

FAIRER SCOTLAND DUTY SUMMARY TEMPLATE

<p>Title of Policy, Strategy, Programme etc</p>	<p>Investing with Purpose: Scotland’s Global Capital Investment Plan (GCIP)</p>
<p>Summary of aims and expected outcomes of strategy, proposal, programme or policy</p>	<p>Guided by our Vision for Trade, the GCIP is the final plan of the three Programme for Government policy pillars focused on internationalising the Scottish economy. Following on from our Inward Investment Plan and Export Growth Plan, it sets out how we will attract productive forms of private capital investment, in sufficient volumes, focused on creating the market conditions for an investment-led recovery; and doing so in a way which is consistent with our values.</p> <p>The plan has been developed by a multi-agency project team drawn from Scottish Development International (SDI), Scottish Futures Trust (SFT) and the Scottish Government in consultation and collaboration with key stakeholders as part of a reference group, including investors and businesses.</p> <p>The GCIP sets out how we are going to deliver on our values-led ambition for private capital investment. The right kind of private capital investment can have a significant, positive impact on Scotland’s economy. The Global Capital Investment Plan:</p> <ul style="list-style-type: none"> • Recognises the value that private capital investment brings to Scotland’s economy, both in terms of the direct benefits that accrue from job creation and economic growth, but also the wider ‘spill-over’ benefits. • Recognises Scotland’s existing strengths in attracting private capital investment, but also that there is scope for improvement, in particular around how we maximise ‘spill-over’ benefits that will benefit all members of society • Is evidence led and identifies Scotland’s strengths in terms of our key globally competitive sectors, assets and talents. It matches those strengths to current and projected global private capital investment flows. • Pivots our approach toward Ethical Social and Governance (ESG) / impact investment. <p>Through robust economic analysis, we have identified four sectoral economic priority themes which are:</p> <ul style="list-style-type: none"> • Low carbon transition • Health and Life sciences • Digital • High Value Manufacturing

	<p>It is in these sectors that Scotland’s strengths align with global private capital investment flows. We have undertaken substantial analysis in order to understand where Scotland’s specific global competitive strengths lie, where the major flows of private capital investment are both from a geographical and sectoral perspective and where those sectors and types of private investment typically yield greater ‘spill-over’ into the rest of the economy. The four sectoral economic priority areas are supported by a fifth priority which is ‘place’, reflecting the importance of place-based approaches for attracting and maintaining private capital flows to help realise economic potential and support local and regional economic development across Scotland.</p> <p>Regarding the four economic priority themes chosen, these four sectors are the most likely drivers of future economic demand in the economy. They are broad, and that is deliberate. Whilst the focus has to be on those sectors which can drive growth and recovery precisely because they are already strong, this approach leaves space for different sub-sectors to develop and come to the fore, for particular regional clusters of expertise to be brought out, and for the broader macro-economic and regulatory frameworks to change. Indeed this approach maximises the opportunity for localities and regions across all of Scotland to benefit from the GCIP’s approach, thus expanding the potential opportunities for jobs for people closer to where they live, which will likely benefit specific groups such as disabled people. However, a guarantee of job opportunities in specific localities will not be assured by GCIP and therefore would not be a direct impact of the GCIP’s actions.</p> <p>Growth in private capital investment in Scotland has lagged behind that of other Organisation for Economic Co-operation and Development (OECD) countries over time. Private investment is one of four key areas of focus set out in the Enterprise and Skills Review for supporting productivity growth, which in turns supports economic development and is closely linked to income levels. There is recognition that a more focussed, and strategic approach to private capital investment will help accelerate progress towards our key policy ambitions, including sustainable, inclusive economic growth, and transition to net zero by 2045. The GCIP is a direct response to the report from the Advisory Group on Economic Recovery (AGER), which indicates the importance of private investment in Scotland’s post-COVID economic recovery.</p> <p>The GCIP is a live plan, in a new policy area. It sets out a long term policy direction and actions will therefore take time to mature and have the impact we want to see on the economy.</p>
<p>Summary of evidence</p>	<p>The right kind of private capital flows can bring high-value jobs and economic and environmental spill-over benefits to local and national economies. Scotland, along with a number of other countries is</p>

already challenging the accepted wisdom of “good” economic growth, recognising the need to go beyond GDP towards a more sustainable and inclusive definition of economic success. This is a new policy area for Scottish Government and our evidence base around how we can use global capital to support sustainable, inclusive economic growth continues to emerge as we develop policy in this new area. Existing evidence is set out below:

