

**Sustainable Growth Commission Report –
Analysis of Recommendations for Raising the Potential and Performance of
Scottish Economy**

Introduction

1. The Sustainable Growth Commission published its report in May 2018. The report is in three parts: (A) Raising the Potential and Performance of the Scottish Economy; (B) The Framework and Strategy for the Sustainable Public Finances of an Independent Scotland; and (C) Monetary Policy and Financial Regulation Framework for an Independent Scotland.
2. Part A of the report concerns raising the potential and performance of the Scottish economy. It considers:
 - The performance of the Scottish economy and assesses the potential for improvement;
 - Draws on the experience of a benchmark group of the 12 most successful small advanced economies;¹
 - Sets out some principles for a new Scottish economic model and long term policy strategy;
 - Proposes a framework for a Scottish economy designed to match the performance of the benchmark small advanced economies; and
 - Provides 30 policy recommendations to support these growth aspirations now and with fuller powers.
3. This paper presents an analysis of the Commission's recommendations on growth and provides advice on making early progress using the current powers, or as the basis of a case for extending those powers.

Background – Parliamentary Inquiry Report on Economic Performance

4. A further recent report on Economic Performance was published by the Scottish Parliament's Economy, Jobs and Fair Work Committee in June.² The Committee recommended that:
 - The Economic Strategy is reviewed and updated as a matter of urgency, not least to take account of the potential economic consequences of Brexit;
 - Whilst the creation of the Strategic Board is welcome the enterprise and skills agencies need to be much more clearly focused on delivering on the strategy;
 - There is a consistent, commonly held and settled definition of inclusive growth and this should be reflected in the enterprise and skills agencies' operational plans;
 - There is a robust and appropriately resourced action plan that identifies lead responsibility for key areas of the strategy; and
 - A comprehensive, monitoring and evaluation framework is in place to measure outcomes and establish what works.

¹ Austria, Belgium, Denmark, Finland, Hong Kong, Ireland, the Netherlands, New Zealand, Norway, Singapore, Sweden, and Switzerland

² <https://digitalpublications.parliament.scot/Committees/Report/EJFW/2018/6/21/Scotland-s-Economic-Performance-1#Executive-Summary>

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5. Their report has implications for a wide number of economy areas and their recommendations can therefore be considered in parallel with the Sustainable Growth Commission report's recommendations.

Key themes of the Sustainable Growth Commission's Recommendations

6. The Sustainable Growth Commission's recommendations cover a broad range of economic issues and in combination offer a unique package. They also provide a helpful test against which to assess our current economic policy priorities. The analysis has grouped the recommendations into 5 themes as follows:

- Strategy, Ambitions and Promoting a Collaborative Approach to the Economy
- Borders / Migration
- Securing Competitiveness and Business Growth (including Internationalisation)
- Labour Market
- Analysis and Evaluation

7. Annex A provides a more detailed assessment of the recommendations and Annex B contains a full description of the 30 recommendations.

8. The following general observations can be made:

- 18 of the recommendations are about producing new strategies, reviews or targets. As such, there is a need to first to consider whether such strategic reviews are required and if so then translate them into a coherent package of policy measures.
- 6 of the recommendations contain specific policy actions on migration. The arguments raised in the report align with policy proposals put forward by the Scottish Government in its recent Discussion Paper on migration powers.
- 4 of the recommendations relate to securing competitiveness and business growth, including internationalisation.
- 2 further recommendations relate to the labour market and to data analysis / evaluation.

9. In many cases, there is already significant policy activity underway but there are opportunities for this to be scaled up or refreshed further. Of the recommendations that include specific policy measures, many can be taken forward with existing powers.

10. The report does not discuss potential future membership of the EU (or EEA/EFTA) but this will of course be a key lens through which to view the future specific actions take forward from the Sustainable Growth Commission's recommendations.

Areas where specific actions could be taken forward

Theme - Strategy, Ambitions and Promoting a Collaborative Approach to the Economy

11. The proposals made to develop the wider strategic context on the economy can be taken forward as part of the 4 Missions identified by the Enterprise and Skills Strategic Board, namely:

- Business creation and growth
- Exporting
- Meeting future skill needs
- Business models and management quality

12. This would provide a route to capture the Commission's more strategic proposals and ensure that it was reflected in the formulation of economic policy in the Scottish Government and Enterprise Agencies.

13. With the overall theme of recommendations on strategy, there are specific actions under the sub-theme of "Investment / Prioritisation Strategies" that can be taken forward:

- Recommendations 21 and 27 – Infrastructure Commission and Identifying Strategic Development projects. These proposals which might be explored as a time-limited part of the upcoming re-refresh of the Infrastructure Investment Plan 2015 (IIP). Officials aim for the IIP re-refresh to involve greater coherence and common strategic approach across portfolios than the previous 'bottom-up' approaches. An external Infrastructure Commission with the right insight and credibility might add 'grit' to any challenge function: considering each portfolio's ideas against common factors e.g. demographic change, inclusive economic impact etc. It may also help with elements of external consultation and transparency, potentially aiding building the level of consensus needed for longer-term development. Alternatively, more external members might be invited to join the recently re-refreshed Infrastructure Investment Board for the period and agenda items which focus on IIP re-refresh over the coming 12-18 months. Officials will shortly be providing advice to Ministers on the updated IIP which will build on this recommendation. Officials urge more caution around consideration of any long-term 'standing' Commission, which may risk cutting across Budget processes without the accountability that Ministers face under the Fiscal Framework, or to secure Parliamentary approval.
- The Sustainable Growth Commission also proposes a "significant increase in this [infrastructure investment] in the short to medium term to ensure catch up in digital and physical infrastructure". This closely aligns to recent advice provided to Ministers to explore a potential National Ambition for increasing infrastructure investment, and proposes a winter consultation on the level, and ways to finance its affordability.
- Recommendation 30 – Stop Strategy to ensure focus and efficient use of resources. In the context of the financial climate set out in the Scottish Government's first Medium Term Financial Strategy, as a first step, there may be scope to use the "stop" strategy recommendation to introduce wording into

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the PfG about how we will review our activities to shift resources towards the programmes/investments with greatest potential.

Theme - Migration

14. Given that the arguments raised in the report align with the policy proposals put forward by the Scottish Government in its recent Discussion Paper on migration powers, the Scottish Government will use the Growth Commission's work and the evidence they have gathered to support the arguments the Scottish Government has already made for a more tailored migration system that meets Scotland's needs. These relate to

- Recommendation 6 - Frictionless Borders and Market Access
- Recommendation 8 - Welcome to Scotland Pack
- Recommendation 9 - Come to Scotland Marketing - Agency Led
- Recommendation 10 - Migrant Recognition Campaign
- Recommendation 11 - Attraction and Retention of Foreign Students
- Recommendation 7 - Population Targets

Theme - Securing Competitiveness and Business Growth (including Internationalisation)

15. There are three specific areas under this theme where further work can be taken forward.

- Recommendation 19 - Increase engagement with international companies. We could look to expand our existing trade envoy network. A proposal to do so is already factored into current PfG plans.
- Recommendation 12 – Attracting International Government and Multinational Presence. There have already been approaches to Scotland House by small organisations that might want to relocate to Scotland. Alongside SDI, officials are just about to scope what the likely opportunity might be and what would be needed to facilitate this. While the actual job opportunities may likely be relatively small, the bigger opportunity lies in establishing a critical mass of organisations and the opportunity for influencing that it would provide. There may also be learning from this approach that could apply more widely, for example, given the recent interest in Scotland from a number of UN bodies, how can Scotland tap into the UN in New York?
- Recommendation 22 – Export Growth Strategy. Given the significant scaling up of work on international trade in the Scottish Government, an Export Growth Strategy can be developed. This would also build on recommendations 19 and 12.

Theme - Labour Market

16. The recommendation on labour market can also be considered further but implementing in full may require further powers:

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- Recommendation 16 – Labour markets and flexicurity. Flexicurity is achieved when three distinct policy areas align with the goal of creating a flexible labour market with a strong social security system. Crucially, these policies are underpinned by strong institutions including trade unions. Successful examples include Denmark where Union participation in Denmark is very high compared to the UK, especially in the private sectors and employer organisations who are able to engage in tripartite negotiation. Cultural changes with employers, trade unions and employer organisations can be supported without further powers. The UKG still has competence over significant areas that would prevent us from fully implementing a flexicurity model.

Theme – Analysis and Evaluation

17. The recommendation on analysis and evaluation can be taken forward:

- Recommendation 20 – Improve evidence base on trade. This dovetails with the wider theme on monitoring and evaluation and can be taken forward as part of the wider work of the Enterprise and Skills Strategic Board and combined with the recommendation from the Parliamentary Inquiry on Economic Performance on monitoring and evaluation frameworks.

Summary and Conclusions

18. The Sustainable Growth Commission's recommendations cover a broad range of economic issues and in combination offer a unique package. The recommendations also provide a helpful test against which to assess our current economic policy priorities.

19. The analysis suggests that, alongside consideration of the strategic proposals by the Enterprise and Skills Strategic Board, the 14 specific recommendations referenced above can be taken forward

20. The First Minister is invited:

- to note the analysis of the Growth Commission Report's recommendations and the areas where specific actions can be undertaken.
- to provide a steer on the specific actions to be taken forward.

Office of the Chief Economic Adviser/Economic Policy and Capability Division

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Annex A: Analysis of Sustainable Growth Commission Report Recommendations by Theme, Evidence and Feasibility

Theme	Sub-theme	ID	Name	Extent of Evidence on Effectiveness of Recommendations in Growth Commission	Feasibility & Deliverability (With Current Powers)
1 - Strategy, Ambitions and Promoting a Collaborative Approach to the Economy	Core Economy Strategies	1	National Economic Strategy	<p>Case Study evidence is provided in the report on the effectiveness of more collaborative - and cross party - approaches to deciding upon economic priorities and strategies. Further consideration could be given to how applicable and appropriate these approaches would be Scotland.</p> <p>More widely, there are current criticisms from Fraser of Allander Institute of a cluttered economic landscape and the report does not consider this aspect.</p> <p>However there are case study examples of best practice and success in delivering government strategies.</p>	<p>The Scottish Government could action these recommendations under current powers.</p> <p>Given the volume of strategic level activity proposed, there would be merit in exploring the sequence and coherence of strategies together.</p> <p>Strategic approach could best be taken forward by the Enterprise and Skills Strategic Board.</p>
		2	National Discussion on "Next Generation Economic Model"		
		3	Cross Party Collaboration		
		4	Identifying Comparative Advantages		
		5	Productivity Commission		
		28	SNIB - and review of related areas		
		26	Innovation Review	Evidence that a "Next Generation Economic Model" in other countries has a focus on innovation.	

