When this Government was first elected in 2007, we made clear in our Economic Strategy that we would make Scotland a more successful country with opportunities for all of Scotland to flourish through increasing sustainable economic growth. This was the Purpose to which all our efforts and actions would be directed. This remains our top priority.

Faster sustainable economic growth is the key to unlocking Scotland’s potential and strengthening our greatest asset – the people of Scotland. It is the avenue through which we can deliver a better, more prosperous and fairer society.

Global economic conditions have changed markedly since 2007, following the deepest global recession in over 50 years. Scotland cannot expect to be immune from such pressures. However, as a result of the actions we took in our Economic Recovery Plan and the resilience of our businesses and workers, we can reflect upon a recession that, while hugely damaging, was shorter and shallower than for the UK as a whole.

As we look forward, we are witnessing signs of recovery in Scotland. Employment levels have increased by 60,000 over the last year and Scotland now has higher employment and lower unemployment than the UK.

Global economic conditions remain challenging however, and the recovery is threatened by the scale and profile of the spending cuts – particularly to Scotland’s capital investment budget – being implemented by the UK Government.

It is within this context that our Government Economic Strategy sets out the measures that we will take to accelerate Scotland’s recovery and support jobs. We have taken the opportunity to sharpen our focus upon
areas where we believe further action may be needed or where there are new and emerging opportunities for our economy.

We believe that Government has a positive role to play in supporting the Scottish economy and the *Government Economic Strategy* is designed to ensure that the entire public sector is fully aligned in this effort.

In recognition of the value of continuity the Strategy continues to focus our actions on a consistent set of Strategic Priorities. These are: Supportive Business Environment; Learning, Skills and Well-being; Infrastructure Development and Place; Effective Government; and Equity.

In addition, we have established a new Strategic Priority - Transition to a Low Carbon Economy. Scotland has a massive competitive advantage with the natural resources, and academic and engineering expertise to become a world leader in low-carbon activities. We have the opportunity to reindustrialise the nation and create thousands of new jobs across Scotland. With the right incentives and leadership we now know that the low carbon sector could support 130,000 jobs by 2020 and we are determined to deliver on this ambition. In addition this sector, above all others, will provide a focus for new private sector capital investment in Scotland.

Central to the Strategy are our plans to create jobs and support Scotland’s young people. Our Opportunities for All initiative will ensure that every 16-19 year old not already in work, education or training is offered a learning or training opportunity while we will also support a record 125,000 Modern Apprenticeships over the next five years.

The *Government Economic Strategy* also sets out our approach to establishing the foundations for long-term economic prosperity with a focus on Growth Companies, Growth Markets, and Growth Sectors.

We recognise that capital investment is key to economic recovery and we are prioritising our capital spend to maximise the impact on jobs and the economy. Securing affordable finance remains a considerable challenge and we are seeking to address constraints in access to finance, particularly for our small and medium-sized businesses. We are also helping to ease uncertainty, protect employment and promote economic security through our pay restraint and tax policies. This includes retaining the Small Business Bonus Scheme - which has already helped tens of thousands of small businesses - and freezing Council Tax Bills to help households in difficult economic times.
The Government Economic Strategy makes full use of our existing levers to accelerate the recovery, create jobs and promote growth. Our economic and financial competence has been recognised by households and businesses across Scotland.

But it is also important to reflect upon what more we could do if we had greater access to the levers of economic growth. There is an urgent need for change and the Scottish Parliament must secure real ‘economic teeth’.

Independence would give us full access to job creating powers. These powers provide the key to delivering a brighter economic future for the people of Scotland and building a better nation.

The Rt. Hon. Alex Salmond MSP
The First Minister of Scotland
The Purpose of the Scottish Government is to make Scotland a more successful country, with opportunities for all to flourish, through increasing sustainable economic growth.

By building a more dynamic and faster growing economy we will increase prosperity, be better placed to tackle Scotland’s health and social challenges, and establish a fairer and more equal society. Sustainability is vital if we are to nurture our environment and ensure that future generations can enjoy a better quality of life.

Scotland is a country rich in economic potential. Our people are creative, ambitious and resilient and we are home to world class entrepreneurs, scientists and engineers. It is vital that we harvest the opportunities that this provides.

The update of our Government Economic Strategy continues the journey we started four years ago. We recognise the value of continuity so the fundamental principles of our approach, and our commitment to seeing it succeed, remain as strong as in 2007.

However economic conditions have changed markedly since then, following the deepest global recession in over 50 years. We also have a better understanding of the opportunities and challenges facing us as we move toward a low carbon economy. This is why we have taken this opportunity to sharpen our focus, enhance delivery and build for the future.

**STRATEGIC PRIORITIES**

This update to the Government Economic Strategy gives clear priority to accelerating economic recovery, with a range of measures to tackle unemployment and promote employability. We will focus our actions on six Strategic Priorities which will drive sustainable economic growth and develop a more resilient and adaptable economy.

**Strategic Priorities**

- Supportive Business Environment;
- Transition to a Low Carbon Economy;
- Learning, Skills and Well-being;
- Infrastructure Development and Place;
- Effective Government; and
- Equity.
Our ability to promote prosperity and jobs depends on the performance of our businesses – both large and small. This is why we are committed to maintaining and further investing in a Supportive Business Environment. Our approach will focus our efforts on growth companies, growth markets and growth sectors. Our key actions in this area include:

- Establishing four Enterprise Areas in Scotland – including sites with a particular focus on low carbon manufacturing opportunities;
- Providing advice and support to help SMEs grow, to hire staff and take on apprentices;
- Promoting Scottish exports to capitalise on the significant opportunities in growth markets; with an ambitious target to deliver a 50% increase in exports by 2017;
- Continuing to deliver the Small Business Bonus Scheme;
- Strengthening levels of innovation and commercialisation, including improving the links between our universities and private sector companies; and
- Using the Scottish Investment Bank to support early stage innovative technology based businesses, and growth and exporting companies.

The Government Economic Strategy establishes a new Strategic Priority – Transition to a Low Carbon Economy – to reflect the excellent opportunity we have to secure investment and jobs from this growing sector and ensure that the benefits of this transformational change are shared across the economy and our communities. Our key actions in this area include:

- A £70 million National Renewables Infrastructure Fund to help leverage private sector investment to develop the infrastructure across the country to support offshore renewables and ensure that Scotland becomes Europe’s green energy powerhouse;
- Positioning Scotland as a world leader in low carbon activities – a sector which, with the right incentives, could support 130,000 jobs by 2020; and
- Investing in further improving the quality of Scotland’s housing stock, including initiatives to improve energy efficiency and tackle fuel poverty.

Delivering our growth strategy for business and supporting the transition to a low carbon economy requires a solid foundation of skills, infrastructure, effective government and equity.

Our Strategic Priority on Learning, Skills and Well-being acknowledges that a skilled, educated and creative workforce is essential to creating a more competitive and resilient economy. And in the face of the ongoing effects of the recession, it is vital that we develop the skills and employability of Scotland’s workforce, and reduce the number of people who are out of work or underemployed – particularly amongst our young people. Our key actions in this area include:

- Through Opportunities for All we will ensure every 16-19 year old in Scotland who is not in work, a Modern
Apprenticeship or education will be offered a place in education or training;

- A commitment to deliver 25,000 Modern Apprenticeship opportunities in each year of this Parliament and maintain bursary support to help young people remain engaged in college and training;
- Reforming post-16 learning to deliver a system-wide focus on employability and growth; and
- A commitment to investment in Higher Education so that Scotland remains an international centre of excellence for learning and creative thinking whilst ensuring that access is based upon ability to succeed rather than ability to pay.

Our focus on **Infrastructure Development and Place** will harness the strength and quality of Scotland’s cities, towns and rural areas and promote the digital economy. Our focus on place is also about improving the overall quality of life in our neighbourhoods. Our key actions in this area include:

- Despite massive cuts to the capital budget from Westminster we are committed to prioritising our spend on capital to maximise the impact on jobs and the economy, including the construction of the Forth Replacement Crossing – the largest civil engineering project in Scotland in a generation;
- Boosting investment in Scotland’s infrastructure by working with the highly successful Scottish Futures Trust to roll out a £2.5 billion programme of NPD investment, maximise investment from the Rail Regulatory Asset Base and leverage new investment from innovative measures such as Tax Incremental Financing, the National Housing Trust and the JESSICA Fund;
- Setting out plans for a Next Generation Digital Fund to accelerate the delivery of superfast broadband across Scotland; and
- Introducing a Cities Strategy to support cities and their regions maximise their potential as engines of growth in the Scottish economy.

**Effective Government** is fundamental to the successful implementation of the *Government Economic Strategy*, as it is only by the actions of the public sector being fully coordinated and aligned can we maximise Scotland’s potential. Central to this will be nurturing and developing the talents and creativity of all our public servants. Our key actions in this area include:

- Increasing the public sector’s direct contribution to the economy through smart use of public procurement, in order to promote jobs and growth; encourage innovation; boost training and apprenticeship opportunities; and help Scottish firms, particularly SMEs, compete effectively for contracts;
- Ensuring that Scotland’s public services remain fit for purpose, and affordable, in these challenging times and into the future; and
- A commitment to further improving the efficiency of the public sector, including a focus on better regulation.
As well as being a desirable outcome and characteristic of growth, **Equity** – social, regional, and inter-generational – is also a key driver of growth and jobs. Only by ensuring that everyone has an opportunity to succeed will we fully maximise the nation’s potential. Our key actions against this Strategic Priority include:

- A focus on preventative spend to tackle the social and health problems which prevent people from realising their potential;
- Maintaining household incomes through freezing council tax and abolishing prescription charges to help families in tough times;
- Delivering with key commitments including prioritising health budgets, abolishing tuition fees, and continuation of concessionary travel; and
- Supporting the development of an enterprising third sector in Scotland.

**SCOTLAND’S FUTURE**

The Strategy sets out how we will make full use of the economic levers currently devolved to the Scottish Parliament, with the aim of improving Scotland’s rate of sustainable economic growth.

But it is also important to reflect on the type of country and economy we want to be in the future. In May, the people of Scotland voted for change. While we are making progress with the levers that we currently have, an increasing number of Scottish businesses, entrepreneurs and workers are recognising the urgent need for Scotland to take greater responsibility for the decisions that affect our economy and our collective prosperity.

Many of the key job creating powers – particularly in relation to taxation and key elements of economic policy – lie outside the remit of the Scottish Government. Approximately 90% of Scotland’s revenues are collected by Westminster and are not set with reference to economic circumstances here, or the preferences and needs of our businesses or households.

This limits our flexibility to respond to key challenges or to take advantage of strengths or new opportunities within Scotland’s economy.

