

MINISTERIAL ENGAGEMENT BRIEFING: DEREK MACKAY

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|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Engagement title | Dinner with Sovereign and Institutional Investors | |
| Engagement timings | 15 August 2018 19:00 – 21:00 | |
| Venue and full address | Bute House, 6 Charlotte Square, Edinburgh. | Postcode: EH2 4DR |
| Background/Purpose (including invitation history) | <p>This dinner has been arranged at the specific request of the Lord Provost of Edinburgh in his letter to the First Minister on 6 April (MACCs 2018/0013458 refers).</p> <p>The Bute House dinner is the first event in a Sovereign and Institutional Investor Summit organised by Edinburgh City Council. The focus for the Summit is on investing in innovation. A copy of the Summit itinerary is at Annex C.</p> <p>The aim of the dinner is to instil investor confidence in Scotland as a high quality investment location.</p> <p>Two of the invitees have sent apologies as they are unable to make the event. One of the guests – [REDACTED] - is bringing his wife ([REDACTED]).</p> | |
| Relevance to core script | Securing inward and capital investment is a key aim of Scotland's Trade and Investment Strategy. | |
| Meeting attendees | See Annex D | |
| Supplementary information | <p>Annexes:</p> <ul style="list-style-type: none"> A – Summary B – Speaking note C – Investor Summit itinerary D – Guests Biogs E – Capital and Inward Investment F – Innovation Support G – Scottish National Investment Bank H – Fintech in Scotland I – Ethical Finance | |
| Official support: | <p>Stephen Pathirana, DD Trade and Investment Delivery Contact: [REDACTED] Mobile: [REDACTED]</p> | |
| Communications | Private Dinner - no media interest. | |

| Copy List: | For Action | For Comments | For Information | | |
|-------------------------------------------------------------|------------|--------------|--------------------|------------------|-------------------|
| | | | Portfolio Interest | Constit Interest | General Awareness |
| Cabinet Secretary for Culture, Tourism and External Affairs | | | X | | |
| Minister for Trade, Investment and Innovation | | | X | | |

DG Economy
 Kevin Quinlan, DITI
 David Wilson, SNIB
 Stephen Pathirana, DITI
 [REDACTED], DITI
 [REDACTED], DITI
 [REDACTED], International Relations
 [REDACTED], Innovation & Life Sciences
 [REDACTED], Financial Services
 [REDACTED], Financial Services
 [REDACTED], SNIB
 [REDACTED], SNIB
 [REDACTED], CivTech
 [REDACTED], CivTech
 [REDACTED], SpAd
 Business Engagement mailbox
 Comms Economy

[REDACTED]
 Inward and Capital Investment
 Ext [REDACTED]

SUMMARY

- **The Purpose** of the dinner is to provide you with an opportunity to meet international and London-based Sovereign Wealth and Investment Fund Managers who are in Edinburgh at the invite of the Lord Provost.
- **The Aim** is to promote the view that the Scotland welcomes investment in both real estate and in businesses, demonstrated through a range of supportive policies and initiatives.
- **A Successful Outcome** would be an increase in investment confidence in Scotland as an investment location.
- Within the setting of a dinner, the guests will have an opportunity to discuss a range of delivery mechanisms and policy initiatives that are supporting innovation and investment in Scotland.
- Information on the investors and their organisations is in Annex D. The investor profiles in the Annex are in recommended priority order as meriting your attention.

Outline of evening

19:00 Guests will meet for pre-dinner drinks (wine and soft drinks) in the Drawing Room in Bute House. On your arrival you will be met by the Lord Provost and the Chief Executive of the City of Edinburgh and introduced to [REDACTED]. [REDACTED] will in turn introduce you to the investors.

19:25 Guests will be invited to move to the dining room to take their seats for dinner. **Once seated you will say a few words of welcome** – suggested bullets are in Annex B – and invite a round table introduction, **starting with** [REDACTED] who will be seated immediately beside you on the left. A seating plan and menu is below. The menu is halal-compliant.

19:30 Each course will be served at approximately 30 minute intervals, providing an opportunity for collective discussion.

21:00 As coffee finishes, **the Lord Provost will say a few words of thanks** to you for hosting. You will reply with a few closing comments, dinner ends and guests leave.