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Theme	Sub-theme	ID	Name	Extent of Evidence on Effectiveness of Recommendations in Growth Commission	Feasibility & Deliverability (With Current Powers)
					<p>very active on workplace innovation and it is an expanding area of activity.</p> <p>R&D tax credits are reserved for now though more work could be done to increase uptake of existing R&D tax incentives.</p> <p>The creation of a separate Innovation Agency has previously been explored and could explore again but Ministers have been reluctant to create a new body.</p>
		22	An Export Growth Strategy		SG Directorate for International Trade and Investment Directorate export strategy.
	Tackling Inequality Strategies	13	Commission on Gender Pay Equality	As above - there are case study examples of best practice and success in delivering government strategies.	Scotland has had ambitious targets to match the performance of international comparison countries over the past decade - the National Performance Framework and a refresh has recently been published.
		14	Adopt JRF poverty reduction target		
		15	Participation/inclusion strategy		
		29	Housing and Growth		
	Other Strategies	23	National Brand Strategy	As above - there are case study examples of best practice and success in delivering government strategies.	Current work on the national “brand” has, to some extent, overtaken the Growth Commission report. The new “Scotland is Now” campaign is firmly in this territory.
		24	National Digitalisation Strategy		
		25	Universities Growth Strategy Review		

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Theme	Sub-theme	ID	Name	Extent of Evidence on Effectiveness of Recommendations in Growth Commission	Feasibility & Deliverability (With Current Powers)
	Investment / Prioritisation Strategies	21	Infrastructure Commission	Evidence on benefits of align investment to long term economic development aspirations.	Taken forward as part of a time limited Commission as part of a refresh of the Infrastructure Investment Plan An Infrastructure Commission might add grit to the challenge function of considering each portfolio against the common needs e.g. demographic change, economic etc.
		27	Identifying Strategic Development Projects		
		30	Stop Strategy	Evidence to support rigorous approach to value for money and challenge	
2 - Borders / Migration	Borders	6	Frictionless Borders and Market Access	International evidence in favour of this outcome - evidence of economic benefits of increased trade and productivity and set out in <i>“Scotland’s Place in Europe”</i> January 2018.	Border controls and arrangements are reserved, and in the context of Brexit and needs already set out in <i>Scotland’s Place in Europe”</i> January 2018.
	Migration	8	Welcome to Scotland Pack - Tax reliefs, visa changes etc	Strong evidence of contribution of migrants to the Scottish economy also set out in SG paper on <i>“Scotland’s population needs and migration policy: Discussion paper on evidence, policy and powers for the Scottish Parliament”</i> (February 2018).	SG paper on <i>“Scotland’s population needs and migration policy: Discussion paper on evidence, policy and powers for the Scottish Parliament”</i> (February 2018) argues for further powers for Scottish Ministers in relation to migration.
		9	Come to Scotland Marketing - Agency Led	The arguments raised in the Sustainable Growth Commission align with policy proposals put forward by the Scottish Government.	The SG can use the Commission’s work and the evidence they have gathered to support the arguments we are already making for a more tailored migration system that meets Scotland’s needs.
		10	Migrant Recognition Campaign		
		11	Attraction and Retention of Foreign Students		

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Theme	Sub-theme	ID	Name	Extent of Evidence on Effectiveness of Recommendations in Growth Commission	Feasibility & Deliverability (With Current Powers)
		7	Population Targets		
3 - Securing Competitiveness and Business Growth	Competitiveness	17	Competitiveness Rankings	Evidence that some ease of doing business factors can increase growth - however evidence of impact of devolved business taxation is less strong.	Some elements of business taxation and "ease of doing business" available to SG - e.g. business rates. However large amount reserved to UKG. SG Discussion Paper being prepared on Further Taxation Powers due to publish later in 2018.
		18	Competitive Business Taxation		
	Internationalisation		19	Engagement of international companies and sectors	Evidence of the benefits of networking and mentoring.
12			Attracting International Governmental and Multinational presence	Evidence of benefits re-location and FDI.	Scope out programme of work to encourage small international organisations to relocate to Scotland setting out the opportunity might be and what would be needed to facilitate this. While the actual job opportunities will likely be small, the bigger opportunity probably lies in that, critical mass,- influencing-internationalisation space.

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Theme	Sub-theme	ID	Name	Extent of Evidence on Effectiveness of Recommendations in Growth Commission	Feasibility & Deliverability (With Current Powers)
4 - Labour Market		16	Labour Market Model that encourages both flexibility and job security	<p>Report uses Denmark as a case study of balancing mobility and job security. More widely, strong evidence of links between these areas and inclusive growth outcomes.</p> <p>Flexicurity is achieved when three distinct policy areas align with the goal of creating a flexible labour market with a strong social security system.</p> <p>Crucially, these policies are underpinned by strong institutions including trade unions (union participation in Denmark is very high compared to the UK, especially in the private sectors and employer organisations who are able to engage in tripartite negotiation.</p>	<p>Scope includes:</p> <ul style="list-style-type: none"> • Flexible Labour Markets (ability to 'hire & fire') • Generous unemployment support (based on a contributory unemployment insurance scheme) • Active labour market policies (increased access to employment/education/training opportunities – at any one time ~30% of adults are in education or training). <p>Cultural changes with employers, trade unions and employer organisations can be supported without further powers. The UKG still has competence over significant areas that would prevent us from fully implementing a flexicurity model.</p>
5 - Analysis and Evaluation		20	Improved Data and Analysis - e.g. trade / balance of payments	Further data can inform public discussion and policy.	<p>Improve the evidence base on trade via the Scottish Government Economic Statistics Plan. Build on wider recommendations from the Parliamentary Inquiry to develop monitoring and evaluation frameworks.</p>

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ANNEX B: List of Recommendations on Raising Potential and Performance of Scottish Economy

Recommendation	Description
1. National Economic Strategy	The creation of an overarching national economic strategy that (as far as is possible) focuses on long term goals and secures broad cross partisan and sectoral support should be the central goal of growth policy. This is and of itself a necessary but not sufficient factor for success. Growth goals: The Strategy should include globally ambitious growth goals, to i) First 10 years: catching up with the small advanced economies average growth rate (currently 2.5%) (ii) Years 10 to 25: closing the GDP per capita gap with the small advanced economies (with period of 3.5% growth) (iii) maintaining a GDP per capita position in line with the top half of the small advanced economies group.
2. Next Generation Economic Model	A national debate should be commenced on the model we seek for the long-term. Choosing matters and the manner of choosing helps determine the sustainability of the choice, since the central lesson from the success of small advanced economies is that they have achieved consensus about long-term priorities and have a collaborative approach to pursuing those priorities. Our recommended starting point for that national debate, is based on learning the lessons from benchmark small advanced economies and applying them intelligently to Scotland's circumstances, needs and opportunities. The features of that model (leaning especially on the lessons of Denmark, Finland and New Zealand) include: quality of governance, long-term cross partisan strategy, a focus on innovation, being a competitive location for international investment, exploiting Scotland's resource endowment, an export-orientation, migration-friendly, where flexible labour markets combine with fair and progressive work and active employment policies, maintaining a highly skilled workforce with transferable skills, using taxation as a tool for economic development but not competing as a low tax location, placing inclusive growth at the heart of the strategy and viewing quality of life as both an asset and objective.
3. Delivering Cross-Partisanship and Collaboration	A cross-partisan collaborative approach to policymaking against the long-term national strategic framework should be institutionalised. Direct engagement across sectors, business representative, employee representative and other policy groups should be institutionalised to ensure that the national economic strategy remains a vital and dynamic part of policymaking.
4. Identifying comparative advantage and strategic priority sectors	while we are leery of the idea of 'picking winners' a clear choice should be considered in identifying and promoting those areas (rather than particular firms) in which we judge the Scottish economy to have sustainable comparative advantage. The process of selecting strategic priorities should be a key output of the process identified in (2) and (3)
5. Productivity Commission	We recommend the establishing of a Productivity Commission in Scotland, to identify opportunities for productivity improvement would be useful. Adopting a fixed-term model, as in Denmark or Norway, would be an easy way to start – with an option to establish a New Zealand style Productivity Commission model if appropriate.

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6. Frictionless borders and market access	Securing frictionless borders with the rest of the UK and EU should be a top strategic priority of the Scottish Government. Brexit places a material risk on Scotland's access to export and import markets and the free movement of people, capital, goods and services and must therefore be resisted vigorously. The alternative will be a severe reduction in living standards, growth and employment levels. Scotland has more at stake than most small nations in the coherence of the process of fair global integration. The lessons of the Scottish enlightenment and history since must be kept front of mind by all
7. Population growth	Targeting a growing population of working age and the attraction of talented migrants should be a top priority of Scottish Government economic policy and marketed vigorously to the rest of the UK and the world. Scotland should seek to be regarded as the most talent friendly country in the world.
8. A new 'Come to Scotland' package	<p>A package of incentives including:</p> <ul style="list-style-type: none"> • A 'transition relief' package of tax incentives to reduce the cost of moving to Scotland, and for graduates of Scottish Universities to stay on should be the headline instrument. • A reduced capital threshold for investors who are required to provide this • A reduced investment threshold for business start-ups • A new visa system benchmarked on the most efficient and easy to use in the world
9. Marketing of 'Come to Scotland'	The marketing of this package and the overall approach should be a major part of the country's international and UK marketing investment and the communications strategy for the internationally facing Scottish agencies. As far as possible the intention will be to secure cross partisan support for the whole approach which also attracts engagement from our major employers, exporters and universities. The budget should reflect the priority as should the engagement of senior Ministers and officials.
10. Celebration of the contribution of migrants	A complimentary programme of internally focused public engagement on the contribution of our migrant and 'new Scots' communities should be embedded in the work of the Government, Local Authorities and across Parliament.
11. International Students and Graduates	The attraction and retention of international students should be a priority of policy and changes made immediately to alleviate the constraints caused by UK policy. These changes should include both visa changes to allow more students to stay in Scotland long enough to secure employment appropriate to their qualifications and tax incentives for the first three years of employment (in recognition of the social, economic and exchequer contributions already made)