With greater responsibility we could do much more. Independence would provide the optimal degree of autonomy to capture the unique opportunities in Scotland’s economy, to maximise our potential and fully determine our own economic future.
IN OUR 2007 GOVERNMENT ECONOMIC STRATEGY WE PUT FORWARD A BOLD VISION FOR SCOTLAND, WITH THE FOCUS OF GOVERNMENT AND PUBLIC SERVICES DIRECTED TOWARD CREATING A MORE SUCCESSFUL COUNTRY, WITH OPPORTUNITIES FOR ALL OF SCOTLAND TO FLOURISH, THROUGH INCREASING SUSTAINABLE ECONOMIC GROWTH.
Our 2007 Government Economic Strategy put forward a bold vision for Scotland, with the focus of government and public services directed toward increasing sustainable economic growth, with opportunities for all of Scotland to flourish.

Faster sustainable economic growth is the key to unlocking Scotland’s potential. It is the avenue through which we can deliver a better, healthier and fairer society and we remain committed to these aims.

This updated Government Economic Strategy sets out how we will continue to deliver on the Purpose we set in 2007:

- reduce crime and anti-social behaviour, which will enable more public services and resources to be focussed on preventing future social problems;
- foster a self-sustaining and ambitious climate of entrepreneurialism, international trade and innovation;
- share the benefits of growth by encouraging economic activity and investment across all of Scotland’s communities;
- stimulate higher government revenues and a virtuous cycle of re-investment in Scotland’s public services;
- bring a culture of confidence, creativity and personal empowerment to Scotland; and
- secure a high quality environment and a sustainable legacy for future generations.

The benefits from delivering the Purpose will be shared by all of Scotland. It will help to:

- counter the effects of recession and create greater and more widely shared employment opportunities;
- promote the transition to a low carbon economy and the reindustrialisation of Scotland as a renewable energy powerhouse and centre for low carbon technologies;
- tackle key health and social problems that arise from a lack of economic opportunity;
- share the benefits from delivering the Purpose will be shared by all of Scotland.

The financial crisis of 2008 and subsequent global recession, has highlighted the importance of responding flexibly to emerging pressures and challenges. It has also emphasised the need to create an economy that is more resilient to shocks and economic uncertainty. Developing a more resilient and adaptable economy are key aims of the Government Economic Strategy.

While we have made progress over the last four years, we are constrained however, by a constitutional framework that inhibits our ability to fully deliver on our ambitions.
Many of the key job creating powers – for example in relation to taxation, welfare, immigration, and industrial and competition policy – lie outside Scotland’s control. This lack of autonomy limits our flexibility to respond to key challenges or to take advantage of strengths or new opportunities within our economy.

It also limits our ability to innovate. For example, with greater autonomy we could better coordinate skills and training programmes and reform welfare to deliver a more streamlined and efficient system which promotes employability and inclusion.

Just as importantly, we are unable to use the proceeds of our successes to re-invest in public services or to protect the most vulnerable in our society. If we grow our economy we do not receive all the corresponding boost in revenues. Approximately 90% of our taxes are controlled by Westminster. This also means we are largely powerless to withstand spending cuts from the UK Government which threaten our public services and recovery.

There is an urgent need for change and the Scottish Parliament must secure real ‘economic teeth’.

The Government believes that independence is the key to maximising our potential and boosting Scotland’s rate of sustainable economic growth.

This chapter sets out the structure of the Government Economic Strategy and how the various elements of our approach fit together. It discusses –

• where the strategy sits in the Scottish policy landscape; and
• the different elements of the strategy and how these relate to each other.

THE PURPOSE FRAMEWORK

The Purpose Framework is part of the National Performance Framework (NPF) alongside the National Outcomes. It identifies the key components of faster sustainable economic growth – Productivity, Competitiveness and Resource Efficiency, Participation in the Labour Market and Population Growth – and our desired characteristics of growth – Solidarity, Cohesion, and Sustainability.

Figure A1 demonstrates how these drivers and characteristics of growth are linked to deliver balanced sustainable economic growth alongside important social, regional and inter-generational equity objectives. In addition to labour productivity a focus on resource efficiency will help ensure that the Scottish economy remains competitive in globally challenging times, and could help establish a long-term competitive advantage.

As the figure highlights, Solidarity, Cohesion and Sustainability are themselves important drivers of sustainable economic growth. Improving the social, health, environmental and economic opportunities for all of Scotland will be key if we are to maximise the nation’s economic potential.
A STRATEGY FOR SCOTLAND

The *Government Economic Strategy* reaffirms our commitment to delivering increased sustainable economic growth with opportunities for all to flourish.

Despite recent global economic challenges, our commitment to this Purpose remains as strong as ever. We recognise the value of certainty and continuity so the fundamental principles of our approach are consistent with those of the 2007 *Government Economic Strategy*.

The key objectives of the strategy are as follows:

- to ensure Scotland's government and the whole of the public sector are aligned toward one Purpose;
- to ensure Scotland's public sector - central and local government, the enterprise bodies and other key agencies - work collaboratively with the private, academic and third sectors, in pursuit of the Purpose and economic recovery;
- to inform the outcome-based framework which enables the people of Scotland to judge us on the results that we achieve; results which reflect real and meaningful improvements in public services and quality of life; and
- to provide leadership to support Scotland's transformation to a low carbon economy.
PROGRESS SINCE 2007

As we reflect on developments since 2007, we have made progress, but much more needs to be done. Since 2007, we have:

• delivered the Small Business Bonus Scheme which has removed or reduced the rates burden for tens of thousands of business properties across Scotland;

• promoted economic security through no-compulsory redundancies in the areas under our control. Scottish Ministers are wholly committed to supporting those on the lowest incomes. One of the key aims of our annual public sector pay policy is to continue to work towards making sure pay is fair and non-discriminatory and provide employers subject to that policy, with the flexibility to target the lower paid. As we ask for pay restraint to support jobs we have met core economic and social commitments through our ‘Social Wage’ including –
  o the introduction of a ‘living-wage’;
  o the freezing of council tax, water bills and the abolition of bridge-tolls and prescription charges; and,
  o maintained our commitments to concessionary travel and free personal care.

• attracted major international companies to Scotland which will help create thousands of jobs;

• provided over 300,000 training opportunities – a figure which includes a record 25,000 Modern Apprenticeships in 2011-12;

• implemented Curriculum for Excellence to equip young people with the skills and knowledge that they need;

• maintained free higher and further education;

• established the Scottish Investment Bank to provide both early stage and established businesses with growth and export potential with better access to finance;

• addressed the drag on the economy caused by poor health with action on alcohol and drug misuse and improvements in health outcomes, such as heart disease, stroke and cancer;

• delivered vital infrastructure investment across the length and breadth of Scotland such as the Airdrie-Bathgate Rail Link Project, the M74 Completion Project and the M80 Stepps to Haggs upgrade;

• modernised the planning system making it more effective, reducing delay and helping promote economic growth and sustainable communities;

• supported the activities of our Enterprise bodies to promote business start-ups and provide new opportunities for existing businesses to grow; and

• overachieved on our own efficiency targets which have been re-invested in our public services and economy.

Moreover, at the first signs of the economic downturn, our Economic Recovery Plan\(^1\) mobilised the resources of all of Scotland’s public sector to

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\(^1\) http://www.scotland.gov.uk/Topics/Economy/economic-situation
deliver a vital economic stimulus, including capital acceleration and new investment in skills, training and support for those at risk from unemployment.

We have also taken significant steps to position Scotland to take full advantage of the economic opportunities that will emerge from the transition to a low carbon economy.

THE TRANSITION TO A LOW CARBON ECONOMY

Climate change is undoubtedly one of the most important challenges that we face as a country. It will have far reaching consequences for our economy, our lifestyles and our natural environment. Only by promoting environmental sustainability, and delivering a significant reduction in our greenhouse gas emissions, will we be able to deliver growth and benefits for all over the long-term.

This challenge also represents an exciting opportunity for Scotland. We are fortunate to have the natural resources and expertise to be at the forefront of the new global economic opportunities that the transition to a low carbon economy is bringing.

Transition to a Low Carbon Economy

Our Climate Change (Scotland) Act 2009 established ambitious emissions reduction targets with a commitment to reduce emissions by 42% by 2020 and by 80% by 2050. In 2010, we published the draft Low Carbon Scotland: Meeting the Emissions Reduction Targets 2010-2022 report (finalised in March 2011), and the Low Carbon Economic Strategy (LCES) which together set out how we would meet these climate change targets and secure the transition to a low-carbon economy2.

Scotland has a tremendous opportunity to become a world leader in low-carbon activities. We have 25% of Europe’s wind and tidal resource, 10% of Europe’s capacity for wave power and the EU’s largest offshore storage capacity for carbon emissions – greater than the Netherlands, Denmark and Germany combined. Coupled with our wealth of existing energy engineering, business and academic expertise these key assets offer the potential to establish new industries, new investment and new jobs.

The transition of Scotland’s industries and firms to low carbon products and services is both an economic and environmental imperative and it offers significant potential to stimulate and exploit rapidly expanding global markets. A low-carbon economy that promotes the sustainable use of resources (water, land, energy, minerals, etc) will also make us more resilient to unpredictable commodity prices in an uncertain future world and offer greater protection to those who are most at risk from rising and volatile energy prices.

2 http://www.scotland.gov.uk/Publications/2010/11/15085756/0
We have seized the opportunity to integrate the transition to a low-carbon economy explicitly into the Government Economic Strategy and we have made it a clear Strategic Priority.

THE ROLE OF THE PUBLIC SECTOR

Our future prosperity as a nation depends on everyone playing their part – as workers, consumers, volunteers and business leaders. We, as government, have a role too in the way we invest in Scotland’s people and places. We also have a critical role in ensuring that the recovery continues to gain traction and that we tackle remaining obstacles to growth.

It is important however, to be clear about what the public sector can and cannot achieve.

The Scottish Government responded to the challenge of the recession with a detailed Economic Recovery Plan which provided support to retain jobs, investment and skills and minimise any potential impacts on Scotland’s long-term growth potential. This helped ensure that our recession was both shorter and shallower than in the rest of the UK.

The Government also has a vital role in helping the economy emerge from the worst effects of recession and to continue to tackle the causes and impacts of unemployment – particularly amongst our young people. However, long-term economic success cannot be supported solely by growth in the public sector. Growth and investment in the private sector will be key to unlocking Scotland’s potential and creating opportunities for all to flourish.

The objective for government is to provide the overarching economic framework – such as a competitive business environment, an effective justice system that protects property rights, an integrated and resource efficient economy and a skilled and adaptable workforce – which is conducive to sustained economic growth. This is what the Government Economic Strategy aims to achieve.

THE APPROACH FOR DELIVERING THE PURPOSE

Our approach consists of:

- the overall Purpose Framework – supported by a set of National Targets, which include specific benchmarks for economic growth and golden rules for ensuring that growth is shared and sustainable.
- Strategic Objectives and National Outcomes – which capture our long-term vision for Scotland from delivering the Purpose. The National Performance Framework, presented in Figure A2, sets out the Government’s vision, and shows how the Purpose is supported by the Strategic Objectives and National Outcomes and how progress towards the Purpose will be monitored; and
- Strategic Priorities – which are critical to delivering sustainable economic growth with opportunities for all to flourish.
SECTION A: THE PURPOSE OF THE SCOTTISH GOVERNMENT

THE PURPOSE FRAMEWORK

The Purpose Framework sets out the drivers of growth and the desired characteristics of this growth – as shown in Figure A1.

