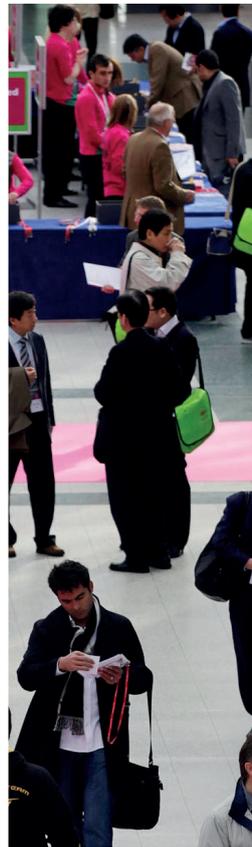
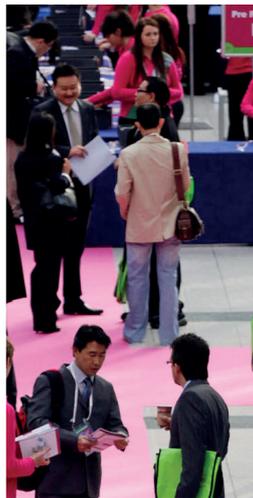
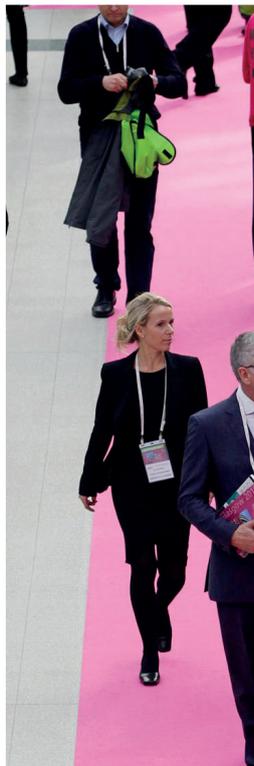




ENTERPRISE AND SKILLS REVIEW: REPORT ON PHASE 2 INTERNATIONAL



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1. Introduction and context

Phase 1 of the Enterprise and Skills Review made two key recommendations in terms of Scotland's ability to be a truly **“open and international economy”**:

- **In order to bring greater coherence as we step up the pace of delivery of our Trade and Investment Strategy through activity such as the establishment of a new Board of Trade, the appointment of Trade Envoys, the establishment of an Innovation and Investment Hub in Berlin, and the doubling of SDIs presence across Europe, we will ensure a much stronger focus on co-ordinating international activity across the public and academic sectors to deliver maximum benefit for Scotland.**
- **We will consider the role, position and governance of SDI and its possible establishment as a distinct and separate organisation under the new Scotland-wide statutory board delivering a broader range of international activities and support.**

The report noted that our existing strengths and successes, and the agenda for internationalisation set out in our Trade and Investment Strategy¹, provide a strong platform for the future. However, Scotland's long-term economic performance depends on greater success in international markets and in continuing to attract stronger investment. The outcome of the EU Referendum puts this at significant risk. In this context, the review identified:

- The need for a more concerted and better co-ordinated effort across the enterprise and skills system and beyond to ensure that our collective international activity, and not just that focussed directly on trade and investment, delivers maximum benefit for Scotland.
- A need to improve understanding of SDI's responsibilities and governance.
- The need to embrace digital as a key means of accessing international opportunities and to provide and join up services in Scotland and internationally.
- The scope and opportunity to make even more of Scotland's wide range of international assets and strengths, including the SDI network; the expertise and reach of VisitScotland; the development of innovation and investment Hubs in London, Dublin, Brussels and Berlin; networks such as Connected Scotland and Global Scots; and our universities' global reputation, teaching and research reach.

Strategic context

The Scottish Government's International Framework sets the direction for Scotland's international activity. The world is increasingly global, and Scotland must remain internationally relevant. Our people must have the skills and attitudes to seize new opportunities and participate in a global world. This is integral to building a stronger, fairer and more prosperous Scotland.

Scotland's Economic Strategy sets out an over-arching framework for a more competitive and a fairer Scotland and identifies four broad priority areas where our actions will be targeted to make a difference. A key strand of the strategy is internationalisation. It sets out our ambition to promote Scotland on the international stage to boost our trade and investment, influence and networks.