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<p>12. International Government and Multi-national Organisation Strategy</p>	<p>One of the existing internationally facing elements of the Government or indeed a combined international department or agency should be tasked with creating a strategy for engagement and transitioning of the staff of international governments and multi-national organisations to Scotland. As well as providing a great home for countries and organisations that wish to engage with Scotland the strategy should aim to provide a home for as many international facing organisations in function or headquarter as is possible. A warm welcome should be matched with a professional service to ease transition cost effectively.</p>
<p>13 A Commission on Gender Pay Equality</p>	<p>should be created with a remit to consult and engage across the economy and consider the best policies and incentives to produce a purposeful reduction in the gap with the performance of the best performing small advanced economies, especially New Zealand.</p>
<p>14. The JRF target of a 50% reduction of poverty to 10%</p>	<p>a 50% reduction of poverty to 10% of the population should be agreed within a stretching but achievable time frame. This policy should be elevated to central strategic importance in the overall strategy and prioritised accordingly in resource allocation</p>
<p>15. Long term strategy on participation and inclusion</p>	<p>agreement should be sought on the central importance of participation and inclusion to sustainable economic growth and a framework set up to oversee long term policy intervention and resource allocation from e.g. The Fund for Future Generations. Whilst inclusive growth is already a policy priority of the Scottish Government, the full powers of independence will provide an opportunity to expand the priority across all policy areas that can contribute, including fiscal policy, industrial strategy, social security, economic participation and fair work, education and skills and community engagement. Strategic communication on the costs of inequality should be a priority of government and political strategies. It is important to build a wider public understanding of the realities of the short and long-term costs so that agreement and support can be obtained for longer term interventions.</p>
<p>16. Labour markets and flexicurity</p>	<p>Scotland can learn from Denmark and move to a flexicurity model, with flexible labour markets but without the insecurity the UK benefits system promotes. This would be expected to deliver lower unemployment, particularly lower youth unemployment and enhance productivity by stabilising investment incentives. We recommend a consultation of how a move can be made to establish a Scottish flexicurity model.</p>
<p>17. Competitiveness rankings</p>	<p>Improving the rankings of Scotland in the main competitiveness rankings should be a core long-term aim of economic policy and the trade-offs involved considered and solutions agreed for the long term.</p>
<p>18. Competitive Business Taxation</p>	<p>As part of the review of taxation recommended in Part B we recommend that the impact of business taxation on growth performance is carefully assessed. We are interested in the potential to tailor the Dutch R&D tax credit scheme, enhance incentives for longer term equity investment and improve capital allowances. While we do not consider that competitive use of profit taxation (corporation tax) is an optimal strategic tool, we do recommend that the headline rate of corporation tax should not rise above the level prevailing in the rest of the UK. As</p>

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	with all taxation the impact of the overall structure on both the tax base and revenue generation should be carefully assessed to ensure the more effective system is deployed.
19. Engagement of International Companies and Sectors	Organisational capacity should urgently be designed and recruited to create and support sector facing business Ambassadors, building on and increasing the prominence of the Global Scots network. This is intended to create a world class dialogue and engagement with those major companies located in Scotland or considering investing in a presence in Scotland to ensure opportunities are maximized and risks mitigated.
20. Improved data and analysis	There are gaps in the data that are available on Scotland's trade balance, and on the wider balance of payments position which should be addressed in the short so that the evidence is available on which decisions on policy and assessments of its success can be based. This is an immediate priority.
21. Infrastructure Commission	An Infrastructure Commission should be established to provide strategic advice, based on a research programme, to align investment with long term economic development aspirations. This should engage across sectors to seek a national agreement on the long-term priorities and plan. A significant increase in annual investment should be coasted and the best means of delivering it identified. If 0.8% of GDP is identified as a go-ahead optimal steady state by some, there is a strong case for a significant increase in this in the short to medium term to ensure catch up in digital and physical infrastructure which will further carry economic benefits that could secure the 'pay-back' to investment in due course.
22. An Export Growth Strategy	<p>Should be created urgently in consultation with the main exporting sectors, companies and potential exporters especially in smaller companies.</p> <p>The aim of this strategy must be to dramatically increase the value of exports overall and to diversify the source of export income very considerably as countries such as Ireland have achieved in recent decades. The promotion of Scotland's exports should be a central part of the marketing effort of the country alongside migration encouragement. Measures could include the following elements:</p> <ul style="list-style-type: none"> • establish a Ministry for Trade and Foreign Affairs to oversee a new and heavily integrated approach to trade, investment and economic diplomacy; • build a new embassy and consular network with economic diplomacy as its core purpose and with the ability to help harness and direct all of Scotland's international activity; • retain the link between internationalisation and wider business support through the enterprise networks but with increasing emphasis on, and incentivisation of, growing the number of domestic firms engaged in exporting activity; • establish a stronger, better funded inward investment agency with an independent and high-level Board including representatives of indigenous and investor business communities;

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<p>23. National brand strategy</p>	<p>The development of a national brand and campaign is critical to support broader export. Increasing Scotland's position in the Anholt-GfK Roper Nation Brands Index is a useful benchmark. Resourcing of national brand strategy: The investment in marketing and communications behind Scotland's reputation internationally must be review urgently and benchmarked against the scale and effectiveness of Ireland, New Zealand and Norway, which would imply a ten-fold increase in resourcing. A longer-term view of risk and reward should be central to the judgement on the investment level and major exporters engaged to enhance the overall offer</p>
<p>24. National Digitalisation 2030 Strategy</p>	<p>a core focus on growth strategy must be the adoption of the target to become a world leader in digitalisation by 2030, building on the Scottish Government's Digital Strategy. A report by Deloitte for the Scottish Futures Trust suggests this could deliver £13 billion to GDP, 175,000 jobs, £2.5 billion in exports and £4.5 billion in tax revenues. The Scottish Futures Trust should be asked to create this strategy immediately identifying the measures required, the role of government and the collaboration needed by the private and other sectors.</p>
<p>25. Universities Growth Strategy Review</p>	<p>We recommend a central role for Universities in Scotland's growth strategy and an immediate review of the policies that are required to help them maximise their contribution. This should be led by a combination of academic, investment, business and policymakers.</p>
<p>26. Government Led Innovation Review</p>	<p>There should be a policy review to assess the impact of previous interventions and to identify the policy requirements to close the R&D gap, improve the commercialisation performance and identify the role of workplace skills in innovation and the creation of a learning economy. Tax measures such as a Dutch-style R&D tax credit scheme and need for an innovation agency such as Finland's Tekes should both be subject of feasibility studies.</p>
<p>27. Top 5 Strategic Development Projects</p>	<p>At any one point in time we recommend that the Scottish Government, Local Authorities and Economic Development agencies should combine to select the top 5 strategic sites for urgent economic development and devote leadership effort and resource to fast-track them. These are likely to be in or around the main cities where the anticipated return on investment is greatest and likely to unlock greater economic activity. The focus of these projects is likely to combine infrastructure, transport and commercial property and residential development in some combination. The Infrastructure Commission could lead the process of selection and oversee delivery. Hub airport development and the opportunity for a freight hub could be specific opportunities to investigate further.</p>
<p>28. Scottish National Investment Bank</p>	<p>We support the creation of the SNIB and recommend that the bank participates with other investors on long-term risk bearing projects requiring equity investment and return. We further recommend that this policy move is considered alongside a more comprehensive review of policy in this area and the organisations and structures that deliver it from local government to national agencies. Close co-ordination with the British Business Bank and its investment priorities would make sense short, medium and long term as would an equivalent dialogue with the Irish Government.</p>

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29. Housing and Growth	A target should be set for all tenures of housing construction to align to broader migration and population strategy and the development of the planning process. In particular all options should be considered to ensure the investment is made in high quality housing that is far more affordable at all levels than at present. Housing should be seen as an integral part of economic and competitiveness strategy.
30. Stop Strategy	It is a relatively simple task to identify more tasks, resources and initiatives that any organisation must engage to improve its performance. It is far more difficult to ensure it stops doing peripheral activity or less impactful work. As part of the economic strategy it is critical that this is a work stream that is prioritised and resourced under senior leadership and governance.

Sustainable Growth Commission – Summary of the current position

Recommendation	Scottish Government position
1. National Economic Strategy	Already doing. Current Economic Strategy remains fit for purpose with Economic Action Plan to be published end October.
2. Next Generation Economic Model	Under consideration. Initial discussions have been held with SpAds.
3. Delivering Cross-Partisanship and Collaboration	As above. EAP will provide a platform for such engagement.
4. Identifying comparative advantage and strategic priority sectors	As above. Initial work to consider Scotland's comparative advantage is already underway.
5. Productivity Commission	Already doing. The Enterprise and Skills Strategic Board was established to assess how Scotland can reach the top OECD quartile for productivity. Additional actions also under consideration as part of EAP – e.g. proposal to pilot Productivity Clubs to share best practice.
6. Frictionless borders and market access	Already doing. SG paper on "Scotland's population needs and migration policy: Discussion paper on evidence, policy and powers for the Scottish Parliament" (February 2018) argues for further powers for Scottish Ministers in relation to migration.
7. Population growth	Already doing. This aligns with ongoing work, e.g. Scotland Is Now.
8. A new 'Come to Scotland' package	As above.
9. Marketing of 'Come to Scotland'	As above.
10. Celebration of the contribution of migrants	As above.
11. International Students and Graduates	As above.
12. International Government and Multi-national Organisation Strategy	Under consideration. Reviewing potential for a broader strategy in light of lessons learned from an initial set of smaller scale examples.
13 A Commission on Gender Pay Equality	Already doing. A Gender Pay Gap Action Plan is to be published by the end of 2018.
14. The JRF target of a 50% reduction of poverty to 10%	Already doing. The new NPF sets out our ambition to eradicate poverty.
15. Long term strategy on participation and inclusion	Under consideration. Inclusive growth is at the heart of the new NPF. The forthcoming EAP will set out how we are achieving it. Longer-term work linked to No 2 above.

16. Labour markets and flexicurity	Under consideration. UKG has competence over significant areas that would prevent implementing a flexicurity model, but there is evidence of links between mobility and job security and inclusive growth outcomes
17. Competitiveness rankings	Under consideration . Linked to No 2 above.
18. Competitive Business Taxation	Already doing. A discussion paper on further taxation powers due to be published later in 2018.
19. Engagement of International Companies and Sectors	Already doing. PfG signalled a step change in driving up exports, with 'A trading nation' to be published in Spring 2019 setting out our approach in more detail. The Enterprise and Skills Strategic Plan contains a policy misison on growing exports.
20. Improved data and analysis	Already doing. Part of the Scottish Government Economic Statistics Plan.
21. Infrastructure Commission	Already doing. The Infrastructure Investment Board provides strategic direction concerning Ministers' ambition for infrastructure investment. As part of a re-refresh of the Infrastructure Investment Plan, an Infrastructure Commission might add a further challenge function. The PfG set out plans for a new national infrastructure ambition.
22. An Export Growth Strategy	Already doing. See 19.
23. National brand strategy	Already doing. See 19 plus Scotland is Now.
24. National Digitalisation 2030 Strategy	Under consideration. Opportunity to blend with a focus on Industry 4.0 (as per the proposal from SCDI) and / or seek to utilise the existing Just Transition Commission. Policy development should be led from SG initaly rather than SFT.
25. Universities Growth Strategy Review	Under consideration. Advice has been presented to DFM. The Enterprise and Skills Strategic Board is looking at the contribution of the agencies (incl funding routed through SFC) as part of their work to develop a Strategic Plan.
26. Government Led Innovation Review	Already doing. SG very active in promoting and supporting innovation, including through the recent E&S Review, subsequent Innovation Action Plan and Scotland CAN DO.
27. Top 5 Strategic Development Projects	Under consideration. Place-based investment / regional economic development is due to be discussed at the next Economy Ministers Group.
28. Scottish National Investment Bank	Already doing. Legislation to establish the Bank is due to be introduced in 2019.
29. Housing and Growth	Already doing. Current target of 50k homes to 2021.
30. Stop Strategy	Under consideration. The EAP will provide a foundation for any such workstream.