Economic Benefits of Private Capital Investment (inc. spill-over benefits)

With a strong policy foundation based around our priorities and values, private capital investment helps boost productivity, create quality jobs, and enable improvements to our communities and infrastructure. Private capital investment helps businesses to realise their growth ambitions by removing a key barrier to expansion. Private capital investors may also invest in companies in distress to implement restructuring measures to enhance their productivity and thus help them to survive. These economic benefits will be reinforced through adoption of a place-based approach to allow a holistic, systems-view and tackle inequality. The plan focuses on strategic opportunity growth areas and works to deliver sustainable inclusive economic growth, while at the same time supporting a just transition to net zero.

Private capital investment can also have spill-over impacts on the wider economy. Spill-over impacts are those impacts that are enjoyed by unrelated third parties to the investee business or project. Estimates by Oxford Economics in 2015 found that firms with angel and venture investment backing contributed around £30bn to UK GDP with around half of the GDP impact accounted for by “indirect” channels such as supply chain impacts¹.

Further, investing in a project, such as digital infrastructure, may improve internet speeds and, in turn, business efficiency within a particular area. This has the potential to support and enhance digital inclusion across Scotland.

The GCIP sets out a strategy for targeting private capital into priority economic themes, including the low carbon, digital, high-value manufacturing and the health and life sciences sector. These are sectors that are closely linked with universities, and it is expected that our private investment attraction and retention plans will predominantly support the creation of highly skilled roles. However, we expect wider positive spill-over impacts within the labour market. There is evidence that the creation of high-skilled jobs has a knock-on effect by also creating jobs at other skill levels. A report produced

¹ <https://www.bvca.co.uk/Portals/0/Documents/Research/TIN/Angel-and-VC-users-economic-impact-report.pdf>

by the Resolution Foundation² analysing the effect that growth in Advanced Industries had on the labour market estimated that the creation of additional advanced industry jobs resulted in the creation of further non-tradable service sector jobs, finding that for every 10 additional jobs created in advanced industry, an additional 6 non-tradeable roles were also created, 4 of which were filled by workers with relatively low levels of formal education.

The benefits of spill-over benefits to the wider Scottish economy can be illustrated by LifeScan, a company in the life sciences sector, based in Inverness. LifeScan is an accredited living wage employer and has recently embedded itself in the local skills market, nurturing and supporting local talent through partnership with schools, via its Bridge to Employment initiative and STEM Ambassadors, and with Inverness College as a delivery partner in its training academy. LifeScan has been an engine for growth in the life sciences cluster of the Highlands, both with direct employment as well as with staff who were previously employed creating their own spin out firms, some of which are now themselves receiving specific equity investment and achieving growth. LifeScan has played an important role in supporting our response to the COVID-19 pandemic, by assisting a consortium of Inverness companies working to produce face shields for health workers. LifeScan highlights the positive impact private investment can have on a local economy and specifically highlights the ways in which spill-over benefits can support employment opportunities and help tackle inequality.

Impacts on Wellbeing and meeting our Net Zero commitments

Private investment supports employment creation and retention. Good quality jobs help support our inclusive growth ambitions, and in turn improve wellbeing. Private investment in innovative businesses and infrastructure can have an impact on wider social and government goals by, for example, improving digital connectivity and supporting health innovation – these goals are particularly important in tackling increased inequality in the wake of COVID-19. The Equality and Human Rights Commission confirmed recently that certain groups have been more negatively affected by the COVID-19 pandemic than others, including young people, older people, disabled people and ethnic minorities³. The plan promotes recovery in a way that supports transition to a more resilient, inclusive economy.

² <https://www.resolutionfoundation.org/app/uploads/2017/07/A-rising-tide-lifts-all-boats.pdf>

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https://www.equalityhumanrights.com/sites/default/files/equality_and_human_rights_commission_how_coronavirus_has_affected_equality_and_human_rights_2020.pdf