Financial and other resources will continue to be aligned to ensure that policy development and spending programmes are focused on the delivery of the Purpose.

Within this overarching framework, a particular emphasis is given to the interventions which will help secure the recovery and put in place the necessary foundations so that Scotland can take advantage of new and emerging opportunities as the global economy recovers – such as in renewable energy.

PURPOSE TARGETS

Our Purpose Framework is underpinned by a set of ambitious targets which focus on the drivers of sustainable economic growth and ensure that growth is shared and sustainable. These targets set the direction and ambition of our Economic Strategy.

Our long-term Purpose targets are:

**Sustainable Economic Growth** – To match the growth rate of the small independent EU countries by 2017.

**Productivity** – To rank in the top quartile for productivity amongst our key trading partners in the OECD by 2017.

**Participation** – To maintain our position on labour market participation as the top performing country in the UK and to close the gap with the top five OECD economies by 2017.

**Population** – To match average European (EU15) population growth over the period from 2007 to 2017, supported by increased healthy life expectancy over this period.

**Solidarity** – To increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017.

**Cohesion** – To narrow the gap in participation between Scotland’s best and worst performing regions by 2017.

**Sustainability** – To reduce Greenhouse Gas emissions by 80 per cent by 2050.

STRATEGIC PRIORITIES

To deliver sustainable economic growth – and secure the recovery – the Government Economic Strategy identifies six Strategic Priorities. These priorities represent the broad policy levers that shape the drivers of growth – **Productivity; Participation; and Population** – and the desired characteristics of growth – **Solidarity, Cohesion and Sustainability**.
Strategic Priorities for Delivering Sustainable Economic Growth

- Supportive Business Environment;
- Transition to a Low Carbon Economy;
- Learning, Skills and Well-being;
- Infrastructure Development and Place;
- Effective Government; and
- Equity.

Each priority is critical to the delivery of the Purpose and our Purpose targets. Our policies and resources will continue to be aligned toward them in order to deliver increased sustainable growth, with opportunities for all to flourish (as highlighted in Figure A3). The whole of the public sector has an important role to play in contributing to these Strategic Priorities.

Our ability to prosper and create jobs will depend on the performance of our businesses. They are the wealth generators of society and the greatest source of employment.

This is why we are committed to maintaining and further investing in a Supportive Business Environment. Our approach will focus our efforts on:

- Creating the right environment for growth companies;
- Enabling companies to take advantage of growth markets; and
- Supporting growth sectors with the potential to accelerate economic growth.

This refresh of the Government Economic Strategy establishes a new Strategic Priority – Transition to a Low Carbon Economy – to reflect the opportunity we have at this current time to place Scotland in an advantageous position in the global economy and ensure that the benefits of this transformational change are shared across the economy and our communities.

Figure A3: Inter-linkages of the Government Economic Strategy

![Inter-linkages of the Government Economic Strategy](image-url)
Our Strategic Priority on **Learning, Skills and Well-being** acknowledges that our people are our greatest economic asset. A skilled, educated and healthy workforce is essential to building our comparative advantage and to the delivery of sustainable economic growth. Learning and skills development is also vital to developing a more adaptable and resilient economy. It is also an effective way of addressing inequality and promoting the health and well-being of individuals and strengthening the fabric of our communities.

Our focus on **Infrastructure Development and Place** seeks to harness the strength and quality of our cities, towns and rural areas and to ensure that Scotland is positioned to take full advantage of the opportunities offered by the digital age. There is a critical role for government in capturing the opportunities that our geography provides, through the effective alignment of Scotland’s planning policy, development and funding frameworks and identifying clear priorities for investment in our physical and digital infrastructure.

**Effective Government** is critical to successful implementation of the *Government Economic Strategy*, by ensuring that the actions of the public sector are coordinated to maximise their positive economic impact. Central to this will be nurturing and developing the talents and creativity of all our public servants.

In order to ensure that all of Scotland benefits, the *Government Economic Strategy* has a vital role in delivering economic growth which provides the most disadvantaged in society with the opportunity to prosper. However, as well as being a desirable outcome and characteristic of growth, **Equity** - social, regional, and inter-generational - is also a key driver of economic growth. Only by ensuring that everyone has an opportunity to succeed will we fully maximise the nation’s potential.

**STRATEGIC OBJECTIVES & NATIONAL OUTCOMES**

Delivery of the Purpose and the Purpose targets is supported by five Strategic Objectives that describe the kind of Scotland that we want to live in – a Scotland that is Wealthier and Fairer, Smarter, Healthier, Safer and Stronger and Greener.
WEALTHIER & FAIRER - Enable businesses and people across Scotland to increase their wealth and to ensure that more people share fairly in that wealth.

SMARTER - Expand opportunities for all Scots to succeed from nurture through to life long learning ensuring higher and more widely shared achievements.

HEALTHIER - Help people to sustain and improve their health, especially in disadvantaged communities, ensuring better, local and faster access to health care.

SAFER & STRONGER - Help local communities to flourish, becoming stronger, safer places to live, offering improved opportunities and a better quality of life.

GREENER - Improve Scotland’s natural and built environment and the sustainable use and enjoyment of it and facilitate the transition to a low carbon economy.

To articulate our ambition, support the move towards outcomes, and provide a framework to assess progress, in 2007 we launched the National Performance Framework (NPF). This overarching framework shapes delivery against the Government’s agenda, and is designed to be clear, logical and easy to understand.

The delivery of the Purpose and National Outcomes is monitored through tracking progress on the Purpose Targets and National Indicators on the Scotland Performs website (www.scotlandperforms.com).

The NPF is a 10 year plan with a refresh of the National Indicator set to be published in Autumn 2011 to reflect lessons learned since 2007; provide a better measure of progress towards the National Outcomes; and, reflect current priorities. By taking this approach we will ensure we best reflect national well-being and success.

DOCUMENT STRUCTURE

The remainder of the document focuses on:

• an update of economic developments – and in particular the challenges from the global financial crisis and the outlook for recovery; and

• a detailed discussion of each Strategic Priority and the actions we are taking.

MONITORING PROGRESS: THE NATIONAL PERFORMANCE FRAMEWORK AND SCOTLAND PERFORMS

The Purpose provides a clear and unified vision for Scotland. A vital element of delivering this vision is ensuring that all of Scotland - our people, businesses, and delivery organisations - can envisage a more successful country. In 2007, we moved for the first time towards an outcomes-focussed approach across the whole of government.
ECONOMIC CONDITIONS HAVE CHANGED MARKEDLY SINCE 2007, FOLLOWING THE DEEPEST GLOBAL RECESSION IN OVER 50 YEARS. THIS HAS CREATED A RANGE OF CHALLENGES, WHICH WE CONTINUE TO ADDRESS.

HOWEVER, THERE ARE ALSO EXCITING NEW GROWTH OPPORTUNITIES FOR SCOTLAND INCLUDING THE TRANSITION TO A LOW CARBON ECONOMY AND THE INCREASING IMPORTANCE OF EXPORTS.
In 2007, the Government Economic Strategy made clear the scale of the challenge in putting Scotland on a higher sustainable growth path. For 30-years our average growth rate was well below that of comparable small European economies and had also lagged behind the UK.

To meet this challenge, we established a series of demanding targets focussed on the drivers (Productivity, Participation, and Population) and the characteristics (Solidarity, Cohesion, and Sustainability) of growth which underpin the Purpose Framework. We also put in place targets to raise Scotland’s growth rate to match that of our near neighbours. The Government Economic Strategy reaffirms our commitment to these targets.

Improving Scotland’s sustainable economic growth rate will take time. Recent global events have made the challenge that much harder. We are also constrained by the lack of economic levers at our disposal. With independence, we would have access to the full range of levers to create jobs, attract investment and boost growth. This is why we believe securing independence is so important for Scotland.

However, there are also exciting new opportunities for Scotland which we are determined to take advantage of. The transition to a low carbon economy and the growing importance of exports are two excellent examples of the potential growth areas for Scotland in the years ahead.

THE GLOBAL ECONOMIC ENVIRONMENT SINCE 2007

During the summer of 2008 and into 2009, the global economy experienced two powerful shocks: the emergence of an international financial crisis and a severe commodity-price spike. These shocks resulted in a dramatic fall in global demand.

What began as a problem in the US mortgage market had, by autumn 2008, developed into an international credit crunch and a crisis of confidence. This precipitated a systemic financial crisis and the collapse or near-collapse of several of the world’s largest financial institutions.

Rescue packages were adopted in most advanced economies, including an unprecedented degree of support for the banking sector. However, given the scale of the crisis these actions were not able to prevent the global economy from entering recession.

While all countries were affected to a varying degree, divergences in the size and length of the impacts did emerge. These divergences were driven by the unique structures of individual economies rather than any generic feature such as size or location. As more evidence has emerged on performance, it is clear that those countries most exposed to global trade flows, the fallout from the financial crisis, and declines in house prices suffered the greatest impact.
Since emerging from recession in late 2009, the global economy has yet to fully recover the losses of the downturn. The recovery has not been helped by continued uncertainty over the full implications of the credit-crunch. Concerns over sovereign debt have arisen in Europe with, so far, Greece, Ireland and Portugal needing direct financial support; whilst fears still remain as to whether further Euro Area countries will also require support. The uncertainty was further increased by the downgrading of the USA’s credit rating in Summer 2011.
THE PERFORMANCE OF THE SCOTTISH ECONOMY SINCE 2007

Scotland, like most other developed economies, was not immune to the impacts of the global downturn. Our economy entered recession in mid-2008 before returning to growth in late 2009.

Since then, and as chart B2 highlights, output in the Scottish (and UK) economies has been volatile with a number of temporary factors – such as the severe winter weather in late 2010 and early 2011 – having an impact on the economy. Looking forward, with continued global uncertainty likely, output is expected to remain volatile for a time before it stabilises.

The deterioration in economic conditions created a range of short-term pressures. For example, there was a fall in employment and rise in unemployment. As with previous recessions, the challenges have been particularly difficult for our young people.

The overall unemployment rate in Scotland now stands at 7.7%, slightly below the UK figure of 7.9%.

There has been a recovery in employment in Scotland since Spring 2010, although levels still remain below their pre-recession high. Figure B3 highlights Scotland’s employment performance against the countries in the UK since 2007. For the majority of the time period, Scotland has maintained its position as the top performing country of the UK. While Scotland temporarily lost this position in 2010 – as a result of a relatively sharp decline during late 2009 and early 2010 – employment

Figure B2: Quarterly GDP Growth Rates in Scotland and the UK (source: Scottish Government, and the Office for National Statistics)
levels in Scotland have recovered somewhat and we are once again the top performing country in the UK.