Sustainable Growth Commission Report – Analysis of Recommendations for Raising the Potential and Performance of Scottish Economy

DOCUMENT IS IN DRAFT – COMMENTS NOT YET RECEIVED FROM ALL POLICY TEAMS

Introduction

1. The Sustainable Growth Commission published its report in May 2018. The report is in three parts: (A) Raising the potential and performance of the Scottish economy; (B) The framework and strategy for the sustainable public finances of an independent Scotland; and (C) Monetary Policy and Financial Regulation framework for an independent Scotland.

2. Part A of the report concerns raising the potential and performance of the Scottish economy. It considers:

- The performance of the Scottish economy and assesses the potential for improvement;
- Draws on the experience of a benchmark group of the 12 most successful small advanced economies;³
- Sets out some principles for a new Scottish economic model and long term policy strategy;
- Proposes a framework for a Scottish economy designed to match the performance of the benchmark small advanced economies;
- Provides a series of policy recommendations to support these growth aspirations now and with fuller powers.

3. Part A of the report contains 30 recommendations for raising the potential and performance of the Scottish economy. The First Minister has asked for an analysis of the Commission's growth proposals and advice about policy options for making early progress using the current powers, or as the basis of a case for extending those powers. An initial assessment has been requested for the end of June, with more developed advice to be provided during July to allow Ministers to decide what might be included in the next Programme for Government.

4. The purpose of this paper is therefore to summarise the main ideas in the report on growing the economy and to analyse the specific recommendations.

Background

5. The report's analysis of the economy highlights that:

- Scotland is a rich and successful nation in the top 25 of global economies in terms of income per head and ranks near the top in the UK on most long term indicators.
- Scotland has very significant comparative economic assets and advantages, in terms of natural resources, education and skills and sectors with existing and potential global competitiveness.

³ Austria, Belgium, Denmark, Finland, Hong Kong, Ireland, the Netherlands, New Zealand, Norway, Singapore, Sweden, and Switzerland

- Despite abundant resources, other independent countries have performed better than Scotland. The median income of the group of 12 small advanced economies is 14% higher in GDP per head; a gap of £4,100 per person.
- Regional disparity of performance in the UK is the most unequal in Europe, with activity concentrated in London and the South-East of England and the gap between rich and poor in the UK is one of the largest among developed countries.
- Scotland performs close to the UK average in terms of economic performance per person, but has not enjoyed similar levels of population and labour force growth.
- Closing the per capita income gap with the median of the 12 small advanced economies would mean, in today's values, an additional £22 billion in additional GDP and a potential additional £9 billion in tax revenues.
- Brexit will fundamentally change Scotland's economic future and will almost certainly widen the gap between Scotland and comparator countries.
- The already huge difference in economic performance between London and the South East of England and other parts of the UK is likely to increase.
- It is therefore essential to stimulate an inclusive, national debate on Scotland's economic future.

Key themes of the recommendations

6. Annex A contains a full description of the 30 recommendations on Raising Potential and Performance of Scottish Economy.

7. Table 1 analyses the recommendations and groups them into themes. The recommendations cover a broad range and in combination offer a unique package. They also provide a helpful test against which to assess our current economic policy priorities.

8. The following general observations can be made:
- 18 of the recommendations are about producing new strategies, reviews or targets. As such, there is a need to first to consider whether such strategic reviews are required and if so then translate them into a coherent package of policy measures.
 - 6 of the recommendations contain specific policy actions on migration. As such, further assessment can be undertaken as to whether these can be achieved within existing powers.
 - 4 of the recommendations relate to securing competitiveness and business growth, including internationalisation.
 - Two further recommendations relate to the labour market and to data analysis.

9. In many cases, there is already significant policy activity underway but there are opportunities for this to be scaled up or refreshed further. Of the recommendations that include specific policy measures, many can be taken forward with existing powers.

Table 1

Policy Area(s)	Recommendation ID and Name (more detail in link to Annex)	Extent of Evidence on Policy Effectiveness	Feasibility & Deliverability (Current Powers)		
1 - Strategy, Ambitions and Promoting a Collaborative Approach to the Economy	Core Economy Strategies	1	National Economic Strategy	Case Study evidence is provided in the report on the effectiveness of more collaborative - and cross party - approaches to deciding upon economic priorities and strategies. Further evidence could consider how applicable these benefits would be to Scotland (e.g. drawing on Smith Commission, Local Tax Commission, NPF consultation etc).	The Scottish Government action these recommendations under current powers - however it does not have the powers to deliver some of these ambitions (e.g. post-Brexit population target). Given the volume of strategic level activity proposed, there would be merit in exploring sequencing and coherency in advance (e.g. addressing FoA criticisms of a cluttered economic landscape). There is already strong practice on these areas in Scotland (e.g. consultation exercise around NPF, SES etc), however more could be done to clearly link these and for other strategies to be informed by this - e.g. better articulating the NPF vision and Inclusive Growth, drawing on international expertise and defining Scottish ambitions via the Wellbeing Economy Group.
		2	National Discussion on "Next Generation Economic Model"		
		3	Cross Party Collaboration		
		4	Identifying Comparative Advantages		
		5	Productivity Commission		
		22	An Export Growth Strategy		
		26	Innovation Review		
	28	SNIB - and review of related areas			
	Fiscal / Prioritisation Strategies	30	Stop Strategy	More widely, there is no clear evidence that having Government strategies have a positive impact on economic outcomes, however there are case study examples of best practice and success in delivering government strategies.	
		21	Infrastructure Commission		
		27	Identifying Strategic Development Projects		
	Tackling Inequality Strategies	13	Commission on Gender Pay Equality	Scotland has had ambitious targets to match the performance of international comparison countries over the past decade - the NPF Purpose Targets. Before any targets are finalised, an understanding of the feasibility of reaching these targets would be beneficial - bespoke advice can be provided on each target discussed in the report.	
		14	Adoption of JRF poverty reduction target		
		15	participation/inclusion strategy		
		29	Housing Target to be set for all tenures		
Other Strategies	23	National Brand Strategy			
	24	National Digitalisation Strategy			
	25	Universities Growth Strategy Review			
2 - Borders / Migration	Borders	6	Frictionless Borders and Market Access	Strong international evidence in favour of this outcome - evidence of increased trade and productivity. Context makes especially relevant for Scotland (e.g. demographics, rUK exports).	Border controls and arrangements are reserved, and in the context of Brexit, the Scottish Government may best impact this outcome via influencing UKG.
	Migration	8	Welcome to Scotland Pack - Tax reliefs, visa changes etc	Strong evidence of contribution of migrants to the Scottish economy, need	Whilst there are areas in the report where we may be able to take action under

Policy Area(s)		Recommendation ID and Name (more detail in link to Annex)		Extent of Evidence on Policy Effectiveness	Feasibility & Deliverability (Current Powers)
		9	Come to Scotland Marketing - Agency Led	for migrants given demographic constraints and potential contribution of foreign students Evidence on effectiveness of marketing and tax reliefs on migration is weak / undeveloped.	devolved powers, the majority of powers are held at Westminster. % the economic argument advanced by the Commission provides a very strong case for extending the Scottish Government's powers in this area.
		10	Migrant Recognition Campaign		
		11	Attraction and Retention of Foreign Students		
		7	Population Targets		
3 - Securing Competitiveness and Business Growth	Competitiveness	17	Competitiveness Rankings	Strong evidence that some ease of doing business factors can increase growth - however evidence of impact of devolved business taxation is less strong	Some elements of business taxation and "ease of doing business" available to SG - e.g business rates. However large amount reserved to UKG.
		18	Competitive Business Taxation		
	Internationalisation	19	Engagement of international companies and sectors	[To be added]	[To be added]
		12	Attracting International Governmental and Multinational presence		
4 - Labour Market		16	Labour Market Model that encourages both flexibility and job security	Report uses Denmark as a case study of balancing mobility and job security. More widely, strong evidence of links between these areas and inclusive growth outcomes	Package of policies required to deliver - some of these are devolved although many labour market regulation powers are reserved
5 - Analysis and Evaluation		20	Improved Data and Analysis - e.g. trade / balance of payments	N/A - further data can inform public discussion and policy	This is within current powers to deliver.

Specific recommendations – Infrastructure

10. Ministers have previously expressed an interest in an Infrastructure Commission. This is a proposal which could be taken forward as part of a re-fresh of the Infrastructure Investment Plan. Officials aim for the IIP re-fresh to involve greater coherence and common strategic approach across portfolios than the previous 'bottom-up' approaches. A Commission might add grit to the challenge function of considering each portfolio against the common needs e.g. demographic change, economic etc.

11. The Commission also proposes a “significant increase in this [infrastructure investment] in the short to medium term to ensure catch up in digital and physical infrastructure”. This closely aligns to recent advice provided to Ministers to explore a potential National Ambition for increasing infrastructure investment, and proposes a winter consultation on the level, and ways to finance its affordability.

Specific recommendations – Migration

12. On the migration package of measures, whilst there are areas in the report where we may be able to take action under devolved powers, the majority of powers are held at Westminster. For example the report recommends lowering investment thresholds required for migrants to secure visas, something this parliament does not have the power to do. While we promote Scotland as a home for talent, a great location to live, work, study and invest those efforts are hampered by the hostile policy of the UK and are put at further risk by the UK Government's plans to reduce migration to the tens of thousands.

13. Whilst the ability to deliver on the policy ambitions of the Growth Commission in this space are constrained within the Scottish Government's current powers, the economic argument advanced by the Commission provides a very strong case for extending the Scottish Government's powers in this area.

Specific recommendations – Internationalisation

14. The Commission proposes that organisational capacity should urgently be designed and recruited to create and support sector facing business Ambassadors, building on and increasing the prominence of the Global Scots network. This is intended to create a world class dialogue and engagement with those major companies located in Scotland or considering investing in a presence in Scotland to ensure opportunities are maximized and risks mitigated.

15. This is the trajectory Scotland is on, we have four Trade envoys in place, we are still building our capacity to support and monopolise opportunity that having these Trade Envoys in place creates, so it is a little too early to measure the effectiveness of this approach. Current PfG plans contain a proposal to expand the network, however Ministers may want to hold off a little longer to evaluate the effectiveness of the existing network first.

16. The Commission also recommended that the Government should create a strategy for engagement and transitioning of the staff of international governments and multi-national organisations to Scotland. There have already been approaches to Scotland House in London of small organisations that might want to relocate to Scotland. Alongside SDI, officials are just about to scope what the likely opportunity

might be and what would be needed to facilitate this - this is a 3 month piece of work. While the actual job opportunities will likely be small, the bigger opportunity probably lies in that, critical mass,- influencing-internationalisation space.

Progressing the recommendations

17. There is scope to link a number of the themes identified by the commission – and in particular the Commission’s proposals for new strategies and targets – to a range of existing work such as that being undertaken by the Enterprise and Skills Strategic Board. For example, in developing their Strategic Plan they are already examining in detail four policy missions, namely:

- Business creation and growth
- Exporting
- Meeting future skill needs
- Business models and workplace innovation

18. Similarly, the Economy Board is considering productivity as one of its key themes, which has the potential to capture elements of the commission’s proposals in this area. In addition, the Cabinet Secretary for the Economy, Jobs and Fair Work has recently commissioned a review of the current economic measures the Scottish Government operates to see if we can sensibly rationalise or combine any of these to make our offer/input less complicated.