	<p>The plan is aligned with the Scottish National Investment Bank’s mission-led strategy, focusing on Net Zero, Place and People missions, ensuring that the types of private investment sought and promoted support our ambitions and commitments in these areas.</p> <p>The plan will play an important role in decarbonising our economy and society. Increasing and sustaining private investment will accelerate the transition to net zero. Taking action now means that we can reduce the impacts of climate change (for example in relation to increased temperatures and increased flood risk), while also creating new industries, and improving air quality and health, as part of a Just Transition to net zero.</p> <p>At the heart of the plan is a commitment to, when considering the best type of future investments, seeking to work with investors who share our aim to address the challenges that we face in Scotland and internationally, through ethical investment according to Environmental, Social and Governance (ESG) criteria. Indeed, companies and projects that will attract investment under these criteria are much more likely to be well-managed and offer employment opportunities that are stable and embed fair work at their heart.</p> <p>It must be stressed that whilst the plan is committed to the promotion and recognition of the best types of future private investments as ones which meet fair work and ESG criteria, the impacts we see in these areas may take quite some time to materialise. While Scottish Government is creating the conditions to increase investment in certain sectors, the specifics of the ways in which private capital is deployed sits with investors and is subject to market dynamics. The GCIP therefore must be seen as one piece of the Scottish Government’s overall strategy to deliver sustainable inclusive economic growth, and should best be considered alongside and supporting an array of policy work being undertaken and developed across government.</p>
<p>Summary of assessment findings</p>	<p><u>Considerations during Development of the Plan</u></p> <p>The GCIP takes an evidence-led approach and is based on a detailed programme of analysis. The objective of the analysis has been to comprehensively review Scotland’s approach to private capital investment and to consider how private capital investment can best help realise the Scottish Government’s objectives for a resilient, inclusive economy.</p> <p>The GCIP sets out a change from a largely opportunistic approach to one that is more targeted, and seeks to maximise wider economic benefits and strategically shape Scotland’s economic future.</p>

Values-Led Approach

A key change to current policy laid out in the GCIP is the specific action to place our values at the heart of our interactions with current and potential investors, to ensure a strong partnership base to our relationships around promoting inclusive growth and creating a wellbeing economy.

This is a significant change in approach towards private capital investment policy with the specific intention of attracting investors who share our values and can help us progress our ambitions. Specifically in respect of Fair Work, Scotland has set itself a target of becoming a Fair Work Nation by 2025. Fair Work is fundamentally important to the delivery of inclusive growth – driving innovation, productivity and inclusion.

We will collaborate and engage with Fair Work colleagues where relevant to support businesses to adopt fair work principles. As we approach the delivery stage, we will explore how we can support take up of the Scottish Business Pledge and adoption of Fair Work Principles to ensure quality jobs at all levels with fair work practices.

The GCIP's commitment to attracting private investment that aligns with our values should further promote these values within the business community.

Work on and the exploration of equalities issues has led to GCIP promising the following:

- We will make Scotland's values a core part of our National Prospectus and our engagement with investors, making it clear that valuing our people, communities, and environment are core to our economic ambitions.
- Investment opportunities that we promote to market will be benchmarked against ESG investment criteria. We will enable the companies and projects we support to report climate-related disclosures in a standardised and transparent way with flows of ESG monitored via a new metric which will cover environmental and social impacts.
- We will build on existing ESG investment activity and work with Scotland's investment management industry, using events such as the Global Ethical Finance Festival to make Scotland a leading globally established hub for ESG investment.
- We will proactively engage with ESG investors and with sources of capital new to Scotland, such as green bonds, to help us achieve our Net Zero and Wellbeing ambitions.

	<p><u>Consultation</u></p> <p>To date, consultation has been undertaken with external experts in the form of a reference group for individuals experienced in the field of private capital investment. This reference group has been utilised to ensure industry input to GCIP, and opportunities around ethical and impact private investment have been considered in detail, with a recognition that there is a growing movement of ethical investors that share our values and vision.</p> <p>As we progress to delivery of actions, our engagement process will broaden to consider projects using a place-based approach. This will mean more local engagement with communities, drawing on Community Wealth Building and the Place Principle to guide our approach. During the development of GCIP, we have already engaged with Community Wealth Building colleagues to better understand how private investment can benefit more communities in Scotland. Recognising this, as the plan moves forward into the actions phase, relevant consultation will be carried out to co-develop detailed plans to take forward actions, to ensure that a greater range of voices are shaping our investment policy and delivery.</p> <p>Conclusion</p> <p>The GCIP sets out an approach to private capital investment policy that delivers on the Fairer Scotland Duty requirement to actively focus on the wider benefits of private capital investment that can be delivered across Scotland.</p> <p>The new policy document has a strategic focus, targeting specific investors and projects that will allow us to lead with opportunity and further build on our strengths. Our approach is predicated upon our values, and contributes to realising our vision around fair work, net zero and sustainable inclusive and economic growth.</p>
<p>Sign off</p>	<p>Name: Katrine Feldinger 25th March 2021</p>