The Trade and Investment Strategy, published in 2016, recognises the need to better co-ordinate international trade and investment activity:

“We want to create a system and a culture where that kind of One Scotland, collaborative approach is the default setting across the public, private and academic sectors and among individuals and businesses, for how we use our combined resources, expertise and networks to collectively achieve our ambition. This includes ensuring that policies and activities across the Scottish Government in areas like education, transport and culture support our ambition and wider internationalisation agenda.”

The International work being taken forward in Phase 2 of the Enterprise and Skills Review is therefore closely related to the implementation of the Trade and Investment Strategy and to the First Minister’s four point plan announced on 15 October 2016. It is intended to build on, rather than revisit the actions set out in the Strategy and Plan – rather the emphasis is principally on ensuring that those activities, and the actions of others, are better coordinated and thus more effective.

Vision

We want an enterprise and skills system that works as one, both in Scotland and internationally, that inspires, enables and supports Scotland’s businesses to trade internationally, and that engages individuals, businesses and institutions to invest in Scotland. One system that promotes a global mind-set, raises international ambition, and works with and for the private, academic and public sectors to maximise the impact of individual action and of Scotland’s collective endeavour.

2. Co-ordinating international activity

Five key areas for specific action were identified for examination in Phase 2 of the Review: exports, country perspectives, inward trade visits, branding and inward investment.

Export Support

Phase 2 has concentrated on the mapping of existing export support services across the public sector, and gathering the views of businesses through a small number of focus groups. The mapping has identified that a wide range of support is already available, covering the stages in the export journey from raising awareness and ambition, through developing capability and capacity, to exploitation and expansion. So far this mapping has covered support provided by the Enterprise Agencies, Local Authorities, Chambers of Commerce, Colleges and Universities and going forward will be expanded to cover export support provided by others.

Feedback received from the Innovation, Business Support and International Business Focus group¹ sessions highlighted areas for improvement. Some businesses reported that it is not always clear where to go for assistance with exporting and others that the sectoral/account managed approach may be too narrow in scope and can result in some companies not getting the help they need.

¹ On 30 March 2017 the Scottish Government, HIE and SE facilitated several business focus groups throughout Scotland to seek view on Innovation, International and Business Support.

More can, and should be done to ensure there is a joined up and better aligned approach to assisting businesses with exporting, regardless of what stage they are in that process. Ideally, a system which is designed to be as simple as possible for the end-users and clearly shows what assistance is available and where to get it.

In some cases ad-hoc export support mechanisms at a local level have been established. The Fife Trade Partnership is an example of how this can work in practice. Established in 2015, the partners are Fife Council, Fife Chambers, Fife Business Gateway and SDI. This formalised approach appears to have been a success. The Scottish Government has committed £400k to establishing and developing local export partnership pilots to develop business-to-business learning and support to internationalise.

In relation to exporting in the wider sense i.e. academia, research, alumni living abroad, we can do more to harness the benefits that can be obtained from this wealth of expertise and we will work closely with universities, cultural bodies and other organisations to achieve this. Connected Scotland is a useful example of a partnership approach which supports the development of international opportunities for Scotland's universities, targeting both emerging nations and some more mature markets for new student recruitment, transnational education and collaborative research. The key partners are the SG, SFC, SDI and our Enterprise Agencies, British Council Scotland, the Royal Society of Edinburgh and Universities Scotland. This review offers the opportunity to go beyond the remit of Connected Scotland looking at what we can do collectively in an International context to maximise the economic benefit to Scotland.

Working with the UK Government is also important, given the extensive resources at their command through Embassies, Consulates and High Commissions and through the Department for International Trade's network of offices. These are intended to support business in the whole of the UK, and we need to ensure that Scottish businesses have appropriate access and involvement.

Much of the work we propose to deliver on enhancing web presence, and providing clarity and consistency in export support across Scotland is consistent with the aims of the Enterprise and Business Support work-stream to focus support on the user through simplification and to re-design and redefine support around customer journeys, dealing with issues of perceived clutter, confusion and inconsistency. Similarly, there are parallels with the aims of the Regional Partnerships work, highlighted below.