19. In addition to the above, there are a number of other mechanisms through which the proposals can be taken forward, as summarised below.

Table 2

Theme	Sub-themes	Comments on way forward
1. Strategy, Ambitions and Promoting a Collaborative Approach to the Economy	- Core Economy Strategies - Fiscal / Prioritisation Strategies - Tackling Inequality Strategies - Other Strategies	Although many of the core economy strategy recommendations already form part of current SG strategies and activity, there is a need to capture them and develop a new economic narrative. On the fiscal / prioritisation strategy, particularly the recommendations to stop current activity and on an infrastructure commission, there is merit to consider a new challenge function approach and a new programme of appraisal and evaluation.
2. Borders / Migration	- Welcome to Scotland Pack - Tax reliefs, visa changes etc - Come to Scotland Marketing - Agency Led	Used as the basis for arguing for further powers to be devolved. Consider what can be delivered within existing powers and how they lessons learned from other countries

Theme	Sub-themes	Comments on way forward
	<ul style="list-style-type: none"> - Migrant Recognition Campaign - Attraction and Retention of Foreign Students - Population Targets 	can best be translated to be effective in Scotland.
3. Securing Competitiveness and Business Growth	<ul style="list-style-type: none"> - Competitiveness Rankings - Competitive Business Taxation - Engagement of international companies and sectors - Attracting International Governmental and Multinational presence 	Take forward further work on the package of measures on internationalisation and consider whether can be delivered within existing powers.
4. Labour Market	- Labour Market Model that encourages both flexibility and job security	[To be discussed with employability policy]
5. Analysis and Evaluation	- Improved Data and Analysis - e.g. trade / balance of payments	Take forward new trade data developments in the Economic Statistics Plan

Office of the Chief Economic Adviser

15 June 2018

ANNEX A: List of Recommendations on Raising Potential and Performance of Scottish Economy

Recommendation	Description
1. National Economic Strategy	The creation of an overarching national economic strategy that (as far as is possible) focuses on long term goals and secures broad cross partisan and sectoral support should be the central goal of growth policy. This is and of itself a necessary but not sufficient factor for success. Growth goals: The Strategy should include globally ambitious growth goals, to i) First 10 years: catching up with the small advanced economies average growth rate (currently 2.5%) (ii) Years 10 to 25: closing the GDP per capita gap with the small advanced economies (with period of 3.5% growth) (iii) maintaining a GDP per capita position in line with the top half of the small advanced economies group.
2. Next Generation Economic Model	A national debate should be commenced on the model we seek for the long-term. Choosing matters and the manner of choosing helps determine the sustainability of the choice, since the central lesson from the success of small advanced economies is that they have achieved consensus about long-term priorities and have a collaborative approach to pursuing those priorities. Our recommended starting point for that national debate, is based on learning the lessons from benchmark small advanced economies and applying them intelligently to Scotland's circumstances, needs and opportunities. The features of that model (leaning especially on the lessons of Denmark, Finland and New Zealand) include: quality of governance, long-term cross partisan strategy, a focus on innovation, being a competitive location for international investment, exploiting Scotland's resource endowment, an export-orientation, migration-friendly, where flexible labour markets combine with fair and progressive work and active employment policies, maintaining a highly skilled workforce with transferable skills, using taxation as a tool for economic development but not competing as a low tax location, placing inclusive growth at the heart of the strategy and viewing quality of life as both an asset and objective.
3. Delivering Cross-Partisanship and Collaboration	A cross-partisan collaborative approach to policymaking against the long-term national strategic framework should be institutionalised. Direct engagement across sectors, business representative, employee representative and other policy groups should be institutionalised to ensure that the national economic strategy remains a vital and dynamic part of policymaking.
4. Identifying comparative advantage and strategic priority sectors	while we are leery of the idea of 'picking winners' a clear choice should be considered in identifying and promoting those areas (rather than particular firms) in which we judge the Scottish economy to have sustainable comparative advantage. The process of selecting strategic priorities should be a key output of the process identified in (2) and (3)
5. Productivity Commission	We recommend the establishing of a Productivity Commission in Scotland, to identify opportunities for productivity improvement would be useful. Adopting a fixed-term model, as in Denmark or Norway, would be an easy way to start – with an option to establish a New Zealand style Productivity Commission model if appropriate.

6. Frictionless borders and market access	Securing frictionless borders with the rest of the UK and EU should be a top strategic priority of the Scottish Government. Brexit places a material risk on Scotland's access to export and import markets and the free movement of people, capital, goods and services and must therefore be resisted vigorously. The alternative will be a severe reduction in living standards, growth and employment levels. Scotland has more at stake than most small nations in the coherence of the process of fair global integration. The lessons of the Scottish enlightenment and history since must be kept front of mind by all
7. Population growth	Targeting a growing population of working age and the attraction of talented migrants should be a top priority of Scottish Government economic policy and marketed vigorously to the rest of the UK and the world. Scotland should seek to be regarded as the most talent friendly country in the world.
8. A new 'Come to Scotland' package	<p>a package of incentives including:</p> <ul style="list-style-type: none"> • A 'transition relief' package of tax incentives to reduce the cost of moving to Scotland, and for graduates of Scottish Universities to stay on should be the headline instrument. • A reduced capital threshold for investors who are required to provide this • A reduced investment threshold for business start-ups • A new visa system benchmarked on the most efficient and easy to use in the world
9. Marketing of 'Come to Scotland'	The marketing of this package and the overall approach should be a major part of the country's international and UK marketing investment and the communications strategy for the internationally facing Scottish agencies. As far as possible the intention will be to secure cross partisan support for the whole approach which also attracts engagement from our major employers, exporters and universities. The budget should reflect the priority as should the engagement of senior Ministers and officials.
10. Celebration of the contribution of migrants	A complimentary programme of internally focused public engagement on the contribution of our migrant and 'new Scots' communities should be embedded in the work of the Government, Local Authorities and across Parliament.
11. International Students and Graduates	The attraction and retention of international students should be a priority of policy and changes made immediately to alleviate the constraints caused by UK policy. These changes should include both visa changes to allow more students to stay in Scotland long enough to secure employment appropriate to their qualifications and tax incentives for the first three years of employment (in recognition of the social, economic and exchequer contributions already made)

12. International Government and Multi-national Organisation Strategy	One of the existing internationally facing elements of the Government or indeed a combined international department or agency should be tasked with creating a strategy for engagement and transitioning of the staff of international governments and multi-national organisations to Scotland. As well as providing a great home for countries and organisations that wish to engage with Scotland the strategy should aim to provide a home for as many international facing organisations in function or headquarter as is possible. A warm welcome should be matched with a professional service to ease transition cost effectively.
13 A Commission on Gender Pay Equality	should be created with a remit to consult and engage across the economy and consider the best policies and incentives to produce a purposeful reduction in the gap with the performance of the best performing small advanced economies, especially New Zealand.
14. The JRF target of a 50% reduction of poverty to 10%	a 50% reduction of poverty to 10% of the population should be agreed within a stretching but achievable time frame. This policy should be elevated to central strategic importance in the overall strategy and prioritised accordingly in resource allocation
15. Long term strategy on participation and inclusion	agreement should be sought on the central importance of participation and inclusion to sustainable economic growth and a framework set up to oversee long term policy intervention and resource allocation frome.g. The Fund for Future Generations. Whilst inclusive growth is already a policy priority of the Scottish Government, the full powers of independence will provide an opportunity to expand the priority across all policy areas that can contribute, including fiscal policy, industrial strategy, social security, economic participation and fair work, education and skills and community engagement. Strategic communication on the costs of inequality should be a priority of government and political strategies. It is important to build a wider public understanding of the realities of the short and longterm costs so that agreement and support can be obtained for longer term interventions.
16. Labour markets and flexicurity	Scotland can learn from Denmark and move to a flexicurity model, with flexible labour markets but without the insecurity the UK benefits system promotes. This would be expected to deliver lower unemployment, particularly lower youth unemployment and enhance productivity by stabilising investment incentives. We recommend a consultation of how a move can be made to establish a Scottish flexicurity model.
17. Competitiveness rankings	Improving the rankings of Scotland in the main competitiveness rankings should be a core long-term aim of economic policy and the trade-offs involved considered and solutions agreed for the long term.
18. Competitive Business Taxation	As part of the review of taxation recommended in Part B we recommend that the impact of business taxation on growth performance is carefully assessed. We are interested in the potential to tailor the Dutch R&D tax credit scheme, enhance incentives for longer term equity investment and improve capital allowances. While we do not consider that competitive use of profit taxation (corporation tax) is an optimal strategic tool, we do recommend that the headline rate of corporation tax should not rise above the level prevailing in the rest of the UK. As

	with all taxation the impact of the overall structure on both the tax base and revenue generation should be carefully assessed to ensure the more effective system is deployed.
19. Engagement of International Companies and Sectors	organisational capacity should urgently be designed and recruited to create and support sector facing business Ambassadors, building on and increasing the prominence of the Global Scots network. This is intended to create a world class dialogue and engagement with those major companies located in Scotland or considering investing in a presence in Scotland to ensure opportunities are maximized and risks mitigated.
20. Improved data and analysis	There are gaps in the data that are available on Scotland's trade balance, and on the wider balance of payments position which should be addressed in the short so that the evidence is available on which decisions on policy and assessments of its success can be based. This is an immediate priority.
21. Infrastructure Commission	An Infrastructure Commission should be established to provide strategic advice, based on a research programme, to align investment with long term economic development aspirations. This should engage across sectors to seek a national agreement on the long-term priorities and plan. A significant increase in annual investment should be coasted and the best means of delivering it identified. If 0.8% of GDP is identified as a go-ahead optimal steady state by some, there is a strong case for a significant increase in this in the short to medium term to ensure catch up in digital and physical infrastructure which will further carry economic benefits that could secure the 'pay-back' to investment in due course.
22. An Export Growth Strategy	<p>Should be created urgently in consultation with the main exporting sectors, companies and potential exporters especially in smaller companies.</p> <p>The aim of this strategy must be to dramatically increase the value of exports overall and to diversify the source of export income very considerably as countries such as Ireland have achieved in recent decades. The promotion of Scotland's exports should be a central part of the marketing effort of the country alongside migration encouragement. Measures could include the following elements:</p> <ul style="list-style-type: none"> • establish a Ministry for Trade and Foreign Affairs to oversee a new and heavily integrated approach to trade, investment and economic diplomacy; • build a new embassy and consular network with economic diplomacy as its core purpose and with the ability to help harness and direct all of Scotland's international activity; • retain the link between internationalisation and wider business support through the enterprise networks but with increasing emphasis on, and incentivisation of, growing the number of domestic firms engaged in exporting activity; • establish a stronger, better funded inward investment agency with an independent and high-level Board including representatives of indigenous and investor business communities;