Seating Plan

| | | | | | | | | |
|-------------------------|------------|------------|------------|-------------------|------------|------------|------------|-------------------|
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | Lord Provost | [REDACTED] | [REDACTED] | [REDACTED] | Stephen Pathirana |
| [REDACTED SEATING PLAN] | | | | | | | | |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | Cabinet Secretary | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

Menu

Starter

Baked and smoked carrots, white beets, brunet and pumpkin granola with water cress emulsion nasturtium leaves (Veg)

Tian of hot smoked salmon and cured beetroot, cured trout with fennel cannelloni, fava bean and fir tree potatoes

Main

Duo of Scotch beef fillet and cheek rillettes with sweet potato gratin, chantenay carrots, green beans and shallot petals

Dessert

Greek yogurt and honey panna cotta with cherry consommé and mallows with scorched strawberries and apple blossom.

Coffee and truffles

SPEAKING NOTE**At start of dinner**

- **Welcome to Edinburgh and to Bute House. Thanks to Lord Provost for suggesting this evening.**
- **Offer your own thanks to investors – value their attendance at this dinner, hope it's the start of a productive and enjoyable time in Edinburgh.**
- **Focus of visit is on investment in innovation – come to the right place.**
- **Scotland has strong record of innovation stretching back into history.**
- **Whilst acknowledging the past, innovation is about the now – and about the future.**
- **That's the message we're promoting through Scotland is Now.**
- **Scotland has kept pace and leads the way in many fields.**
- **You'll hear more on that at your meetings tomorrow.**
- **Scotland's size works to our advantage.**
- **Able to make connections - to knowledge, to support, to companies.**
- **Making us a responsive, business friendly Government.**
- **We have taken action as a result of discussions with investors, such as business rates reforms.**
- **Developing new financial instruments that support investment, such as Scottish National Investment Bank.**
- **Promoting Ethical Finance - supporting the Ethical Finance Hub and working with the Islamic Finance Council on the Ethical Finance Festival in Edinburgh in October.**
- **And we're working across organisational boundaries to collectively promote Scottish investment opportunities.**
- **We see that tonight by the guests we have here this evening.**
- ***Invite each person to provide a short introduction starting with [REDACTED], seated on your left.***

- **Summary - Comment on mix of guests – look forward to interesting conversations during dinner.**

At close of dinner

- **Thank Lord Provost for comments.**
- **Trust all had a good evening and that the conversation was of value.**
- **Comment on your own observations about the discussions.**
- **Highlight any points that will be taken away and acted on.**

INVESTORS ITINERARY



15 – 16 August 2018

**Investing in Innovation: Unlocking Long-term Potential
Sovereign and Institutional Investor Summit - Edinburgh, Scotland**

Wednesday 15 August

19.00 Evening reception at Bute House, 5 Charlotte Square, Edinburgh EH2 4DR

Thursday 16 August

09.30 – 10.15 Presentation and Roundtable Discussion, Raeburn Room, University of Edinburgh,

An overview of Scotland's and Edinburgh's rich heritage of "inventing the modern world", as the world embarks on the fourth industrial revolution. From the Enlightenment to the Capital's contemporary strengths in finance, education, festivals, culture, and the emergence of Edinburgh as a tech economy of international significance.

Welcome and Introductions by **Andrew Kerr, Chief Executive, The City of Edinburgh Council**
Presentation by **Professor Charlie Jeffery, Senior Vice-Principal of the University of Edinburgh.**

10.30 – 12.30 Presentation and Roundtable Discussion

The challenges and opportunities of investing in today's age of disruption.

Presentation by **Hugh Edmiston, Director of Corporate Services, the University of Edinburgh**

Joined by Epidarex Capital and Mercia Technologies, for peer sharing of experience of investing in the life and healthcare sciences, and the tech sector. Both funds will offer short presentations.