We will:

- Deliver a partnership approach with Scotland's Universities and Colleges on internationalisation, building on the experience and success of Connected Scotland. This will be a partnership involving the Scottish Government, Local Government and relevant agencies.
- Complementing the work being delivered under the Regional Partnerships element of the Enterprise and Skills Review which commits to exploring approaches to strengthen national agency engagement with regional partnerships. Complete the mapping work already underway (by September 2017) and build on it to give clarity to agencies, Local Government and end users on the range of services available.

- In line with the aims of the Regional Partnerships work, develop a written high-level commitment across agencies, Government and Local Government to work in partnership to ensure that there is a clear pipeline of support available for companies at all stages of exporting. As part of this work consider how we better integrate Business Gateway into mainstream export support services provision whilst being sufficiently flexible to meet local circumstances.
- In line with the work being done via the Enterprise and Business Support project to re-develop SDI's web presence within Scotland, ensuring that it best presents key information on the "why to", "how to", "where to", and "who can help", with relevant links to SE, HIE, Chambers, etc. web sites.
- Work with SDI, HIE, SLAED, Business Gateway, local Chambers, industry associations and others, to develop and deliver a programme of local trade events across Scotland (by end 2017 - and on-going delivery thereafter), which would raise awareness of the range of help available, signpost to digital resources, and signpost to further support (i.e. advice and information and funding).
- Provide clarity and consistency in export support across Scotland using the principle of no wrong door. Ensuring that export support for businesses is fit for purpose, tailored where appropriate, to the specific needs of each business. This could include more insight on the actual markets, local distribution networks, currency and payment, relevant legislation.
- Following the local/regional export partnerships, consider the potential for local export support mechanisms to be rolled out nationally to allow for equitable support across Scotland, particularly for SMEs, who are often not eligible for assistance from SDI.
- Consider how the experience of the local export partnership pilots can feed into the national roll-out of activity.
- Consider a pilot programme taking non-exporters into UK markets as a first step to support and encourage them to grow sales outwith their locality/Scotland.
- Explore under-utilised International opportunities for Scottish companies e.g. the UK Export Finance (UKEF)² and overseas procurement opportunities such as the Health Innovation Partnerships. UKEF's total risk-weighted appetite has doubled to £5 billion and the maximum cover limit for individual markets has increased by up to 100%. This potentially results in as much as £2.5 billion of additional capacity to support exports to some destinations.
- Renew efforts to work with DIT's e-exporting programme target which assists UK companies to accelerate online exports through e-marketplaces like Alibaba and Amazon ensuring that Scottish companies get maximum benefit from it.
- Work with DIT and the FCO and the other devolved administrations to ensure that future UK-wide trade delegations include representation from all four nations. This may include joint Ministerial visits.

2 UKEF are the UK's export credit agency and a government department, working alongside the [Department for International Trade](#). They work with private credit insurers and lenders to help UK companies access export finance.

- Seek involvement with the Infrastructure Exports Leadership Forum, which is being created by the UK Government with leaders from across the infrastructure sector to create collaborative UK offers.
- Seek to engage with the UK Government to ensure a collective UK approach in pursuing the £220bn of export opportunities identified across priority sectors over the next four years which are winnable with Government help.
- Pursue engagement with the UK Government's Strategic Relationship Management systems, which are key to keeping our most important businesses exporting from and investing in sites across the whole of the UK. Effective joint work here can ensure that our most important businesses take a UK approach to forming consortia and winning business.

Overseas and Inward Trade Delegations

Stakeholders have advised that there doesn't seem to be a consistent approach in Scotland, across Government, Local Government, agencies and the Chambers, in delivering trade missions and dealing with visiting delegations.

In order to assist companies with exporting, Local Authorities are increasingly carrying out their own trade missions. This appears to be for a few specific reasons.

- A particular industry may be pertinent to that area e.g. oil and gas in Aberdeen.
- It could be because a request comes in directly on a particular subject e.g. town planning and may not be seen as part of a national programme.
- In some cases Local Government/Chambers perceive that there is a gap in support for local companies wishing to export.

Better co-ordination of visiting delegations to Scotland should be a priority. These currently arise through a variety of routes, e.g. contact with Local Authorities, central Government, Chambers of Commerce, and often at short notice. They can generate a considerable amount of work, and the concern is that the ad hoc approach may result in good opportunities not being identified and picked up. The current lack of co-ordination means that we are often unable to properly capitalise on the potential benefit to Scotland when organisations work in isolation.