23. National brand strategy	The development of a national brand and campaign is critical to support broader export. Increasing Scotland's position in the Anholt-GfK Roper Nation Brands Index is a useful benchmark. Resourcing of national brand strategy: The investment in marketing and communications behind Scotland's reputation internationally must be review urgently and benchmarked against the scale and effectiveness of Ireland, New Zealand and Norway, which would imply a ten-fold increase in resourcing. A longer-term view of risk and reward should be central to the judgement on the investment level and major exporters engaged to enhance the overall offer
24. National Digitalisation 2030 Strategy	a core focus on growth strategy must be the adoption of the target to become a world leader in digitalisation by 2030, building on the Scottish Government's Digital Strategy. A report by Deloitte for the Scottish Futures Trust suggests this could deliver £13 billion to GDP, 175,000 jobs, £2.5 billion in exports and £4.5 billion in tax revenues. The Scottish Futures Trust should be asked to create this strategy immediately identifying the measures required, the role of government and the collaboration needed by the private and other sectors.
25. Universities Growth Strategy Review	We recommend a central role for Universities in Scotland's growth strategy and an immediate review of the policies that are required to help them maximise their contribution. This should be led by a combination of academic, investment, business and policymakers.
26. Government Led Innovation Review	There should be a policy review to assess the impact of previous interventions and to identify the policy requirements to close the R&D gap, improve the commercialisation performance and identify the role of workplace skills in innovation and the creation of a learning economy. Tax measures such as a Dutch-style R&D tax credit scheme and need for an innovation agency such as Finland's Tekes should both be subject of feasibility studies.
27. Top 5 Strategic Development Projects	at any one point in time we recommend that the Scottish Government, Local Authorities and Economic Development agencies should combine to select the top 5 strategic sites for urgent economic development and devote leadership effort and resource to fast-track them. These are likely to be in or around the main cities where the anticipated return on investment is greatest and likely to unlock greater economic activity. The focus of these projects is likely to combine infrastructure, transport and commercial property and residential development in some combination. The Infrastructure Commission could lead the process of selection and oversee delivery. Hub airport development and the opportunity for a freight hub could be specific opportunities to investigate further.
28. Scottish National Investment Bank	We support the creation of the SNIB and recommend that the bank participates with other investors on long-term risk bearing projects requiring equity investment and return. We further recommend that this policy move is considered alongside a more comprehensive review of policy in this area and the organisations and structures that deliver it from local government to national agencies. Close co-ordination with the British Business Bank and its investment priorities would make sense short, medium and long term as would an equivalent dialogue with the Irish Government.

29. Housing and Growth	A target should be set for all tenures of housing construction to align to broader migration and population strategy and the development of the planning process. In particular all options should be considered to ensure the investment is made in high quality housing that is far more affordable at all levels than at present. Housing should be seen as an integral part of economic and competitiveness strategy.
30. Stop Strategy	It is a relatively simple task to identify more tasks, resources and initiatives that any organisation must engage to improve its performance. It is far more difficult to ensure it stops doing peripheral activity or less impactful work. As part of the economic strategy it is critical that this is a work stream that is prioritised and resourced under senior leadership and governance.

Sustainable Growth Commission Report – Summary of Discussion and Recommendations

Introduction

20. The Sustainable Growth Commission published its report in May 2018. The report is in three parts: (A) Raising the Potential and Performance of the Scottish Economy; (B) The Framework and Strategy for the Sustainable Public Finances of an Independent Scotland; and (C) Monetary Policy and Financial Regulation Framework for an Independent Scotland.
21. Part A of the report may be of particular relevance for the Council of Economic Advisers (CEA) given that it covers the current economic conditions in Scotland as well as the fact that some of the recommendations in this section could be adopted, or partially adopted, by the Scottish Government within its existing powers. For example, the Commission support the development of the Scottish National Investment Bank – of relevance for the CEA’s innovation work stream. They also recommend a national debate is commenced on Scotland’s long term economic model, which places inclusive growth at the heart of the resulting strategy and views quality of life as both an asset and objective – of relevance for both the CEA’s inclusive growth work stream and recent progress on the Wellbeing Economy Governments initiative.
22. Parts B and C deal with fiscal and monetary recommendations for an independent Scotland, including fiscal rules, tax revenues from North Sea Oil and the currency of an independent Scotland. They therefore cover similar issues to those assessed by the Fiscal Commission Working Group (FCWG), a previous sub-group of the CEA, prior to the 2014 Independence referendum.
23. Most media coverage focussed on the Growth Commissions’ recommendations on the currency of an independent Scotland. Similar to the FCWG, this commission recommends that an independent Scotland should continue to use Sterling as its’ currency.
24. The main difference between the FCWG recommendations and the Growth Commission proposal is that the Growth Commission says that a formal monetary union would not be required.
25. The Growth Commission report does not include new analysis on the currency of an independent Scotland. The report states that the Commission has “thoroughly reviewed the extensive work that was undertaken by the Fiscal Commission” and “most of the detailed work that was undertaken (by the Fiscal Commission), including the details of institutional design, remains valid and we see no need to repeat it”.
26. This briefing sets out the context and recommendations contained within each section of the report, with a page long summary of each section set out below. **Annex A** sets out the recommendations of Part A in more detail.

Raising the Potential and Performance of the Scottish Economy (Part A)

27. The report highlights that:

- Scotland is a rich and successful nation in the top 25 of global economies in terms of income per head and ranks near the top in the UK on most long term indicators.
- Scotland has very significant comparative economic assets and advantages, in terms of natural resources, education and skills and sectors with existing and potential global competitiveness.
- Despite abundant resources, other independent countries have performed better than Scotland. The median income of the group of 12 small advanced economies is 14% higher in GDP per head; a gap of £4,100 per person.
- Regional disparity of performance in the UK is the most unequal in Europe, with activity concentrated in London and the South-East of England.
- Scotland performs close to the UK average in terms of economic performance per person, but has not enjoyed similar levels of population and labour force growth.
- Closing the per capita income gap with the median of the 12 small advanced economies would mean, in today's values, an additional £22 billion in additional GDP and a potential additional £9 billion in tax revenues.
- Brexit will fundamentally change Scotland's economic future and will almost certainly widen the gap between Scotland and comparator countries.
- The already huge difference in economic performance between London and the South East of England and other parts of the UK is likely to increase.
- It is therefore essential to stimulate an inclusive, national debate on Scotland's economic future.
- Scotland's resources and talent, combined with good decision-making and the ability to tailor policy, can lead to improved economic performance and avoidance of a low growth future in a UK outside the EU.

28. The recommendations in this section of the report cover a broad range of economic issues and provide a test against which to assess our current economic policy priorities, they can be viewed through the lens of five broad themes:

- 18 of the recommendations are about producing new strategies, reviews or targets, which reflect the overall approach of economic development advocated by the Commission and promoting a collaborative approach to the economy;
- 6 of the recommendations contain specific policy actions on migration;
- 4 of the recommendations relate to securing competitiveness and business growth, including internationalisation, and:
- 2 further recommendations relate to the labour market and to data analysis / evaluation.

29. **Annex A** provides a summary of the recommendations and **Annex B** contains a full description of the 30 recommendations.

The Framework and Strategy for the Sustainable Public Finances of an Independent Scotland (Part B)

30. The second section of the report builds on established fiscal data (GERS) to set out information on the fiscal position that an independent Scotland would inherit,
- The report states that excluding oil, Scotland's inherited deficit in 2021-22 is estimated at -5.9% of GDP, compared to -7.1% under current constitutional arrangements. This assumes lower spending on defence (0.4% of GDP) and debt servicing costs (0.4 of GDP%) and some other services (0.8% of GDP).
 - The report notes that the distribution of assets and liabilities would ultimately be a matter for negotiations. However, using data on UK assets and liabilities, the Commission recommends that Scotland should make an Annual Solidarity Payment to go towards previous UK debt and shared commitments. Over time, this annual payment would decrease, both in real terms and as a share of GDP.
 - The report also estimates the costs of establishing new departments, a central bank and a financial regulator
31. The report also discusses fiscal rules that could be used to encourage fiscal sustainability:
- The report recommends adopting the following fiscal rules:
 - The deficit is reduced to below 3% of GDP within 5 to 10 years;
 - That national debt does not increase beyond 50% of GDP and stabilises at that level.
 - Borrowing is undertaken for public investment only over the course of the economic cycle.
 - To this end, the report recommends that public spending should grow, but that this growth should be less than the growth in the wider economy to reduce Scotland's deficit.
 - The Growth Commission's fiscal projections do not rely on strong North Sea receipts. This is because the Commission consider oil a windfall revenue, which they recommend should be set aside in a Fund for Future Generations, rather than used to fund current expenditure.

Monetary Policy and Financial Regulation Framework for an Independent Scotland (Part C)

- The Commission recommends that the currency of an independent Scotland should remain the pound sterling. The report states that a formal monetary union will not be required.
- The report acknowledges the continued use of sterling means that the Scottish Government would not secure monetary policy autonomy. However, the Commission believes that the advantages of stability outweigh the benefits of introducing a new currency.
- The report also acknowledges that in the longer run, it may be preferable for Scotland to move to an independent Scottish currency. The Commission recommends six tests which the report anticipates an independent Scotland would not be ready to meet until the end of the first decade following an independence vote.
 - Fiscal sustainability.
 - Central bank credibility and stability of debt issuance.
 - Financial requirements of Scottish residents and businesses.
 - Sufficiency of foreign exchange and financial reserves.
 - Fit to trade and investment patterns.
 - Correlation of economic and trade cycle with the rest of the UK and other main trading partners.
- The Commission recommends that two new institutions are set up, the Scottish Central Bank (SCB) and a Scottish Financial Authority (SFA).
 - Scottish Central Bank would act as banker to the Scottish Government, holding deposits and providing liquidity support for Scottish retail banks and provide a clearing system for these banks.
 - The SCB will act as lender of last resort to individual banks with a liquidity rather than solvency problem and provide emergency liquidity assistance to the banking system where there is a systemic need. Financial support should only be provided to the ring-fenced retail entities operating in Scotland. It should not extend to the holding companies of retail banks whether operating in Scotland or elsewhere. The report acknowledges that a number of banks (e.g. RBS and Lloyds Banking Group) may re-domicile their registered headquarters to London and may impact tax revenues and the operational activities in the Scottish banking sector.
 - Scottish Financial Authority would adopt the responsibilities of the UK Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA).