12.30 - 13.45 Lunch and networking, The Carstairs Room, Old College

14.00 – 16.00 Review of Investment Opportunities, John McIntyre Conference Centre, Edinburgh

An opportunity to meet with some of the most innovative Scottish/Edinburgh-based businesses and investment firms to review potential investment opportunities. The afternoon session will focus on 3 sectors (technology, fintech and healthcare). Part 1 will consist of short presentations from leading players in each sector. Part 2 will have breakout sessions with both companies and Investors

19.00 – 23.15

Reception and Performance of the 2018 Royal Edinburgh Military Tattoo, as a guest of the Rt Hon Frank Ross, Lord Provost of the City of Edinburgh, at Edinburgh Castle.

Arrival 18.45 at the Edinburgh City Chambers, 253 High Street (The Royal Mile), EH1 1YJ

19.00 Delegation escorted walk to Edinburgh Castle (10 minute walk)
19.15 Welcome by the Lord Provost and buffet reception
21.00 Performance of the 2018 Royal Edinburgh Military Tattoo
22.30 Reception hosted by the Royal Edinburgh Military Tattoo
23.15 Event ends

BIOGRAPHIES

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CAPITAL & INWARD INVESTMENT

CAPITAL INVESTMENT

Economic Contribution of the Property Sector

The Fraser of Allander Institute¹ has estimated that the total economic contribution of three key elements of commercial property activity - construction, repair and maintenance, and real estate is work **£4.8 billion – 3.7% of Scotland’s economic output** – and supports around **92,000 jobs**, either directly or through spill over effects.

Every **£100 million increase** in demand for new commercial property provides an **additional £73 million** across the economy.

Commercial Property

Investment in Scottish commercial property **hit £2.3 billion in 2017** with overseas investors accounting for 34% (£787 million) of the total investment – an increase on the total value of investment transactions in 2016 of £1.9 billion.

Promotion Activities

We now **marketing propositions with a Gross development value of over £2 billion through the Invest in Scotland portfolio**. (March 2018)

We are working with the Cities of Glasgow, Edinburgh and Aberdeen as well as the Scottish Cities Alliance, SE and the Scottish Property Federation to deliver a **Scottish pavilion at MIPIM Cannes 2019**. The pavilion will provide a dedicated space, branded with Scotland is Now, where SG and partners can hold meetings and events, organise and participate in panel discussions and showcase Scottish products and investment opportunities

Scottish Planning System

Recent review of the Scottish Planning System is creating a quicker, simpler, more accessible planning process – moving planning from a regulator to an enabler of development, providing greater consistency and certainty for investors is a key aim.

Reforms aim to ensure that planning supports development by unlocking sites, providing greater certainty through the development plan and strengthening the delivery of infrastructure.

Rates Reform

Scotland has modernised its business rates system giving the country a competitive edge. Revaluations will be reduced to every three years from 2022 and we now have more flexible business rates system capable of responding to the fluctuations within the commercial property market and a fairer more equitable taxation system.

We have a business growth accelerator designed to attract investment. All new build commercial properties will not have to pay rates until occupied for the first time. Thereafter the new tenant will benefit from a one year holiday from rates payments. This is a welcome boost for Scotland’s development sector.

¹ “The economic contribution of the commercial property sector”, March 2018.

Building Scotland Fund

The Building Scotland Fund , will provide £150 million over three years to deliver activities over 3 main workstreams:

- the development of new affordable and private sector housing
- the development of modern industrial and commercial property
- support industry-led research and development .

The Fund is available to non-public sector organisations including housing associations and universities. It can be used for loans or equity deals and funds must be paid back. First year funding is £75 million.

This fund is a precursor to the Scottish National Investment Bank and will reflect the principles behind it.

FOREIGN DIRECT INVESTMENT

Foreign Direct Investment is a significant contributor to Scotland's economy with over 2,350 foreign-owned companies operating from 8,850 sites and employing 317,850,000 staff. Combined turnover is £86 billion.²

An evaluation by SQW on the work of SDI estimated that every £1 spent on attracting inward investment to Scotland, £9 is generated for the Scottish economy.³

EY 2018 Attractiveness Survey – headlines ⁴

- **116 new projects** – a 7% increase from the 2016 figure which maintains Scotland position as the **top UK region for projects outside London for five of the past six years.**
- **Jobs rose by 104%** - from 3,131 to 6,374 – representing the highest number of FDI jobs created in any year in the last decade and 13% of all UK jobs, (7% in 2016).
- **24% of all UK R&D projects** were in Scotland –22 projects representing a 70% increase from 2016 and placing Scotland **top in the UK for R&D.**
- Edinburgh, Glasgow and Aberdeen all featured in the top 10 UK cities.
- Business services projects increased by 10%, contrasting with the rest of the UK which saw a 10% drop during 2017.
- Digital FDI projects grew by 56% to become second largest sector behind business services