The deterioration in labour market conditions has impacted disproportionately on different groups. Similar to previous recessions, young people were amongst the first to experience a deterioration in labour market conditions as employment opportunities became more limited.

To date, males have accounted for the largest proportion of the adjustment in the labour market. Data for the 3 month period April to June 2011 shows that compared to the pre-recession peak in employment – in the 3 month period March-May 2008 – male employment rates were 3.9 percentage points lower, whilst female employment rates were 1.7 percentage points lower.

However, data also suggests that this balance may be shifting, with male employment increasing and female employment falling in the most recent months. Despite this, according to figures for April to June 2011, the female employment rate in Scotland is the highest of all UK countries and Scotland’s female unemployment rate is lower than in the UK as a whole.

While there has been a rise in unemployment, the impact on the labour market was not as severe as had been initially feared (based on what could be expected from previous recessions) or as experienced by some of our close trading partners in Europe and the USA.

At the first signs of a global slowdown, we responded with a detailed Economic Recovery Plan. The Economic Recovery Plan was firmly embedded within the

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Figure B3: Quarterly Employment Rates (16-64) for countries of the UK

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3 http://www.scotland.gov.uk/Topics/Economy/economic-situation
principles of the Government Economic Strategy, and provided a range of targeted policy responses to deliver short-term support and minimise any lasting impacts from the recession.

The Economic Recovery Plan helped to enhance the resilience of the Scottish economy, and as a result, Scotland can reflect upon a recession that was shallower than for the UK as a whole. During the recession, output fell by 5.7% (peak to trough) in Scotland, compared to 6.3% in the UK.

The aim of the Government Economic Strategy is not only to offer greater protection to the economy during periods of economic uncertainty, but to bring about a long-term, or structural, change in Scotland’s sustainable growth rate. In recent decades a gap has emerged in GDP growth performance between Scotland and the UK. For example, over the 30 year period 1976-2006 Scotland’s average annual growth rate was 2.0% compared to 2.4% in the UK – a gap of 0.4 percentage points.

Assessing progress against this challenge since 2007 is difficult, as not only has a short time period elapsed, the intervening years have been particularly volatile and are not a good period to assess long-term performance.

However looking at the data we have, over the period 2007 to 2010 (the most recent full year for which data are available) both Scotland and the UK experienced average annual declines (i.e. negative growth) in output of 0.2% – giving a relative gap of 0.0 percentage points.

A MORE CHALLENGING FISCAL POSITION

A legacy of the economic crisis has been the impact on public sector finances across the world and in the outlook for future budgets.

In 2011/12 alone, the Scottish Government DEL budget – the element of the budget that funds day-to-day public services – was cut by 6.3% in real terms. This is just the beginning of a period of sustained consolidation in public spending.

As highlighted in Figure B4, based on the current plans of the UK Government it is estimated that it could take until 2025/26 for the Scottish Government budget to return to 2009/10 levels in real terms – an adjustment period of 16 years. Over the entire period, the cumulative loss foregone could be close to £40 billion.

Within this overall settlement imposed by Westminster, the Scottish Government’s capital budget – a key driver of economic growth – will bear the relative burden of the cuts with a real terms cut of approximately 35% over the current Spending Review Period.

These budget trends have two major implications. Firstly, as the Office for Budget Responsibility has outlined, the withdrawal of such demand from the economy (at the UK level) will mean that the public sector will make a negative contribution to aggregate demand over the next few years. Secondly, the resources available to government to support growth in the wider economy will be greatly reduced.
To address the challenges that the fiscal climate presents, the Scottish Government has shown leadership in driving forward public service reform and efficiency savings. In this regard, the work of the Independent Budget Review and the Christie Commission have been vital in helping to inform our response.

In 2007, we announced tough efficiency targets of 2% per annum. In the years since, we have exceeded our target in each and every year. In 2008/09, savings of £839 million (£300 million above target) were obtained, while in 2009/10 savings of £1,470 million (£400 million above target) were secured. We are on course to exceed our target of £1,603 million for 2010/11 and we expect public bodies to deliver efficiencies of at least 3% in 2011/12. It is clear that the scale of the challenge that now confronts us means we will need to continue a programme of efficiency and public service reform over the coming years.

**SECURING ECONOMIC RECOVERY**

Economic conditions remain challenging and we must remain vigilant to the ongoing challenges of unemployment and global uncertainty.

The weakening of the global recovery in recent months has increased concerns over the Euro Area Sovereign Debt crisis, led to volatile stock markets and had a detrimental impact on confidence.

Growth has also now slowed in the emerging countries, which have been driving global recovery, due to inflationary pressures prompting policy makers to cut back spending and increase interest rates.
In the Euro Area, France and Germany, who had initially recovered strongly after exiting recession, have slowed in 2011 bringing down the overall Euro Area growth rate. The strength of recovery of the Euro Area is of particular relevance to Scotland as it is a key market for Scottish exporters. Japan continues to struggle and had fallen back into recession following the tsunami and earthquake; whilst the US economy is also losing momentum.

It is also clear that the UK recovery is weakening with most indicators pointing to a more uncertain outlook. Nearly all growth forecasts for the UK economy have been consistently revised down during 2010 and 2011. This reflects increased vulnerabilities, especially within the Euro Area, and the continuing squeeze on household incomes impacting on domestic demand.

As demonstrated through our Economic Recovery Plan, the Scottish Government continues to adopt a flexible approach in response to these ongoing challenges. However, we are limited in the powers that we control and have urged the UK Chancellor to take decisive action to protect growth and jobs.

The Scottish Government believes that the UK Government must respond to the weakening economic outlook with a plan to protect the recovery and ensure that the UK’s fiscal plans remain on track. If the recovery was to remain weak (or even falter), the shortfall in tax revenues and rise in unemployment benefits would only serve to exacerbate the deficit.

Therefore we have put forward a Plan for Recovery focused on:

- Capital Investment;
- Access to Finance; and
- Enhanced Economic Confidence through prioritisation of Growth, Employment and Income Security.

While we fully recognise the need to restore the public finances, ultimately the most effective way to achieve this is through economic growth. Any doubts over the ability to deliver growth will only serve to undermine attempts to restore the public finances to health and risk increasing the charges we pay on government borrowing.

**Plan for Recovery**

Recent economic data indicates that the global economic recovery is fragile. Economic uncertainty is acting to dampen growth, while a lack of investment in the world’s major economies is limiting job prospects.

In the UK, forecasts for the recovery have been revised down consistently over the last year. The Scottish Government has been clear, since the very first signs of a slowdown in growth prospects, that action is needed in three priority areas.

Firstly, *capital investment* is key to economic recovery. Investment is usually one of the first elements of the economy to contract during a recession. However, it is also vital to growth as it not only provides a timely boost to economic activity and jobs but it creates a legacy.
of assets which can have long-lasting economic benefits. We have been clear that the significant cuts to the Scottish Government budget are too far and too fast. In particular, capital spending must be supported given its importance to the economy and links to future tax revenues.

Secondly, securing affordable finance remains a considerable challenge and further action is needed to ensure that viable businesses have access to the funding they require to grow and support jobs. The recovery is being held back by limited private sector investment – indeed, overall investment in the UK remains some 15% below pre-recession levels. Evidence shows that while many large companies have significant cash holdings or can access capital markets directly, for most Small and Medium-sized companies bank lending remains the key source of finance. Unblocking this is key to helping the recovery gain traction.

Thirdly, to combat the uncertainty that is facing households and businesses, we need action to provide greater economic security and protection, as far as possible, from rising prices.

Within the constraints of the current devolution settlement, we are doing everything possible to promote growth and secure jobs in these three priority areas.

Firstly, and within our fixed spending envelope we are taking forward an ambitious programme of infrastructure investment – including the Forth Replacement Crossing and the South Glasgow Hospitals project. We are also rolling out a £2.5 billion programme of NPD investment to help offset the worst impacts of the UK Government’s capital spending cuts.

Secondly, on access to finance, we are maintaining the pressure on the UK Government and banks to ensure that they meet their lending commitments – particularly to small and medium-sized companies. Alongside this, the Scottish Investment Bank will continue to support early stage innovative technology based businesses, and growth and exporting companies. In addition, we will work to leverage in more private sector investment from our own targeted capital investments. For example, our National Renewables Infrastructure Fund aims to tap in to the appetite in the private sector to invest in renewables and help deliver our ambitions for this sector.

Thirdly, we are promoting economic confidence and security through our policy of no-compulsory redundancies for the 30,000 staff governed by our pay agreement to the end of March 2012. A similar commitment has been given to staff in the NHS in Scotland. As we ask for pay restraint we are meeting core economic and social commitments through our ‘Social Wage’ including key initiatives such as pay increases for the lowest paid in the public sector, the freezing of council tax and water bills and the abolition of prescription charges.
And finally, we are also taking direct action to tackle unemployment and ensure that people who are out of work or underemployed - particularly our young people - have access to the right training, skills or education opportunities to meet their needs. We are delivering over 46,500 training opportunities this year - the majority of which are targeted at our young people - including a record 25,000 Modern Apprenticeships.

RESTRUCTURING TO DELIVER SUSTAINABLE ECONOMIC GROWTH

Despite the challenges that we have faced as a result of the global downturn, progress has been made since 2007.

We now have a better understanding of the challenges and opportunities facing us as we accelerate the transition towards a low carbon economy. We have also had an opportunity to reflect upon the sustainability of certain aspects of global growth in the run-up to the financial crisis in 2008.

There is a growing acceptance that in the years immediately prior to the crisis, the rate of growth in certain sectors of the global economy was not sustainable. Demand driven by a credit boom, and funded by emerging markets, could only last for so long. As a result, the world economy is likely to go through a period of restructuring with greater emphasis placed on exports from Europe and the US. This poses a challenge for Scotland - with the share of our business base devoted to trade smaller than many of our competitors. However, it also provides an excellent opportunity to rebalance our economy and take advantage of the growing demand for our products and services.

In particular, developing and emerging economies will continue to drive global growth (as highlighted in Figure B5). This will result in significant opportunities for Scottish companies to tap into these rapidly expanding markets.

The recovery over the medium term will therefore be driven, in part, by increased contributions from net trade as Scottish firms look to increase their export activity and as domestic supply chains are strengthened.

Investment will play a vital role in driving future growth performance. The public sector has an important role in supporting investment through maximising the impact of its capital spending. During the recession increases in general government investment countered some of the decline in business investment (as highlighted in Figure B6, which summarises trends in UK Gross Fixed Capital Formation – a measure of public and private sector investment).