We will:

- Look for opportunities to pool resources and work jointly when SDI, Universities, Colleges, Chambers and Government are developing overseas trade missions. To assist with this approach establish a Scotland wide calendar detailing proposed overseas trade missions. This should result in improved co-ordination between partners and in some circumstances reduce the cost to the public purse (by the end of 2017).
- Develop a single, co-ordinated Scotland wide calendar to allow us to share details of proposed in-ward visiting delegations (by end 2017), including SDI, SDS, SFC, Universities, Colleges and businesses to enable us to provide a more cohesive Team Scotland approach.
- Establish a system to assess the relative importance of visiting delegations and help ensure that appropriate resource is deployed (by end 2017).

Country Perspectives

Between them, the Scottish Government, SDI and VisitScotland have a permanent presence in over 30 locations in 19 countries. These organisations work with partners in each country to promote Scotland's interests and support trade and investment activity. Scotland has strong relationships with several other countries where there is currently no physical representation. These relationships are often managed through SDI or Scottish Government offices that act as regional hubs, or directly from Scotland.

The interests and demands of different sectors vary widely. Not all Scottish organisations will share the same international priorities. For example, the markets that are most promising for food and drink exports might not be the same as those for medical technologies.

The way in which partnerships of Scottish organisations work in different countries will also vary in response to the differing opportunities and challenges that each country presents.

The Scottish Government, its Agencies and partner organisations have developed some considerable experience in working overseas. Nevertheless, an examination of the approaches taken in other economies has provided a number of examples of best practice that Scotland might learn from in improving its own distinctive approach to in-country support for trade and investment.

We will:

- Develop a clearer, shared understanding of priority countries, recognising that these may be different for trade, investment and Scotland's other interests (by end 2017).
- Where there are shared priorities, work with agencies, universities, colleges, GlobalScots and other organisations to co-ordinate planning and develop collaborative projects to maximise the economic benefit to Scotland sharing a clear and consistent message.
- Keep the Scottish Government and SDI's network of international offices under review to ensure the effective use of resources and take into account the experience of new Innovation and Investment Hubs in Dublin, London, Brussels and Berlin.
- Develop a co-ordinated approach to the promotion of Scotland's trade and investment interests at selected major international events. For example, the Scottish Government is participating in Expo 2017 this summer in Astana, Kazakhstan, themed around "Future Energy", and is developing a programme of events. We will work with the Department for International Trade and others on future events, including the Universal Exposition scheduled for Dubai in 2020.
- Develop a mechanism for better sharing intelligence from representatives of agencies and partner organisations based overseas with the broader business community in Scotland (by end 2017).

Branding

There has never been a more important time for an outward-looking, inclusive Scotland to be present in key international markets. If we are to seize the potential for economic growth, across sectors, we must harness the very best of our talent and capability to sell and market Scotland in international markets with real growth potential.

Over time, VisitScotland, Scottish Development International, the Scottish Government, Universities Scotland and others have invested in a wide variety of activities to drive inward investment and export led growth. Most recently VisitScotland launched its first ever Global campaign 'Spirit of Scotland', Scottish Development International have been investing in its 'Connected' proposition and Universities Scotland launched #Scotland Welcomes the World; all have had their own successes but there is now a desire to pool resources to drive greater impact. The rapid advancement of digital distribution and new consumer technologies present challenges but there is also an opportunity to gain competitive advantage if we present a modern and dynamic Scotland to the world and leverage all the opportunities that technology brings.

Develop shared international branding for use by Scottish agencies and others to encourage target audiences in key markets to visit, work, study, live and invest in Scotland. VisitScotland, SDI and the Scottish Government, together with other agencies, have joined forces under 'Project Unlimited' to deliver a campaign vehicle for Scotland that will align messaging, creative treatment and the technical deployment of messaging with very clear commercial outcome. In addition, partnerships with brands such as Google, Facebook, LinkedIn and TripAdvisor will harness the power of data to get to new markets, new audiences and deliver new visitors, students and investors.

We have widened this group to include groups, or bodies with a stake in this initiatives success and which have a desire to contribute including: Universities Scotland, Creative Scotland and SDS.