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² Source – Businesses in Scotland 2017 – November 2017

³ Source - SQW evaluation report on SDI trade and investment performance - November 2017

⁴ <https://www.ey.com/uk/en/issues/business-environment/ey-uk-attractiveness-survey-2017-scotland>

INNOVATION SUPPORT

We are supporting innovation through the four key steps in our action plan, published in January 2017:

Directly encouraging more business innovation: Set a goal in PfG 2017 to double Business Enterprise Research and Development to £1.75bn by 2025, and committing an additional £45m over three years to R&D grants for business. SE is our main provider of R&D support and historically spent around £22m pa on R&D grants, leveraging in £132m of investment from business. The additional £15m pa should increase Scotland's BERD by £105m pa⁵.

Using public sector needs and spend to catalyse innovation: launched the £9m CAN DO Innovation Challenge Fund, which uses private sector innovation to solve public sector challenges and providing £600k part funding for **CivTech** - the world's first cross-public-sector tech accelerator.

Supporting innovation across sectors and places: supporting the development of Fintech Scotland, developing and delivering the National Manufacturing Institute for Scotland and supporting a health innovation pilot in the Highlands and Islands.

Making best use of University research knowledge and talent: launched the £500k College Innovation Fund in May 2018, increasing investment in Interface to connect business and academia and continuing to support the network of eight Innovation Centres.

CAN DO Innovation Challenge Fund

The fund supports Scottish public sector organisations find innovative solutions to operational and policy challenges. The total Fund provision is **£9.2m over 4 years**.

Calls for challenges are made twice a year, inviting public sector organisations across Scotland to come forward with innovation challenges to solve complex problems that have no current market solution. Only the best, most innovative challenges will be selected for funding.

The Fund will provide up to 100% of the associated R&D costs to help organisations develop the idea. Challenges should:

- Increase investment in Scotland's assets in a sustainable way e.g. supporting resource efficient low carbon energy system and economy
- Promote inclusive growth, e.g. remote and rural Scotland
- Support internationalization e.g. challenges where solutions have international market potential
- Align with Scotland's key sector strengths e.g. energy (low carbon/smart energy systems)

CIVTECH

The first pan-public sector tech Accelerator of its kind, CivTech® harnesses entrepreneurial innovation – typically from start-ups and SMEs – and citizen engagement to tackle societal problems, creating better public services and economic development opportunities.

CivTech® is pioneering a faster, smarter approach to public procurement.

CivTech® starts with a problem, not the solution. This open challenge-based approach attracts small tech companies and brings entrepreneurial innovation into the heart of government, increasing the speed to market of innovative and identifying cost-effective digital solutions.

⁵ ROI is calculated on £6 return for each pound spent plus the value of the grant

CivTech® is supporting tech entrepreneurs to grow their businesses, build products and create jobs.

Beta

- During the CivTech pilot, all 9 companies delivered minimum viable products within just 16 weeks.
- 8 of 9 companies from the Beta cohort are still trading.
- Each company with a direct challenge sponsor secured follow-on funding from their sponsor.
- Since leaving CivTech, seven companies have won additional contracts out-with the programme, with a combined contract value of **£1.2 million**.
- **30 Whole Time Equivalent jobs** have been created as part of the beta cohort.

2.0

- CivTech® 2.0 launched in May 2017 with seven new challenges.
- 8/9 companies secured follow-on funding from their Challenge Sponsor after the accelerator.
- CivTech 2.0 engaged more public sector partners than before, with five more Challenge Sponsors than CivTech pilotBeta.
- Stirling Council confirmed a **cost avoidance of £1.5m** by coming through CivTech.
- NHS National Services Scotland has appointed a full time CivTech Champion, recognising the benefits of the rapid process versus traditional processes for the procurement of innovation.

3.0

CivTech 3.0 launched in June 2018 with ten new challenges.