However, for recovery to be sustained - and for faster sustainable economic growth to be delivered – the main driver will be increases in levels of private sector investment. As set out in our Plan for Recovery this requires appropriately functioning capital markets, and for a climate to be created where companies with available capital feel confident in taking forward investment.
Figure B5: Two Speed Recovery in the Global Economy (Source: IMF June, 2011)

Figure B6: Index of UK Public and Private Sector Gross Fixed Capital Formation (Source: ONS)
Over the longer-term, there is a clear need for the global economy to respond to the challenge of climate change. The requirement for industries, firms and consumers to move to low carbon processes, products and services, is both an economic and environmental imperative. Once more while this poses a challenge, Scotland has a tremendous opportunity to lead the way, particularly in areas where we have abundant natural energy resources as well as long established academic and offshore engineering expertise.

In the long-run our success will depend upon the ability of our economy to adjust to these short and medium term challenges and to take advantage of the new opportunities that will emerge. This is why our focus on improving the drivers of growth – Productivity, Competitiveness and Resource Efficiency; Labour Market Participation, and Population Growth – and the characteristics of growth – Solidarity, Cohesion, and Sustainability – set out in the Purpose Framework is so vital.
SECTION C: STRATEGIC PRIORITIES

The government economic strategy focuses our actions on six strategic priorities which will accelerate recovery, drive sustainable growth and develop a more resilient and adaptable economy.

These priorities are: supportive business environment; transition to a low carbon economy; learning, skills and well-being; infrastructure development and place; effective government; and equity.
To achieve the Purpose of faster sustainable economic growth, with opportunities for all of Scotland to flourish, the *Government Economic Strategy* gives clear priority to the approaches and policy levers which drive growth most effectively.

The 2007 *Government Economic Strategy* identified five Strategic Priorities to help deliver shared and sustainable economic growth:

- **Supportive Business Environment**;
- **Learning, Skills and Well-being**;
- **Infrastructure Development and Place**;
- **Effective Government**; and
- **Equity**.

In addition to reaffirming the commitment to these Strategic Priorities, this update of the Strategy has established an additional Strategic Priority – **Transition to a Low Carbon Economy**.

Securing the transition to a low carbon economy is an essential element within all the Strategic Priorities – with implications for business, government, and Scotland’s people. But the need for urgency to meet our emissions targets and to take advantage of the current conditions for adaptation and investment has motivated the creation of a specific Strategic Priority focused on the low carbon economy.

The Strategic Priorities represent the policy levers that shape the drivers of growth – **Productivity**, Competitiveness and Resource Efficiency, **Participation** in the Labour Market and **Population Growth**.

They also provide the focus for delivery of the desired characteristics of growth – **Solidarity**, **Cohesion** and **Sustainability**. In doing so, the Strategic Priorities will ensure that by tackling the causes of inequality, barriers to economic opportunity and environmental concern we will make our nation fairer and more prosperous.

We do not yet have control over all the policy levers within each Strategic Priority. Many remained reserved to Westminster. This limits the policy opportunities and choices available to us. Independence would provide the full set of levers and is vital to Scotland fulfilling its potential.

The six Strategic Priorities are closely integrated, with linkages and interdependencies between each priority.

For example, our ability to prosper will depend on the ambition, growth and performance of Scotland’s businesses. The ability of Scottish businesses to succeed will depend upon actions taken across all Strategic Priorities, whether that be in direct activities toward creating a **Supportive Business Environment** or facilitating the **Transition to a Low Carbon Economy**, or in establishing a solid foundation of skills and economic assets through actions in **Learning, Skills and Well-being**, **Infrastructure Development and Place**, **Effective Government** and **Equity**.
The ability of our businesses to grow and be successful will depend upon:

• A diverse, robust and adaptive business base, where all businesses are important and some are truly world class;
• A skilled, educated and adaptable workforce;
• An ability to secure a competitive advantage from utilising Scotland’s natural and energy resources more efficiently;
• A research and business base that supports commercialisation and innovation;
• A culture of entrepreneurship, leadership, creativity and international ambition;
• Attractive well connected places to live and work that build on Scotland’s natural assets in terms of cities, towns and rural areas;
• A robust and reliable physical and digital infrastructure that helps businesses grow and compete internationally;
• A competitive tax regime;
• Effective and efficient public services that promote competition and help businesses thrive;
• An effective justice system which supports the rule of law, protects communities and individuals, reduces the cost of crime and safeguards economic activity, and promotes equality and fairness;
• An ability to draw upon the potential of more people as a result of the benefits of increased growth being shared more widely across Scotland’s communities;
• An approach to health and well-being that ensures that all of Scotland’s people enjoy a level of physical and mental health which allows them to maximise their potential; and
• A planning and development regime which is joined up, reflects strategic priorities, ensures greater certainty and speed of decision making and supports sustainable economic growth and the development of good quality sustainable places.

In the sections that follow we set out how each Strategic Priority contributes to the Purpose, alongside the key actions we will take within our current powers to help realise our ambitions for Scotland.

In delivering these Strategic Priorities, the entire public sector has an important role to play. The co-ordination and alignment of contributions from all of the public sector will be essential to the success of the Government Economic Strategy.
C1: SUPPORTIVE BUSINESS ENVIRONMENT

Scotland’s businesses are the primary driver of sustainable economic growth. Our ability to succeed as a nation depends critically on the competitiveness of our businesses – large and small. Fortunately, Scotland benefits from being home to a range of highly successful companies across a diverse range of sectors.

The challenge for the public sector is to help create the best possible environment for businesses, entrepreneurship and innovation to flourish.

HELPING SCOTTISH BUSINESSES TO GROW AND ATTRACTING NEW INVESTMENT TO SCOTLAND

John Swinney, Cabinet Secretary for Finance, Employment and Sustainable Growth

A competitive business environment is vital if we are to help Scottish companies to grow and to attract new investment to Scotland. Since 2007, the Government Economic Strategy has helped guide our policies to make Scotland a more open and competitive place to do business.

In taxation, our commitment to match the business rates poundage in England and to provide an unprecedented package of rates relief – including the Small Business Bonus Scheme – has delivered the most competitive business tax package in the UK.

The reforms we have taken to planning, with more to follow, have helped to deliver a system that is more efficient and better protects the quality of Scotland’s natural and built environment while supporting sustainable communities and the development of growth-enhancing activities across Scotland. The promotion of high quality, well connected places plays a major role in attracting investment and retaining businesses and skills.

We are also up-scaling our efforts to ensure that new and high-growth potential businesses – particularly in the SME sector – have the best enterprise support and have more of an opportunity to bid for public sector contracts.

As outlined in the Government Economic Strategy we will build on the achievements of the last four years, accelerate recovery and create the foundations for long-term sustainable economic growth.

We are committed to maintaining and further developing a Supportive Business Environment. Our overall framework will focus our efforts and resources to create an environment that:

- Is attractive to growth companies;
- Enables companies to take advantage of opportunities in new international growth markets; and
- Helps to build up the growth sectors of the economy which have the potential to drive future growth.

Directing efforts and resources to establish an environment that is attractive to growth companies will not only boost Scottish companies but will also make Scotland an attractive place for international investment.
Aligning investments towards growth markets is essential if Scotland is to re-balance its economy and take advantage of the growth in international demand. We need to build on the genuine global supply chains in Scotland – for example, Scotland’s oil and gas sector – and transfer lessons to other sectors.

Helping to build up the growth sectors of the Scottish economy will maximise value added and create high quality and sustainable jobs. Scotland has real international comparative advantages within a number of exciting sectors. Supporting a portfolio of niche opportunities in these sectors both exploits our competitive advantage and will provide greater longer-term resilience to economic shocks.

A supportive business environment is central to increasing Scotland’s sustainable economic growth rate. Scotland’s Productivity performance will be boosted by stimulating growth ambition through investment and innovation; supporting firms to compete in international growth markets; and encouraging leadership development and utilisation of skills across all sectors of the Scottish economy.

Improving Productivity is about making better use of all our resources – whether they are human, physical, or natural – and a focus on encouraging businesses to use our natural resources more efficiently will also contribute to our Sustainability target and support the transition to a low carbon economy.

Boosting Participation will be driven by businesses creating new and sustainable employment opportunities. Through our actions on Learning, Skills and Well-being we will ensure that Scotland has a workforce that is able to respond to these opportunities; whilst our actions on Equity will ensure that all of Scotland can prosper from this growth to help deliver our Solidarity and Cohesion targets.

A supportive business environment will also help make all parts of Scotland attractive places to live and work. Encouraging more highly skilled migrants to live in Scotland will deliver improved levels of Population growth and help achieve more balanced growth across Scotland.

To deliver a supportive business environment with a focus on growth companies, growth sectors and growth markets we will take forward a range of measures in the following areas –

1. International trade and investment
2. Supporting business growth
3. Helping small businesses create jobs
4. Growth sectors
5. Innovation and commercialisation
6. Taxation

International Trade and Investment

Scotland is a small open economy with an enviable reputation as a dynamic country rich in opportunity and home to a wealth of ambitious companies.

Exports are a vital source of growth and will be essential to our future prosperity as world trade continues to expand. Exporting to a wide range of markets as well as increasing sales growth enables companies to specialise in areas of relative strength, become more efficient, learn new techniques and benefit from a more diversified customer base.
EXPANDING INTO INTERNATIONAL MARKETS – THE SALMON INDUSTRY

OUR FOCUS ON PROMOTING EXPORTS WILL HELP OUR ECONOMY RE-BALANCE AND ALLOW US TO TAKE ADVANTAGE OF THE SIGNIFICANT GROWTH OPPORTUNITIES INEmerging INTERNATIONAL MARKETS.

The Scottish salmon industry provides an example of recent success with an agreement in January 2011 between the Scottish and Chinese Governments to allow Scottish salmon into China for the first time.

Demand for Scottish farmed-salmon continues to increase around the world with export figures up a record 37% year-on-year in the first five months of 2011.

Scottish salmon is now Scotland’s largest food export, accounting for 36% of food exports in 2010. The industry makes a significant contribution to the Scottish economy and provides vital employment for rural communities.

To support additional growth in the industry, we continue to promote and secure new markets for Scottish salmon around the globe and are actively encouraging further investment in the industry. We are also working with international partners to improve the environmental sustainability of aquaculture.
There is clear evidence that companies that export become more productive. This can help promote competitiveness and longer term sustainable growth.

An independent evaluation of Scottish Development International (SDI) and their efforts to help firms export, completed in May 2010, found assisted business had 19% higher productivity levels than those not assisted.

In addition to exports, greater exposure to international trade promotes productivity and competition within Scottish markets. Being open to international markets can boost the Scottish economy as businesses learn new ideas, adopt new technologies and seek out new opportunities and in doing so, build their confidence, ambition and leadership aspirations.

The Scottish Government’s engagement with other countries and institutions will continue to be driven by our overarching purpose of increasing sustainable economic growth. That engagement takes place across a range of areas where Scotland has expertise, from energy and climate change to education, culture and tourism.

To help companies take advantage of the enormous opportunities for trade offered by the EU Single Market, which allows for the free movement of goods, workers and capital between EU Member States, we will also continue to engage to suggest improvements to the transposition and enforcement of single market measures.