**Office of the Chief Economist
July 2018**

Theme	Sub-theme	ID	Name	Description (copied from the report)
1 - Strategy, Ambitions and Promoting a Collaborative Approach to the Economy	Core Economy Strategies	1	National Economic Strategy	The creation of an overarching national economic strategy that (as far as is possible) focuses on long term goals and secures broad cross partisan and sectoral support should be the central goal of growth policy. This is and of itself a necessary but not sufficient factor for success. Growth goals: The Strategy should include globally ambitious growth goals, to i) First 10 years: catching up with the small advanced economies average growth rate (currently 2.5%) (ii) Years 10 to 25: closing the GDP per capita gap with the small advanced economies (with period of 3.5% growth) (iii) maintaining a GDP per capita position in line with the top half of the small advanced economies group.
		2	National Discussion on "Next Generation Economic Model"	A national debate should be commenced on the model we seek for the long-term. Choosing matters and the manner of choosing helps determine the sustainability of the choice, since the central lesson from the success of small advanced economies is that they have achieved consensus about long-term priorities and have a collaborative approach to pursuing those priorities. Our recommended starting point for that national debate, is based on learning the lessons from benchmark small advanced economies and applying them intelligently to Scotland's circumstances, needs and opportunities. The features of that model (leaning especially on the lessons of Denmark, Finland and New Zealand) include: quality of governance, long-term cross partisan strategy, a focus on innovation, being a competitive location for international investment, exploiting Scotland's resource endowment, an export-orientation, migration-friendly, where flexible labour markets combine with fair and progressive work and active employment policies, maintaining a highly skilled workforce with transferable skills, using taxation as a tool for economic development but not competing as a low tax location, placing inclusive growth at the heart of the strategy and viewing quality of life as both an asset and objective.
		3	Cross Party Collaboration	A cross-partisan collaborative approach to policymaking against the long-term national strategic framework should be institutionalised. Direct engagement across sectors, business representative, employee representative and other policy groups should be institutionalised to ensure that the national economic strategy remains a vital and dynamic part of policymaking.
		4	Identifying Comparative Advantages	While we are leery of the idea of 'picking winners' a clear choice should be considered in identifying and promoting those areas (rather than particular firms) in which we judge the Scottish economy to have sustainable comparative advantage. The process of selecting strategic priorities should be a key output of the process identified in (2) and (3)
		5	Productivity Commission	We recommend the establishing of a Productivity Commission in Scotland, to identify opportunities for productivity improvement would be useful. Adopting a fixed-term model, as in Denmark or Norway, would be an easy way to start – with an option to establish a New Zealand style Productivity Commission model if appropriate.
		28	SNIB - and review of related areas	We support the creation of the SNIB and recommend that the bank participates with other investors on long-term risk bearing projects requiring equity investment and return. We further

Theme	Sub-theme	ID	Name	Description (copied from the report)
				recommend that this policy move is considered alongside a more comprehensive review of policy in this area and the organisations and structures that deliver it from local government to national agencies. Close co-ordination with the British Business Bank and its investment priorities would make sense short, medium and long term as would an equivalent dialogue with the Irish Government.
		26	Innovation Review	There should be a policy review to assess the impact of previous interventions and to identify the policy requirements to close the R&D gap, improve the commercialisation performance and identify the role of workplace skills in innovation and the creation of a learning economy. Tax measures such as a Dutch-style R&D tax credit scheme and need for an innovation agency such as Finland's Tekes should both be subject of feasibility studies.
		22	An Export Growth Strategy	Should be created urgently in consultation with the main exporting sectors, companies and potential exporters especially in smaller companies. The aim of this strategy must be to dramatically increase the value of exports overall and to diversify the source of export income very considerably as countries such as Ireland have achieved in recent decades. The promotion of Scotland's exports should be a central part of the marketing effort of the country alongside migration encouragement. Measures could include the following elements: <ul style="list-style-type: none"> • establish a Ministry for Trade and Foreign Affairs to oversee a new and heavily integrated approach to trade, investment and economic diplomacy; • build a new embassy and consular network with economic diplomacy as its core purpose and with the ability to help harness and direct all of Scotland's international activity; • retain the link between internationalisation and wider business support through the enterprise networks but with increasing emphasis on, and incentivisation of, growing the number of domestic firms engaged in exporting activity; • establish a stronger, better funded inward investment agency with an independent and high-level Board including representatives of indigenous and investor business communities;
	Tackling Inequality Strategies	13	Commission on Gender Pay Equality	should be created with a remit to consult and engage across the economy and consider the best policies and incentives to produce a purposeful reduction in the gap with the performance of the best performing small advanced economies, especially New Zealand.
14		Adopt JRF poverty reduction target	a 50% reduction of poverty to 10% of the population should be agreed within a stretching but achievable time frame. This policy should be elevated to central strategic importance in the overall strategy and prioritised accordingly in resource allocation	
15		Participation/inclusion strategy	agreement should be sought on the central importance of participation and inclusion to sustainable economic growth and a framework set up to oversee long term policy intervention	

Theme	Sub-theme	ID	Name	Description (copied from the report)
				and resource allocation from e.g. The Fund for Future Generations. Whilst inclusive growth is already a policy priority of the Scottish Government, the full powers of independence will provide an opportunity to expand the priority across all policy areas that can contribute, including fiscal policy, industrial strategy, social security, economic participation and fair work, education and skills and community engagement. Strategic communication on the costs of inequality should be a priority of government and political strategies. It is important to build a wider public understanding of the realities of the short and long-term costs so that agreement and support can be obtained for longer term interventions.
		29	Housing and Growth	A target should be set for all tenures of housing construction to align to broader migration and population strategy and the development of the planning process. In particular all options should be considered to ensure the investment is made in high quality housing that is far more affordable at all levels than at present. Housing should be seen as an integral part of economic and competitiveness strategy
	Other Strategies	23	National Brand Strategy	The development of a national brand and campaign is critical to support broader export. Increasing Scotland's position in the Anholt-GfK Roper Nation Brands Index is a useful benchmark. Resourcing of national brand strategy: The investment in marketing and communications behind Scotland's reputation internationally must be review urgently and benchmarked against the scale and effectiveness of Ireland, New Zealand and Norway, which would imply a ten-fold increase in resourcing. A longer-term view of risk and reward should be central to the judgement on the investment level and major exporters engaged to enhance the overall offer
		24	National Digitalisation Strategy	a core focus on growth strategy must be the adoption of the target to become a world leader in digitalisation by 2030, building on the Scottish Government's Digital Strategy. A report by Deloitte for the Scottish Futures Trust suggests this could deliver £13 billion to GDP, 175,000 jobs, £2.5 billion in exports and £4.5 billion in tax revenues. The Scottish Futures Trust should be asked to create this strategy immediately identifying the measures required, the role of government and the collaboration needed by the private and other sectors.
		25	Universities Growth Strategy Review	We recommend a central role for Universities in Scotland's growth strategy and an immediate review of the policies that are required to help them maximise their contribution. This should be led by a combination of academic, investment, business and policymakers.
	Investment / Prioritisation Strategies	21	Infrastructure Commission	An Infrastructure Commission should be established to provide strategic advice, based on a research programme, to align investment with long term economic development aspirations. This should engage across sectors to seek a national agreement on the long-term priorities and plan. A significant increase in annual investment should be coasted and the best means of delivering it identified. If 0.8% of GDP is identified as a go-ahead optimal steady state by some, there is a strong case for a significant increase in this in the short to medium term to ensure catch up in

Theme	Sub-theme	ID	Name	Description (copied from the report)
				digital and physical infrastructure which will further carry economic benefits that could secure the 'pay-back' to investment in due course.
		27	Identifying Strategic Development Projects	At any one point in time we recommend that the Scottish Government, Local Authorities and Economic Development agencies should combine to select the top 5 strategic sites for urgent economic development and devote leadership effort and resource to fast-track them. These are likely to be in or around the main cities where the anticipated return on investment is greatest and likely to unlock greater economic activity. The focus of these projects is likely to combine infrastructure, transport and commercial property and residential development in some combination. The Infrastructure Commission could lead the process of selection and oversee delivery. Hub airport development and the opportunity for a freight hub could be specific opportunities to investigate further.
		30	Stop Strategy	It is a relatively simple task to identify more tasks, resources and initiatives that any organisation must engage to improve its performance. It is far more difficult to ensure it stops doing peripheral activity or less impactful work. As part of the economic strategy it is critical that this is a work stream that is prioritised and resourced under senior leadership and governance.
2 - Borders / Migration	Borders	6	Frictionless Borders and Market Access	Securing frictionless borders with the rest of the UK and EU should be a top strategic priority of the Scottish Government. Brexit places a material risk on Scotland's access to export and import markets and the free movement of people, capital, goods and services and must therefore be resisted vigorously. The alternative will be a severe reduction in living standards, growth and employment levels. Scotland has more at stake than most small nations in the coherence of the process of fair global integration. The lessons of the Scottish enlightenment and history since must be kept front of mind by all
	Migration	8	Welcome to Scotland Pack - Tax reliefs, visa changes etc	A package of incentives including: <ul style="list-style-type: none"> • A 'transition relief' package of tax incentives to reduce the cost of moving to Scotland, and for graduates of Scottish Universities to stay on should be the headline instrument. • A reduced capital threshold for investors who are required to provide this • A reduced investment threshold for business start-ups • A new visa system benchmarked on the most efficient and easy to use in the world
		9	Come to Scotland Marketing - Agency Led	The marketing of this package and the overall approach should be a major part of the country's international and UK marketing investment and the communications strategy for the internationally facing Scottish agencies. As far as possible the intention will be to secure cross partisan support for the whole approach which also attracts engagement from our major employers, exporters and universities. The budget should reflect the priority as should the engagement of senior Ministers and officials.

Theme	Sub-theme	ID	Name	Description (copied from the report)
		10	Migrant Recognition Campaign	A complimentary programme of internally focused public engagement on the contribution of our migrant and 'new Scots' communities should be embedded in the work of the Government, Local Authorities and across Parliament.
		11	Attraction and Retention of Foreign Students	The attraction and retention of international students should be a priority of policy and changes made immediately to alleviate the constraints caused by UK policy. These changes should include both visa changes to allow more students to stay in Scotland long enough to secure employment appropriate to their qualifications and tax incentives for the first three years of employment (in recognition of the social, economic and exchequer contributions already made)
		7	Population Targets	Targeting a growing population of working age and the attraction of talented migrants should be a top priority of Scottish Government economic policy and marketed vigorously to the rest of the UK and the world. Scotland should seek to be regarded as the most talent friendly country in the world.
3 - Securing Competitiveness and Business Growth	Competitiveness	17	Competitiveness Rankings	Improving the rankings of Scotland in the main competitiveness rankings should be a core long-term aim of economic policy and the trade-offs involved considered and solutions agreed for the long term.
		18	Competitive Business Taxation	As part of the review of taxation recommended in Part B we recommend that the impact of business taxation on growth performance is carefully assessed. We are interested in the potential to tailor the Dutch R&D tax credit scheme, enhance incentives for longer term equity investment and improve capital allowances. While we do not consider that competitive use of profit taxation (corporation tax) is an optimal strategic tool, we do recommend that the headline rate of corporation tax should not rise above the level prevailing in the rest of the UK. As with all taxation the impact of the overall structure on both the tax base and revenue generation should be carefully assessed to ensure the more effective system is deployed.
	Internationalisation	19	Engagement of international companies and sectors	Organisational capacity should urgently be designed and recruited to create and support sector facing business Ambassadors, building on and increasing the prominence of the Global Scots network. This is intended to create a world class dialogue and engagement with those major companies located in Scotland or considering investing in a presence in Scotland to ensure opportunities are maximized and risks mitigated.
		12	Attracting International Governmental and Multinational presence	One of the existing internationally facing elements of the Government or indeed a combined international department or agency should be tasked with creating a strategy for engagement and transitioning of the staff of international governments and multi-national organisations to Scotland. As well as providing a great home for countries and organisations that wish to engage with Scotland the strategy should aim to provide a home for as many international facing organisations in function or headquarter as is possible. A warm welcome should be matched with a professional service to ease transition cost effectively.