We will:

- Deliver Phase 1 of this project in September 2017. This will include a proposed business case for investment in activity that will encourage target audiences in key markets to visit, work, study, live and invest in Scotland.

Inward Investment

The latest figures from the EY Attractiveness Survey³ confirm that 2016 was a record breaking year for foreign direct investment into Scotland.

We continue to attract more projects than ever before - with 122 projects, 2.5% up on 2015. Scotland has maintained its position as the top UK region outside London in every one of the past five years.

The survey indicates the attractiveness of Scotland as a place of choice for international investments, with a substantial number of projects from the US, France and Germany. In fact, more than 1 in 50 of the investment projects across the whole of Europe are located in Scotland.

³ EY's Attractiveness Survey Scotland, May 2017 Standing strong in uncertain times.

The EC published a paper⁴ in 2013 on good practice in FDI promotion which highlighted that well-established co-ordination and co-operation with investment promotion bodies at local, regional and increasingly city level is crucial. A good example of this in Scotland is the Scottish Cities Alliance (SCA) which was established in 2011 to help attract Inward Investment to Scotland. It is a collaboration of Scotland's seven cities and the Scottish Government. SCA has an active inward investment programme and works with SDI, HIE, SE and the Scottish Government. The latest EY survey indicates that Scotland has three of the UK's top 10 FDI destination cities.

The EY survey highlights that Scotland attracted more Research and Development projects than any other UK region, with software and life sciences the main drivers as part of attracting inward investment. The survey concludes that Scotland's continuing robust performance in attracting FDI provides an ideal platform on which to keep building on its strengths and driving continuous improvement in its attractiveness to investors – to the long-term benefit of Scotland's economy, workforce and quality of life.

EY highlight that investors have consistently identified improved skills as a key factor in supporting FDI. This issue is even more critical now that investors are concerned that Brexit may limit the flow of workers into the UK and that a skills plan to provide investors with the reassurance they need as to the availability of skills in the future is essential.

We will:

- Establish a steering group to assist SDI engagement with the range of relevant public sector bodies that can support Foreign Direct Investment, including universities, colleges and Scottish Cities Alliance structured around the elements of the Trade and Investment Strategy.
- Working with SFC and SDS and in line with the Skills Alignment element of the Enterprise and Skills Review we will ensure a focus on skills to meet the needs of investors. Skills appear to be the most important ask of foreign inward investors. We must continue to adapt and make sure that potential investors' expectations are met in an increasingly competitive market. This will become increasingly significant following Brexit.
- Build on good examples of joined up working to develop a protocol committing all Scottish partners to work together to maximise the benefit from for Scotland from potential inward investors (by October 2017).
- Examine ways to better utilise the international reach of universities, academics, alumni (by October 2017) and GlobalScots to help promote inward investment opportunities.

⁴ Exchange of Good Practice in FDI Promotion, 4 July 2013.

3. Role, Position and Governance of SDI

SDI is a partnership between the Scottish Government, Scottish Enterprise and Highlands & Islands Enterprise that has been in place since 2001, with staff and budgets drawn from the three organisations and a Board of senior staff overseeing the operation of the partnership. SDI is focused on delivering trade and inward investment for Scotland and real progress has been made since it was established. Much has also changed over the last 15 years, and this is the right opportunity to consider whether that partnership remains the best option to deliver International activity for Scotland.

In Phase 2 we have focussed on mapping existing and planned activity and how we can work together across Government, agencies, Local Authorities, universities and colleges, highlighting gaps and areas of duplication as well as opportunities to increase collaboration. That has shown that the fundamental partnership approach has delivered positive outcomes on trade and inward investment and it remains the best way to achieve our international ambitions. We will therefore continue many of the governance arrangements for SDI and its role to lead trade and inward investment. The review has also recognised that internationalising the Scottish economy requires stronger coordinated effort across a range of partners in the public, academic and private sectors. SDI has a key role to play in enabling that to happen. The model of the new Strategic Board supported by Strategic Committees, set out in Figure 1 of the Governance report, provides an opportunity to do so, with a Strategic Committee focused on Internationalising the economy that will draw in stakeholders from business, government and the academic community. As with the other aspects of the Strategic Board, the details of this will be a matter for the Implementation Board to determine.



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