ASSISTING SCOTTISH COMPANIES TO GROW AND EXPORT

John Swinney, Cabinet Secretary for Finance, Employment and Sustainable Growth

The global downturn has highlighted, perhaps more clearly than ever before, the close interconnectedness of the world economy. As economies around the world look to strengthen, new competitive pressures are starting to shape the structure of our own economy.

A key feature of recent years has been the growing strength of new and emergent economies in Asia, South America, the Middle East, Africa and Eastern Europe. This provides an enormous opportunity for Scotland. Improving our access to these emergent growth markets will open up Scottish exports to new consumers – 2.5 billion in India and China alone. At the same time, the current competitive exchange rate means there are exciting prospects to develop greater international presence in our traditional trading partners such as the USA and Europe.

Emphasising and enhancing the underlying strengths of our economy will not only assist Scottish companies to grow and export but it will also make Scotland an attractive place for international investment. International trade and investment is a key theme of the Government Economic Strategy with additional efforts and support being targeted toward increasing both the number of Scottish exporters and the value of Scottish exports.
We are ambitious for Scotland’s companies and are confident in their ability to compete successfully in global markets. In March 2011 we published Scotland’s International Trade and Investment Strategy which set out the opportunities and priorities for increasing Scotland’s trade and investment performance.

In order to promote international trade and investment we will:

- Set an ambitious target for Scottish businesses to deliver a 50% increase in the value of international exports by 2017;
- Support growth companies to extend their exports particularly into fast growing markets. As part of this, the Scottish Investment Bank will prioritise lending to support SMEs with international ambitions and our Export Support Initiative will continue to deliver advice and support to SMEs with significant export potential;
- Widen our export support to encourage more businesses to become active exporters. Scottish Development International (SDI) will work with partners to support 8,000 – 10,000 more businesses develop the skills to go international by 2015; and
- Support the continued international ambitions of our universities, recognising both the £0.5 billion per annum export contribution that international students already make by studying in Scotland as well as the commercial opportunities from their truly global research excellence and educational strengths.

Supporting Business Growth

An important role for government is to provide a framework that encourages business start-ups and Scottish companies to grow.

At the same time, Scotland’s long-term success continues to depend upon remaining an attractive location for international investment. International investors are typically highly productive and engage in above average levels of research and development.

This requires a responsive and focussed programme of enterprise support which works in partnership with all in the public, private and third sectors. A number of significant steps have been taken in recent years to provide a more joined-up and accessible form of support.
INTERNATIONAL COMPANIES
INVESTING IN SCOTLAND – AMAZON

SINCE THE END OF THE RECESSION WE HAVE ATTRACTED A NUMBER OF INTERNATIONAL COMPANIES TO SCOTLAND, WHICH WILL HELP INJECT MILLIONS OF POUNDS OF NEW INVESTMENT INTO OUR ECONOMY AND DELIVER NEW JOBS.

One of the companies who have recently invested in Scotland is Amazon, the world’s leading online retailer.

In January 2011 Amazon announced the creation of 950 jobs at its fulfillment centres in Dunfermline and Gourock; and in May 2011 it announced the creation of a further 900 jobs in Scotland with the opening of a new customer service centre in Edinburgh.

The facility in Edinburgh represents a significant expansion of Amazon’s operations in Scotland. It will handle both internet and telephone customer queries for Amazon.co.uk including technical support for Amazon Kindle and MP3.

Amazon’s decision to invest in Scotland was influenced by the availability of a high quality workforce in Edinburgh and the financial and on-the-ground business support available from Scottish Enterprise and Scottish Development International.
The work of our Enterprise bodies (Scottish Enterprise and Highlands and Islands Enterprise) is vital in their direct involvement with growth businesses through account management, wider advisory services and their support for exporters. The prioritisation of their activities toward a strategic focus on growth and prosperity at the national level has allowed local government to focus their activities on delivering effective local business support and regeneration.

In order to support business growth we will:

- Maintain the strategic focus of Scotland’s Enterprise bodies by prioritising account management and advisory support toward the issues that drive growth, such as international trade, leadership, innovation, digital connectivity (and its exploitation) and resource efficiency.
- Focus on attracting strategic inward investment which enhances the competitiveness of our growth sectors (for example by promoting Scotland as a destination of choice for low carbon opportunities);
- Consider how best to introduce four Enterprise Areas in Scotland, including exploring the creation of sites with a particular focus on low carbon manufacturing opportunities so as to maximise their economic impact and attractiveness to investment.
- Increase support through our business support networks to help companies take advantage of the transition towards a low carbon economy, for instance in relation to energy usage, waste management and renewable energy;
- Address the demand for risk capital by companies with the greatest opportunity for sustained growth and exports, using the loan and equity finance provided through the Scottish Investment Bank’s Scottish Co-Investment Fund and Scottish Loan Fund to unlock additional funding from banks and other private-sector sources;
- Continue to support Business Gateway and the provision of an accessible but effective advice and support service to Scotland’s potential start-up, early stage and established businesses; and
- Recognising the contribution that social enterprises make to employment and economic activity we will continue to support the third sector to increase its economic contribution by encouraging the social enterprise model.

Helping Small Businesses Create Jobs

Certain obstacles to growth are often more acute for Small and Medium-sized Enterprises (SMEs) and require tailored responses to ensure that these companies have the opportunity to maximise their potential. SMEs are the bedrock of our economy, accounting for 295,000 of our enterprises and employing over 1 million people. They are often the source of many of our most dynamic companies. Establishing a diversified business base of SMEs is vital if we are to improve the resilience of our economy.
In order to support SMEs we will:

• Offer support, through Skills Development Scotland, to make it easier for SMEs to hire staff and take on apprentices;

• Ensure coherent and aligned support from both the Enterprise Bodies and the Business Gateway;

• Extend the success of Public Contracts Scotland – a free-to-access portal which has improved access to public contract opportunities – by establishing a new unit to help small and medium-sized companies apply for public sector contracts. We will also think creatively about how we set public contracts up, so that Scottish firms, particularly SMEs, can compete effectively for contracts; and

• Address the continuing constraints on the supply of finance, by working with banks to improve supply, as well as providing advisory support to help companies improve their chances of securing funding.

**Growth Sectors**

The *Government Economic Strategy* sets out a framework which establishes an economic environment that provides an opportunity for all companies – large or small, Scottish or international, new or old, or social enterprises – to be successful.

However, certain sectors offer particular opportunities for growth – in all or part of that sector – due to existing comparative advantages or through the potential to capitalise on Scotland’s unique natural assets. These are sectors where Scotland typically has distinctive capabilities and businesses with the potential to be internationally successful.

These are sectors characterised by industry leadership, working alongside public partners, setting the ambition and direction for the sector. This helps develop an overall approach that identifies new opportunities to accelerate the growth of the sector. These may well be different for each sector, so strategies are required that are long-term and set in a wide context.

The Growth Sectors indentified in the *Government Economic Strategy* include –

- Creative Industries (including digital)
- Energy (including renewables)
- Financial and Business Services
- Food and Drink (including agriculture and fisheries)
- Life Sciences
- Sustainable Tourism
- Universities

There are also significant opportunities from Scotland’s science, technology and advanced engineering assets across sectors. Other sectors currently account for significant proportions of the Scottish economy and provide – and will continue to provide – considerable employment and growth opportunities. Many also underpin and form an essential part of the supply chain in the growth sectors listed above, such as enabling and digital technologies. It is vital that we provide all businesses across Scotland with the necessary support and opportunity to succeed.
We will also seek to take advantage of the opportunities presented in Scotland’s strengths in public sector dominated industries, including Education and Healthcare.

**GROWTH SECTORS**

*Fiona Hyslop, Cabinet Secretary for Culture and External Affairs*

A key success of the Government Economic Strategy has been the emphasis on targeting support towards the development of growth sectors. These sectors have the potential to drive sustainable growth in the long-term through the development of Scotland’s assets and comparative advantages, and through their potential to be successful in global markets.

For example, Scotland’s creativity is recognised throughout the world and we have a strong international reputation for excellence. The creative industries are worth more than £5 billion to Scotland, support over 60,000 jobs; and overall creative industry exports represent around 5% of Scotland’s total international exports. Scottish art, film, fashion, music and literature are well recognised as its design, IT and computer gaming industries. The sector has grown rapidly over the past 10 years and with appropriate support has potential to grow further, as was underlined in the creative industries strategy that I launched in March of this year.

The Government Economic Strategy continues to emphasise these growth sectors as an essential driver of growth.

Particular actions in our growth sectors include:

- A continued partnership between the private and public sectors – through the Financial Services Advisory Board – to ensure that Scotland continues to be recognised as an international centre for banking, insurance, investment management and asset servicing. We will also be developing a strategy for Scottish banking to support closer alignment between banking activity and the needs of businesses and wider society;

- The rolling out of our refreshed food and drink industry strategy which provides strong direction for longer-term expansion in the sector, and aims to grow industry turnover from £10bn to £12.5bn by 2017 by focussing on the global growth markets of premium, provenance and health, which play to Scotland’s strengths;

- The development of a refreshed Tourism strategy, implemented by the industry-led Tourism Leadership Group. This will provide a strategic focus to the industry by taking advantage of Scotland’s distinctive tourism strengths including maximising the opportunities from major events in the lead up to 2014 when Scotland ‘Welcomes The World to Homecoming 2014’, the Commonwealth Games and the Ryder Cup;

- Supporting a number of investment opportunities, through Creative Scotland, in our Creative Industries;
• Investing in our universities to ensure they remain internationally competitive and truly excellent in world terms while developing partnerships with business to exploit their research, thus securing greater economic and societal benefits;

• Maintaining Scotland’s world leading position in university research and maximising its contribution to increasing sustainable economic growth;

• Capturing the significant opportunities for Scotland in Life Sciences, driven by global trends in health care, wellbeing and demographics. In supporting the Life Sciences Scotland Strategy, we are focused on building a sustainable company base; realising the significant economic benefit from areas of world-class research including regenerative and translational medicine; and capitalising on key business opportunities in medical technologies and pharmaceutical services;

• One of the greatest opportunities for Scotland over the next few years will undoubtedly be in renewable energy. Capitalising on our competitive advantage in offshore wind and marine energy could, for example, help to create 35,000 direct jobs and generate an extra £11 billion in GVA by 2020; and

• Maintaining and developing the competitiveness and long-term future of the oil and gas sector by developing the position of Aberdeen as a world wide supply chain hub, securing increased recovery rates in Scottish waters and supporting collaboration between the oil and gas sector and low carbon energy.

Innovation and Commercialisation

Innovation – developing new processes, products, services and business models to take advantage of global and market opportunities, often through incremental change – is vital to boosting growth. Innovation in its widest sense must be recognised and encouraged across the entire business base, whether large or small, long-term established or starting up, science and technology based or a more traditional or service based business.

