additional investment and job creation opportunities through a deeper understanding of their strategic direction and positioning the role Scotland can play to support those objectives.
<b>ACTION 4</b>	We will identify and proactively target 50 leading global companies we want to attract to Scotland across our nine opportunity areas. Where these do not already exist we will build strategic relationships with these businesses to understand their global expansions plans and the role Scotland can play in these plans. We will keep this list under review to monitor new entrants and shifts in global industry dynamics.
<b>ACTION 5</b>	We will ensure that our strategic inward investment efforts align with regional growth plans and with Scotland's Enterprise Areas, building on the strengths and assets each region in Scotland has to offer to create regional clusters of expertise and secure the benefits from inward investment across Scotland.

### PRIORITIES: WHERE SCOTLAND'S INTERNATIONAL COMPARATIVE ADVANTAGE MEETS GLOBAL OPPORTUNITY

<b>ACTION 6</b>	We will focus resource on more strategic investments that shape places and deliver high value jobs, aiming ultimately to allocate approximately £20 million per annum to this work.
<b>ACTION 7</b>	We will align with the Scottish National Investment Bank (SNIB) and other sources of capital to support incoming companies to grow.

**PLATFORMS: SELLING SCOTLAND**

<b>ACTION 8</b>	We will position a better Scotland by investing in targeted Scotland is Now activity to support the nine opportunity areas.
<b>ACTION 9</b>	We will align and galvanise Scotland's international network behind the Plan and giving them the tools to promote Scotland effectively.
<b>ACTION 10</b>	We will develop Regional Prospectuses to highlight the strengths and attractions of Scotland's regions, aligned with the international strengths and assets identified in this plan. These will be showcased on a global stage to increase visibility and attraction to inward investors.

**POLICIES: ENABLING THE ECOSYSTEM AND SUPPORTING INWARD INVESTMENT PROJECTS**

<b>ACTION 11</b>	We will increase the number of people trained in Scotland in advanced digital skills from 4,000 to 10,000 every year. This creates a very strong credible proposition for Scotland to market internationally, as well as helping retrain and re-employ people losing jobs in other sectors. We will align with the actions relating to the skills agenda being developed as a consequence of the Logan Review recommendations.
<b>ACTION 12</b>	We will work with partner organisations to review the regulatory environment around the nine opportunity areas (restrictions and levers) to create the right enabling environment for investment projects and to attract inward investors.
<b>ACTION 13</b>	There are strong links between Scotland's University knowledge base, inward investment and innovation. We will support stronger ties between academia and industry in Scotland, by working with Universities to agree a collective approach to stimulating inward investment and innovation, including through the handling of IP.
<b>ACTION 14</b>	We will focus on infrastructure that will enable inward investment decision making with our Infrastructure Investment Plan which provides the strategic framework for the next 5 years' pipeline of projects and programmes – with expected value of around £32 billion over 5 years to support inward investment attraction. This investment will be targeted to boost inclusive economic growth, build sustainable places, and increase delivery of our climate and environmental ambitions.

## **ACTION 15**

We will continue to invest in Scotland's digital infrastructure by investing in superfast broadband to extend superfast broadband access to 100% of premises across Scotland.

## **ACTION 16**

We will focus effort on promoting Scotland to inward investors as a global leader in the creation of a supportive environment for remote, distributed and local working, and aligned to the development of our *Moving to Scotland* resource.

## **MEASUREMENT AND EVALUATION**

## **ACTION 17**

We will review the process used by our enterprise agencies to ensure the return on investment criteria encompass both direct, and wider, spillover benefits in our economy.

## **ACTION 18**

We will benchmark our current response timescales against comparable international standards to understand where we can make improvements to remove any unnecessary barriers to inward investment.



Scottish Government  
Riaghaltas na h-Alba  
gov.scot

© Crown copyright 2020

**OGL**

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3) or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk)

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at [www.gov.scot](http://www.gov.scot)

Any enquiries regarding this publication should be sent to us at  
The Scottish Government  
St Andrew's House  
Edinburgh  
EH1 3DG

ISBN: 978-1-83960-698-4

Published by The Scottish Government, October 2020

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA  
PPDAS694774 (10/20)

W W W . g o v . s c o t