**Innovation and Life Sciences Team
CivTech Team**

SCOTTISH NATIONAL INVESTMENT BANK

Capitalisation

- The Scottish Government is committed to investing **£2 billion over 10 years** to capitalise the Bank. This scale is deemed to be ambitious and achievable, at a level that will make a material difference to the supply of capital to the Scottish economy and can lever in additional private investment.
- The 2018-19 Draft Budget included a £150 million commitment over three years for a new Building Scotland Fund which should in due course come under the Bank's remit. A further £340 million is to be made available between 2019 and 2021, subject to future Budgets.

Missions

- A unique feature of the Bank is to be its mission-based approach to investment. Cabinet endorsed the proposal within the Implementation Plan that the Bank should adopt this mission-focus including early missions around carbon reduction; regeneration through place making; and addressing demographic change.
- The Bank will decide how it responds to these missions, and will report on progress against those missions to Ministers.

Consultation

- We will be consulting about proposals for the Bank's implementation. We will listen to stakeholder expectations and priorities for investment and governance of the Bank. The consultation will support the implementation around the Bank's operation, and should also inform the development of legislation.

Financing Activities

- This Bank will operate on a commercial basis. It will be independent from Ministers; its Board making decisions about where to invest and on what terms, and being accountable for the decisions and choices that they make.
- The types of investment, determined by the Board should include:
 - investment in new ideas, to help us to meet the key economic, environmental and social challenges, for example the transition to a low-carbon economy
 - strategic and patient capital over all stages of firms' and businesses investment lifecycle,
 - substantial financing for major projects which support regeneration and communities
- The bank will offer debt and equity financing that must be repaid on a commercial basis, typically over a 10-15 year period.
- The Bank will provide finance and act to catalyse private investment to achieve a step change in growth for the Scottish economy by powering innovation and accelerating the move to a low carbon, high-tech, connected, globally competitive and inclusive economy.

Landscape

- The Implementation Plan recommends that the financing activities carried out by Scottish Government and its agencies come under the Bank's remit to build on the success and skills within current operations. Detailed consideration will be given to this by Ministers at the next stages of planning.
- The Implementation Plan recommends that existing advice and support continues to be provided by agencies such as Scottish Enterprise. This will provide market readiness support, ensuring co-ordination of funding, company relationships and financial readiness activities.
- The Implementation Plan recommends the Bank should support growth capital at all stages of the business investment life cycle; as well financing infrastructure.

FINTECH IN SCOTLAND

Scottish Government committed to development of Scotland's Fintech sector

- Funding for FinTech Scotland will include contributions from Scottish Government and Scottish Enterprise totalling **£250,000 over the next two years**.
- Scottish Government, Scottish Enterprise and University of Edinburgh jointly funded production of a business plan to clearly establish the work required to develop Scotland as a FinTech centre and to identify the funding requirements to support that programme.
- FinTech Scotland is now established and taking forward actions to support the FinTech sector in Scotland. First Board meeting held 26 June 2018.
- **Stephen Ingledeew**, took up the post as CEO of FinTech Scotland in January 2018 following a recruitment process led by Scottish Enterprise.
- **David Ferguson**, of Nucleus Financial, has been announced as inaugural Chair of the FinTech Scotland Board.

FinTech Scotland will work to support Scotland's growing Fintech sector

- FinTech Scotland's ambitious vision and strategy to make Scotland a **top five global fintech centre by 2020** that is recognised for data driven fintech innovation delivering positive social outcomes.
- FinTech Scotland aims to encourage data driven innovation and collaboration activity to deliver inclusive growth and achieve critical mass in the sector by:
 - Facilitating an integrated and innovative fintech ecosystem across Scotland, building on established centers of financial and data expertise including Edinburgh, Glasgow and Dundee.
 - Supporting innovative and entrepreneurial purpose driven fintech enterprises
 - Encouraging development of fintech skills, diversity and inclusion
 - Developing fintech community engagement, inclusion and collaboration
 - Building international fintech engagement and collaboration