Both innovation and commercialisation are key drivers of productivity and competitiveness, particularly in an increasingly interconnected global economy. They create new products, new services and jobs in existing industries and industries of the future.
SECTION C: STRATEGIC PRIORITIES

SUPPORTING INNOVATION AND COMMERCIALISATION – THE TECHNOLOGY INNOVATION CENTRE

INNOVATION AND COMMERCIALISATION WILL BE KEY DRIVERS IN SCOTLAND’S TRANSITION TOWARDS A LOW CARBON ECONOMY, AND IN DELIVERING FASTER SUSTAINABLE ECONOMIC GROWTH. IN PARTICULAR, IT IS VITAL THAT WE IMPROVE THE LINKS BETWEEN THE WORLD CLASS RESEARCH OF OUR UNIVERSITIES AND PRIVATE SECTOR COMPANIES.

A recent example is the development of the University of Strathclyde’s state-of-the-art Technology Innovation Centre in Glasgow. The development of this Centre has been supported by Scottish Enterprise who have worked alongside the Scottish Government and the Scottish Funding Council.

The centre will be at the heart of the International Technology and Renewable Energy Zone (ITREZ), forging new levels of collaboration between academia, the public and private sectors to ensure Scotland is at the forefront of innovation and will reinforce Scotland’s position as a location of choice for the rapidly expanding renewables sector.

The centre will bring significant benefits to Glasgow, through supporting hundreds of jobs and attracting millions of pounds of inward investment into the city region, with global energy companies Scottish & Southern, Iberdrola, Gamesa and Doosan Power Systems committing to develop R&D centres in the greater Glasgow area.
Scotland is a country rich in opportunity and bursting with innovation, and we must continue to increase the level of design, research and development activity to develop and exploit new ideas across all sectors.

Our internationally renowned Universities have a vital role to play and we must ensure that we are better able to translate their world class research into greater commercial opportunities and growth. More generally, we need to put in place the right mechanisms that enable business to turn innovation and ideas into commercial opportunities – particularly in industries set to drive the global economy in the years ahead such as low carbon and digital.

We can also build on Scotland’s particular strength as a Science Nation. For example in the area of science, engineering and technology, Scotland, relative to our GDP, is currently number one in the world in terms of research.

In order to support Innovation and Commercialisation we will:

- Launch a Scotland-wide Interface service to provide a central point of access for business to the knowledge and expertise within Scottish universities and research institutes;
- Streamline the commercialisation and innovation support delivered by Scottish Enterprise and Highlands and Islands Enterprise;
- Introduce a new approach to help improve Scotland’s leadership and management skills to promote innovation and drive company growth;
- Develop a culture of innovation across the Scottish economy, including the public sector. For example, we will examine different approaches to further incentivise research within the NHS, building on the work of NHS Research that complements our research intensive universities so that Scotland becomes an even more attractive location for investment by international pharmaceutical companies;
- Build on the success of the research pools – which are focussed on the sharing of research resources and infrastructure across our universities to improve research capacity and capability – and supporting them to collaborate more effectively with Scottish businesses, particularly SMEs; and in competing for European funding and influencing research calls to maximise the return on Scotland’s capabilities; and
- Continue to engage with the European Commission to ensure the design of Europe’s future research and innovation funding programme, Horizon 2020, complements Scotland’s research and innovation strengths.

**Taxation**

One of the most important levers a government has to promote competitiveness is the tax system. Under the current constitutional arrangements, the Scottish Government is limited in the policies it can pursue as most tax powers are reserved to Westminster. However, we have taken significant steps with the powers that we do have...
to make Scotland the most competitive place to do business in the UK and will continue with this commitment in the years ahead:

- The Small Business Bonus Scheme (SBBS) – introduced in 2008 – provides a discount of between 25 and 100% on business rates bills for eligible business properties. As a result, tens of thousands of small businesses in Scotland now pay reduced or no business rates at all. The SBBS is just part of our package of business rates relief, which is by far the most generous in the UK;

- Our package of rates relief for the current revaluation period (2010-2015) is worth an estimated £2.6 billion – much higher than the £1.8 billion relief package for the preceding 5 years;

- We are committed to matching the business rates poundage set in England. In 2000, the Scottish Poundage was over 10% higher than in England; and

- We have frozen council tax bills helping to boost consumer spending at a time of rising prices and increasing UK Government taxation.

**Corporation Tax**

Under the current devolution arrangements, control of many of the key tax levers which could help us deliver the Purpose – such as corporation tax, fuel duties and national insurance – are reserved.

Approximately 90% of Scottish tax revenues are currently controlled by Westminster and are not set with reference to specific economic circumstances north of the border, or the preferences and needs of Scottish households or businesses.

Corporation tax is one of the key levers that government can use to promote growth, investment and jobs. It is also a vital source of competitive advantage in an integrated, flexible global economy, helping to attract new businesses, key corporate functions and highly-skilled jobs.

Initial modelling work undertaken by the Scottish Government, highlights that pre-announcing a reduction in corporation tax equivalent to a fall from 23 per cent to 20 per cent would lead to:

- An increase in the level of Scottish GDP by 1.4 per cent after 20 years;

- An increase of 1.1 per cent (equivalent to 27,000 jobs) in overall employment in Scotland after 20 years;

- An increase in overall investment in the Scottish economy by 1.9 per cent after 20 years; and

- A boost to Scottish exports to the rest of the UK by 1.4 per cent and to the rest of the world by 1.3 per cent after 20 years.

With full responsibility for corporation tax, the Scottish Parliament would have a whole range of new, positive choices to help strengthen our economy. For example, Scotland could operate a more competitive corporation tax policy, simplify the tax system or use it to encourage innovation and investment. These are important tools, which could deliver substantial economic dividends.
C2: TRANSITION TO A LOW CARBON ECONOMY

The Government Economic Strategy establishes a new Strategic Priority – Transition to a Low Carbon Economy – to reflect the opportunity to place Scotland in an advantageous position within the global economy and ensure that the benefits of this transformational change are shared across the economy and all our communities. It therefore builds on the Low Carbon Economic Strategy, which highlights the economic opportunities and the role of government in supporting this fundamental transformation of Scotland’s economy.

Our starting point is that the transition should be seen as an investment, not simply a public cost, and that this investment will help drive growth in the Scottish economy and provide a more sustainable future. Our statutory climate change targets, therefore, are not only essential to global efforts to avoid dangerous climate change but they are also critical in providing long-term certainty for business and investors.

LOW CARBON ECONOMY

Richard Lochhead, Cabinet Secretary for Rural Affairs and the Environment

Scotland’s primary new economic opportunity lies in the development of a low carbon economy. Our enviable natural resources, research expertise, and industrial base provide us with strong foundations to capitalise on the industries of the future, such as renewable energy and in sectors which promote energy and resource efficiency.

All of Scotland has a part to play, but there are particularly exciting opportunities for our rural communities with major new sources of investment and employment. The Government Economic Strategy sets out the framework for how Scotland will achieve growth which is truly sustainable over the long-run, both for our people and our environment.

The Transition to a Low Carbon Economy will be central to maximising Scotland’s sustainable economic growth rate – particularly in the long-term. It means that we decouple trends in emission levels from trends in economic growth. We will do this through our shift towards renewable energy, our focus on energy and resource efficiency, and our commitment to the low carbon and environmental goods and services (LCEGS) sector. This is vital to deliver our ambitious Sustainability target, which is focussed on substantially reducing our greenhouse gas emissions.
A focus on increasing resource efficiency – water, waste, energy and materials (including critical raw materials) – across all areas of the Scottish economy and adopting sustainable business practices will boost our long-term Productivity performance. The better we are able to adopt low carbon practices the greater our comparative and competitive advantage will be relative to our competitors. This focus on resource efficiency will also help the Scottish economy become more resilient to increasing global demand for scarce resources.

The move towards a low carbon economy will also create new growth opportunities for Scottish firms, which build on our comparative advantages such as in the design, energy and food and drink sectors. This will create new employment opportunities helping to boost Participation.

By supporting innovative low-carbon technologies and funding innovation (in particular in the energy, transport and building, waste, water and environmental management sectors) we are providing the Supportive Business Environment that is required to make the most of these growth opportunities.

As all sectors of the Scottish economy adapt to the low carbon economy, new or different employment opportunities will emerge both within existing sectors and through the emergence of new sectors. These new opportunities will help boost labour market Participation and increase overall levels of employment in Scotland.

Through our actions in Learning, Skills and Well-being we will ensure that Scotland’s workforce has the skills and adaptability necessary to capture these opportunities, which will also support our progress towards delivering our Productivity and Solidarity ambitions.

The move towards a low carbon economy will also reduce our exposure to variations in fuel costs, particularly for our most vulnerable individuals, which will help support our ambitions regarding Solidarity.

The transition to a low-carbon economy will create opportunities for all of Scotland, with strong prospects for Rural Scotland particularly in the renewable energy, tourism and food and drink sectors. Through Infrastructure Development at the right places and at the right times we will enable private investment to take advantage of these opportunities. This type of infrastructure investment across Scotland will further raise our performance against the Cohesion target.

The transition towards a low-carbon economy is also about evolving the way we do things, for example the way we use electricity, the way we travel, and the choices we make as consumers and communities. It’s also about changing the way we plan and develop new communities and neighbourhoods and invest in existing places to lower carbon. As we adapt to, and develop a low-carbon Scotland through using more sustainable products and services, our quality of life will improve. This will help make Scotland a more attractive and desirable place to live, which will support the delivery of our Population growth target.
While reducing our environmental impact brings economic benefits and lowers emissions, it is also essential that Scotland responds to the risks and opportunities of a changing climate. Businesses and other organisations must also become better able to manage the risks, such as increased intensity of rainfall leading to flooding. There will be clear benefits in terms of resilience, both for businesses as well as for Scotland’s infrastructure.

**The Economic Opportunities from Low Carbon**

As events over the last four years have demonstrated, economic conditions can change rapidly and unexpectedly. Present conditions, while profoundly difficult, offer enormous hope for achieving a low-carbon economy. Scotland is leading in many areas, particularly in renewable energy. We are already on our way to our low-carbon future – with significant inward investment in low-carbon activity over recent years as well as a vibrant export market for low carbon products.

To clarify the future path of our economy, the Scottish Government has committed to four transformational changes:

- decarbonise electricity generation by 2030, largely decarbonise heat sector by 2050;
- almost complete decarbonisation of road transport by 2050;
- significant decarbonisation of rail by 2050; and
- establish a comprehensive approach to ensure that carbon is fully factored into strategic and local decisions about rural and urban land use.

In line with these transformational changes, the Scottish Government has set itself stretching targets:

- the equivalent to 100% of Scotland’s demand for electricity to be met by renewables by 2020;
- end use energy consumption to reduce by 12% by 2020; and
- 11% of heat demand to be met by renewables by 2020.

The transition to a low-carbon economy will help us become more resilient and deal with commodity and energy price volatility, support economic recovery and provide us with a platform for greater international trade. Not taking the opportunity now means higher costs in the future: both in terms of future costs of carbon and lost growth opportunities as other countries embrace low carbon objectives.