Theme	Sub-theme	ID	Name	Description (copied from the report)
4 - Labour Market		16	Labour Market Model that encourages both flexibility and job security	Scotland can learn from Denmark and move to a flexicurity model, with flexible labour markets but without the insecurity the UK benefits system promotes. This would be expected to deliver lower unemployment, particularly lower youth unemployment and enhance productivity by stabilising investment incentives. We recommend a consultation of how a move can be made to establish a Scottish flexicurity model.
5 - Analysis and Evaluation		20	Improved Data and Analysis - e.g. trade / balance of payments	There are gaps in the data that are available on Scotland's trade balance, and on the wider balance of payments position which should be addressed in the short so that the evidence is available on which decisions on policy and assessments of its success can be based. This is an immediate priority.

Economic Action Plan – Development of Further Economic Stimulus

No	Action	Owner(s)	Links to others
Requests directly from Cab Sec FEFW			
1	Growth commission recommendations within devolution (see overpage)	GG, SA	6, 11, 12, 13, 17
2	Enhance presence and use of Scotland House and other international facilities for trade/business	KQ, KW	3, 8
3	'Invest in Scotland' prospectus – prospectus and material	KQ, KW, SD	2
4	Stronger actual business growth support presence at future National Economic forums	MMcA, SD, GG	
5	Further work on conditionality of government grants to maximise business pledge and tax reliefs	MMcA, GW, AS	15
6	Consider re-establishing a cross party population (& include productivity) forum to impress upon UK government the consensus in Scotland	GG, DM, LD	1
Priorities identified in FEFW Economy Team Meeting			
7	Upskilling (e.g. Code Clan)	DM	18
8	A refresh of Global Scots	KQ, KW	2
9	Trail tax plans ahead of the Budget	AS, AG	
10	Trail infrastructure pipeline ahead of the Budget	AS, RG	
Policy proposals already in development			
11	Productivity Hubs in partnership with SCDI	SA, SB	1, 17
12	Industry 4.0 Commission	SA, SB	1, 14, 20
Policy options listed from EJFW Cmte			
13	Increase the integration of practical entrepreneurial, commercial and problem solving skills into college and university courses.	DM, AMcK	1
14	Review the labour market strategy to ensure that its policies reflect developments in automation and technology in the workplace. The committee also asks that the enterprise and skills agencies set out a range of actions to reflect developments in automation and technology in the workplace.	DM, SB	12
15	Take social impact into account in procurement decisions.	AS, GW	5
16	Give further consideration to the role of Business Gateway within the wider ecosystem of public sector support agencies.	DM, MMcA	
17	Encourage businesses in Scotland to seek out such learning, from those who are succeeding in what they do.	MMcA, SB	11
18	Considers what more could be done to support job transitions, in-work training and reskilling	DM	7
19	Take further action on matching the skills needs of businesses, including language skills, with its education policies	DM, AMcK	

20	Balance the continual need to support young people seeking apprenticeship opportunities with consideration of apprentice opportunities for older people. Particular focus should be given to sectors that are seeing changing skill needs and increased digitisation.	DM	7, 12

From: [redacted]> **On Behalf Of** Director of Advanced Learning and Science

Sent: 26 June 2018 10:42

To: [redacted]

Cc: Director of Advanced Learning and Science <DirectorofAdvancedLearningandScience@gov.scot>; Macdonald R (Roddy) <Roddy.Macdonald@gov.scot>; [redacted] Lowe P (Paul) <Paul.Lowe@gov.scot>

Subject: FW: Economy Steering Group - draft paper for the Economy Board on developing an economic narrative

Hi [redacted]

On the Sustainable Growth Commission paper for the economy board there is a commentary on foreign students and making the visa process simpler all of which is in line with SG's current position. We note recommendation 25 relating to a Universities Growth Strategy review.

We agree that universities are central to economic growth and they are already a key part of our economic strategy but we are not quite sure where this recommendation is coming from. There is already considerable work in this area – including work on supporting their role through the Scotland Can Do Innovation Action Plan and Forum. Similarly the Enterprise and Skills Strategic Board also will be looking at how universities can support sustainable growth and any barriers to this. It would be good if possible to flag that within the paper.

On the second paper just a couple of observations really:-

- Government and public sector are a major procurer of goods and services, potentially we have a collective lever to invest in innovative approaches

- We are also seeing very different models of up-skilling now not just the traditional university and college routes, such as tech incubators, private providers and innovation hubs. Code clan for example are delivering people into tech jobs after 3 months of intensive training, professional and technical qualifications like the Microsoft tech quals are often gateways into employment. Do we need to nod to the fact that this aspect is more nuanced in the innovation space?

Hope this is helpful and come back to me if you wish to discuss

Cheers

[redacted]

[redacted]

Business Manager

Advanced Learning and Science

Tel: [redacted] Mobile : [redacted]



From: Lowe P (Paul)

Sent: 25 June 2018 16:30

To: Director of Advanced Learning and Science; Macdonald R (Roddy); Smart P (Paul); [redacted]

Subject: RE: Economy Steering Group - draft paper for the Economy Board on developing an economic narrative

[redacted]

Probably one more for Roddy and Paul, I am less close to this work to speak with any great knowledge or authority

Couple of points /observations

Paper 1

- Visa and immigration policy obviously very important to recruitment and then retention of foreign students / graduates. I saw on the media UK Govt plans in relation to health workforce and disaggregating these from the migration figures / targets, do we know if these will apply to graduates graduating from UK universities who then remain as well as people brought into the country? Although I suspect its unlikely will we see also some other relaxations in how migration targets are measured that might be helpful to situation in Scotland beyond the health area.

- I believe the skills and enterprise agencies are looking at their strategies and plans at present so I would imagine we will be able to evidence increasing alignment and collaboration

Paper 2

- I see that the ease of support and access to guides and information is mentioned, is there any thinking around reviewing and looking at our regulatory environment to do business in Scotland, ie to make it easier to set up and do business here (accepting that many of the levers are not devolved)

- Government and public sector are a major procurer of goods and services, potentially we have a collective lever to invest in innovative approaches

- An observation really but great emphasis in paper on education and training and it felt less on role of industry. We are also seeing very different models of up-skilling now not just the traditional university and college routes, such as tech incubators, private providers and innovation hubs. Code clan for example are delivering people into tech jobs after 3 months of intensive training, professional and technical qualifications like the Microsoft tech quals are often gateways into employment. Do we need to nod to the fact that this aspect is more nuanced in the innovation space?

P

From: [redacted] **On Behalf Of** Director of Advanced Learning and Science

Sent: 22 June 2018 15:59

To: Macdonald R (Roddy); Smart P (Paul); [redacted]; Lowe P (Paul)

Cc: [redacted]; Director of Advanced Learning and Science

Subject: FW: Economy Steering Group - draft paper for the Economy Board on developing an economic narrative

Importance: High

All

To see. We are being asked to comment on a paper that is going to the Economy Board on 3 July. (I understand that Paul Johnson will not be attending).

The 1st paper's focus is focussed on the Sustainable Growth Commission report and I have highlighted where I see areas of interest for this directorate primarily the recommendations around International students, Visas, and a review of Universities Growth strategy review.

<< File: Economy Board - Economy(18)04 - Development of an economic narrative.docx >>

Please let me have any comments on this paper or feedback by late on Monday.

The second document relates to an economic narrative which is being prepared and is pretty high level stuff. Again I have highlighted any points of interest.

<< File: Two pager - economic narrative 20 June.docx >> For this paper comments back Lunch on Thursday 28th please.

Happy to discuss

[redacted]

[redacted]

Business Manager

Advanced Learning and Science

Tel: [redacted] Mobile : [redacted]

Please see the link below for the draft minutes from yesterday's Economy Steering Group meeting:

<< File: Economy Steering Group - Minutes - 180620.obr >>

Given the agreement yesterday for members to prepare their relevant DGs for the Economy Board meeting on 3 July, I've rushed these out as quickly as possible to help with that process. In slightly slower time, I'd welcome any comments or amendments to the minutes.

I'll send the other documents (revised minutes from 1st meeting, action log, revised ToR for the Economy Board, list of contacts) as soon as possible.

As ever, very happy to discuss.

[redacted]

[redacted]

Head of Economic Policy Co-ordination Unit
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150 Broomielaw
Glasgow G2 8LU

Tel. [redacted]

Bberry. [redacted]

From: [redacted]

Sent: 18 June 2018 09:12

To: Anson S (Sam); Brannen R (Roy); Campbell B (Bridget); Director Digital; Director for Housing and Social Justice; Director of Advanced Learning and Science; Director of Budget and Sustainability; Director of Energy & Climate Change; Director of Environment & Forestry; Director of Population Health; Gallagher S (Stephen); Gillespie G (Gary); McAllan M (Mary); McNairney J (John); Mitchell E (Elinor); Munro D (Dominic); Pryce JM (Jonathan); PS/Transport Scotland; Quinlan K (Kevin); [redacted]; Watt K (Karen) (Director for External Affairs)

Cc: DG Economy; [redacted]; [redacted]); [redacted]; [redacted]; [redacted]; [redacted]; [redacted]; [redacted]; [redacted]; [redacted]; [redacted]; [redacted]

Subject: Economy Steering Group - agenda and papers for meeting on 20 June

Dear members of the Economy Steering Group (and substitutes)

Many apologies for the late circulation, but here are the agenda and papers for this Wednesday's meeting of the Economy Steering Group:

<< File: Economy Steering Group - Agenda - 180620.docx >> Agenda
<< File: Economy Steering Group - Minutes - 24 05 18.docx >> Minutes of last meeting
<< File: Economy Board - Economy(18)2nd meeting - agenda - 180703.docx >> << File: Economy Board - ToR and workplan - revised - May 2018.docx >> Agenda for 2nd meeting of Economy Board / revised terms of reference and workplan for the Board (for agenda item 3)
<< File: A21356657.docx >> << File: Review of economic measures - advice to Cab Sec EJFW - June 2018.doc >> Draft analysis of Sustainable Growth Commission / Advice to Mr Brown on a review of economic measures (for agenda item 4)

Please note that the paper on the Sustainable Growth Commission from OCEA is an early draft and is still to be shared more widely with relevant policy teams.

For those of you dialling into the meeting, here are the conference call numbers:

Tel: [redacted]

Code: [redacted]

Thanks

[redacted]

[redacted]

Head of Economic Policy Co-ordination Unit

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