FinTech Scotland working with Strategic Partners

- FinTech Scotland has announced partnerships with global enterprises who have a strong presence in Scotland as well as being significant international leaders in their fields. The strategic partners will have a place on FinTech Scotland's board.
 - **Deloitte**
 - **Pinsent Masons**
 - **Dentsu Aegis Network**
 - **Sopra Steria:**
 - **IBM**
 - **Equifax**

Scotland has an established critical mass in both financial services and software/ technology

- The financial services sector in Scotland employs over 86,600 people directly
- The technology industry employs more than 70,000 people in Scotland.
- Scotland has a software and digital technology cluster made up of 1,000+ companies from innovative home-grown companies such as Skyscanner, FanDuel and Wolfson Microelectronics to large multinationals such as Oracle, HP, Amazon and IBM.
- Global companies with specific financial technology operations in Scotland include: RBS, JP Morgan, HSBC, Morgan Stanley, Avaloq and Standard Life. FinTech "start-ups" include TopQ, MiiCard, and Money Dashboard.

Academic expertise and graduate pipeline in technology and financial services

- In **2015-16** there were 86,725 students studying Business & Administrative Studies, IT and Engineering & Technology, with **33,450** graduating in that year.
- Across Scotland there are a number of specialised Finance, Banking and Risk Management courses available. 9 Universities in Scotland provide more than 50 specialist University Finance Courses (mostly at postgraduate level). At least 10 Universities in Scotland offer Computer Science degrees. Scotland also has significant expertise in the area of cyber security.

ETHICAL FINANCE

Ethical Finance Festival

The Islamic Finance Council (IFC) have supported two international conferences on ethical finance in Edinburgh in 2015 and 2017.

IFC and the Ethical Finance Hub are developing an expanded festival-style programme, with the first event Edinburgh Ethical Finance Festival due to take place in October 2018, supported by Scottish Government (£40k sponsorship). Mr MacKay will host a reception at Edinburgh Castle for conference delegates and speakers.

This year's conference programme will include keynote speakers on topics including: the opportunity for the financial services industry in the face of its ethical challenges; making ethical investment more accessible; Islamic finance and its approach in regulating ethically focused banking; and lessons for responsible finance.

Joint Venture – Islamic Finance Council and Church of Scotland – ‘The Edinburgh Declaration’

In 2016, the IFC and Church of Scotland launched a partnership with the aim of creating a new financial model available to everyone regardless of religious or ethnic background and drawing on the shared values of the two faith traditions.

A working group was established and held a series of workshops to develop a shared values framework, to support development of ethical financial solutions open to those of all faiths and none. IFC intend to formally launch the framework as ‘The Edinburgh Declaration’ during the Ethical Finance Festival in October.

Edinburgh Ethical Finance Roundtable Series

The IFC and the Ethical Finance Hub organise a regular series of well-attended, award-winning, roundtable events with participation from academics, banks, asset managers, government and third sector groups. These have attracted international speakers and are well-regarded in the sector.

United Nations Development Programme (UNDP)

The Ethical Finance Hub is working with the UNDP and the Alliance of Religions and Conservation (ARC) to explore the possibility of establishing an ethical investment centre in Edinburgh. SG officials are involved in discussions on this proposal which includes a research unit based at Princeton University and a faith-based ‘brokerage’ service located in Edinburgh at the EFH base at Heriot-Watt University. The service would connect faith-based and mainstream investors to support development projects. Anticipated benefits:

- Bringing faith-based investment to Scottish investment houses
- Providing a new and additional point of difference between Edinburgh's financial services sector and its competitors
- Potentially bring new investment to Scotland
- Reputational benefits for Edinburgh and Scotland in terms of attracting a UNDP sponsored Unit and a potential ‘market leader’ for wider work being developed through Scotland House London on attracting international not-for-profits to Scotland
- Strengthening our approach to One Scotland in terms of Scotland valuing and appreciating diverse faith communities

A full proposal will be prepared for Ministerial approval as discussions progress. Anticipated funding request is for £100k per annum over 3-5 years, match-funded by the UNDP with the centre becoming self-financing through its activities.

As part of the Ethical Finance Festival in October the Scottish Government and IFC will host a roundtable discussion on the UN Sustainable Development Goals and the role of blended capital, with Mr Macpherson hosting for SG.

██████████, Financial Services & SME Finance Policy
August 2018