**SCOTLAND’S LOW CARBON ECONOMY**

In 2007-2008, Scotland’s low carbon market was worth around £8.5 billion (8.5% of the Scottish economy) and is forecast to rise to around £12 billion by 2015-16;

Jobs in the low carbon sector could grow by 4% a year to 2020, rising from 70,000 to 130,000, over 5% of the Scottish workforce;

Offshore wind alone could bring in around £30 billion of inward investment, and up to 28,000 jobs; and,

Sales of off-shore electricity could value £14 billion by 2050 – the equivalent of £2,700 for each person in Scotland.

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In the context of the *Government Economic Strategy*, there are three overarching themes that are considered as priorities in delivering low-carbon growth –

1. Making Scotland a leading low-carbon investment destination;
2. Maximising the social and economic opportunities of energy and resource efficiency; and
3. Encouraging consumer and business demand for low carbon products and services.

**Making Scotland a leading low-carbon investment destination**

The key to delivering a low carbon economy will be investment – public and private; local, national and international. We need to ensure that our signals to investors are strong, loud and credible; and that we understand and address investment requirements with clarity and precision.

This means funding or enabling supportive infrastructure, maintaining a stable policy climate, working with investors and others to find alternatives where no suitable financial models are available, and taking our offer to the world. We need to understand all aspects of low-carbon deal chains for investors – ensuring that we do not set up unnecessary barriers. An example of where we are getting this right is our National Renewables Infrastructure Plan.

There is significant global potential to bring international low carbon investors to Scotland. In 2010 Scotland hosted our first international Low Carbon Investment Conference in Edinburgh – and the second is taking place in September 2011. Inward investment continues to flow into the low carbon sector in Scotland. For example, Iberdrola (the parent company of Scottish Power) has committed to a £2.7 billion investment over the two years to 2013.

Building on this momentum we will:

- Work with partners to ensure our policies are investment friendly, as well as focussing on the development of financial models and products that de-risk low carbon technology investments – particularly those in the energy sector;
- Continue to press the UK and the EU in critical path-dependent policy areas such as the UK Energy Market Reform and the EU climate change target as well as ensuring that we receive a fair deal from the Green Investment Bank and secure immediate access to Scotland’s Fossil Fuel Levy funds;
- Further develop our international profile to secure investment and promote our low carbon exporters; and
- Assist organisations in Scotland to be ‘programme and project ready’ as investors increasingly turn to Scotland looking for opportunities.

While international investment is essential, local and community investment offers people across Scotland opportunities to benefit from the low-carbon transformation. Opportunities range from community renewable projects through to energy efficiency measures, electric vehicles, smart grids, and household benefits...
from Feed-in Tariffs and the Renewable Heat Incentive. We will:

• Work with a range of public, third sector organisations and investors to enable innovative funding models that reduce emissions and dependency on fossil fuels and also provide revenues to communities, households and investors; and

• Develop the Climate Challenge Fund in line with our Manifesto commitment to provide assistance to communities that wish to raise revenue by starting new green enterprises.

**Maximising the social and economic opportunities of Energy and Resource Efficiency**

Scotland’s rich and diverse natural environment is a national asset and a source of significant international competitive advantage.

We trade on its quality, so its continuing health and improvement is vital to sustainable economic growth. Many of Scotland’s growth sectors such as tourism, and food and drink depend on high quality air, land and water.

**Scottish Energy and Resource Efficiency Service**

The Scottish Government is committed to simplifying the landscape for energy and resource efficiency advice to business, particularly for our many SMEs who have limited time and resources to devote to tackling climate change. We have established a single Scottish Energy and Resource Efficiency Service (SERES) for business, bringing together key delivery bodies (including Carbon Trust, Energy Saving Trust, Zero Waste Scotland and SEPA), our enterprise Bodies and Business Gateway.

The new service will provide greater cross-referral and more consistent and comprehensive advice, encouraging businesses to consider taking action on energy and wider resource efficiency at the same time. This holistic approach to low carbon transition ultimately aims to help more businesses to reduce their emissions, save money and increase their competitiveness.

The virtual SERES service will be launched through a new portal on the Business Gateway website, demonstrating how the effective use of existing mechanisms can support better service integration and simplification. The project partners are also working towards the delivery of more jointly hosted events, cross-training of staff and a wider review of Business Gateway energy and resource efficiency content.
Achieving high levels of resource efficiency and cutting waste out of processes is critical: to improve productivity and competitiveness; and to reduce the carbon intensity of economic activity. We will:

- Take greater account of sustainability in public procurement. For example, the national contracts for electricity, which cover 99% of the public sector, will save £10 million a year and will ensure that the majority of power is available from renewable sources;
- Ensure that Scotland and its local communities benefit from renewable and low carbon energy developments;
- Maximise the economic and energy saving opportunities through implementing energy efficiency measures as set out in Conserve and Save – The Energy Efficiency Action Plan for Scotland; to meet our target to reduce Scotland’s final energy consumption by 12% by 2020;
- Undertake a significant programme of enhancement of the energy efficiency of the existing housing stock, including renewable energy which will also assist in tackling fuel poverty. This programme of work will also provide a valuable boost to local economies and a realignment of the skills base in the housing sector;
- Coordinate support for low carbon and resource efficient technologies through the Environmental Clean Technology Strategic Partnership. This will assist the development of new sources of international competitive advantage whilst reducing the waste of essential and carbon intensive resources; and
- Support the development of Scotland’s hydro economy and the enormous potential that this brings. We will take forward legislative proposals to maximise the opportunities from the hydro economy, ensure that our management of our water sector remains cutting edge and that Scottish Water is structured to enable it to deliver its full potential.
Building a Hydro Nation

Water is of fundamental importance for Scotland’s economy, health, social well-being and environment. All businesses rely on the water environment in some way or another and water plays a prominent role in the success of many sectors of the economy. Some are of strategic importance to Scotland’s economy, such as tourism, food and drinks manufacturing and renewable energy generation.

The Scottish Government published its strategy for developing a Low Carbon Economy in November 2010. Our aspiration to build a hydro economy is fully consistent with and can become an integral part of that Economy.

The hydro-economy provides huge opportunities for Scotland. Many new market opportunities should emerge and Scotland should prepare to take advantage of these opportunities.

We have already taken steps in this regard. We have bid for Glasgow to host the World Water Forum in 2015, an event which can attract up to 20,000 delegates, and approved a growth plan for Scottish Water to maximise the use of its assets and knowledge.

Encouraging consumer and business demand for low carbon goods and services

A growing body of consumers are demanding low carbon, environmentally friendly goods and services. Reasons for this will vary – from responding to volatile energy prices, through to deeply held values and ethical beliefs. Products and services range from energy efficient white goods and loft insulation through to low carbon holidays, bicycles for commuting and lower emission cars.

There is a tremendous opportunity for Scottish companies to take advantage of this trend, not just to develop business in Scotland, but also overseas. Indeed, in many sectors (such as food and drink, tourism and textiles), there are clear opportunities for aligning the ‘brand characteristics’ of Scotland’s high quality, ‘natural’ products with this growing demand.

To support Scottish businesses, help consumers adopt low carbon activities, and speed our transition to a low carbon Scotland, we will create the conditions which enable a supportive environment for low carbon goods and services to prosper.

We will:

- Continue to invest in or enable private investment in supportive infrastructure;
- Ensure young people across Scotland understand the importance of low carbon behaviours through our successful eco-schools programme;
• Through the Climate Challenge Fund, help communities to take local action by promoting low carbon lifestyles;

• Use the VIBES Awards (Vision in Business for the Environment in Scotland) to promote excellence in business innovation in tackling emissions and in delivering new products and services which improve environmental performance;

• Continue to work with Industry Advisory Groups to ensure they identify and exploit emerging low carbon business opportunities through their industry-led strategies; and

• Address barriers faced by firms and industries to help unlock new market opportunities and accelerate the low carbon transition.
C3: LEARNING, SKILLS AND WELL-BEING

Our people are our greatest economic asset. A skilled, educated and healthy workforce is essential to building our comparative advantage and to the delivery of sustainable economic growth. Investment by all individuals, employers, and by the public sector in early years, school, further and higher education has a proven impact on the employability and productivity of all individuals and, in turn, growth. Learning and skills development is also vital to developing a more adaptable and resilient economy.

Increasing the opportunities for individuals to develop and use their skills as best they can is not just a strategy for improved economic performance. It is also an effective way of improving the satisfaction and security of work, promoting the health and well-being of individuals and enhancing the fabric of our communities.

EMPLOYABILITY, LEARNING AND SKILLS

Mike Russell, Cabinet Secretary for Education & Lifelong Learning

In common with most other economies, our labour market has been under significant pressure as the impact of recession has unfolded. While we maintain a strong position relative to many other advanced economies with regard to key labour market indicators, the recession did bring with it a sharp increase in unemployment and fall in employment. As with previous downturns, the effects have been particularly pronounced amongst our young people.

The Government Economic Strategy sets out our commitment to improving the labour market opportunities for all in Scotland – to tackle unemployment, skills gaps and lack of opportunity. In September 2011 I will set out my plans for reform of post-16 learning in Scotland, a system that can make a significant impact on addressing these challenges. We will embark upon this reform programme to deliver a post-16 education and skills system that improves young people’s life chances, provides the best outcomes for all our learners, is better focussed on jobs and growth, and that is sustainable. We do so because we know that making more effective use of our skills, talents, ideas and ambitions is of fundamental importance to ensuring the fullest possible labour market participation and leading Scotland back to a higher level of productivity and sustainable growth.

As our greatest asset, ensuring that our people have positive employment prospects is vital if we are to deliver on our ambitions for Scotland. It is also essential that we provide our people with the necessary skills and training, leadership and management, to allow Scotland to innovate and to compete in global markets.

Our Strategic Priority on Learning, Skills and Well-being is focussed on ensuring that we continue to provide all of Scotland with the opportunities to develop and use the skills and abilities necessary to maximise their contribution to economic growth and to lead satisfying, healthy lives.

The recession has heightened many of the challenges we face regarding labour
market Participation. As a result of the recession unemployment levels have risen and there is also now a degree of underemployment – both in terms of people working fewer hours than they would like, and an underutilisation of skills. Alongside this, too many of our people remain outside of the labour market.

A major theme of our response has been to develop a strong focus on maintaining the employability of Scotland's workforce. Central to this has been ensuring that those who do become unemployed or underemployed are able to maintain their skill levels or develop new skills.

Improving the long-term levels of skills and qualifications of the Scottish workforce requires people to have a smooth journey through the education system; and also an increased level of investment by employers in the skills of their workforce.

Our focus on Learning, Skills and Well-being is also about ensuring that everyone in Scotland has the opportunity to maximise their potential and share in the gains of sustainable growth. By providing the Scottish workforce with the skills and adaptability to capture new employment opportunities we are helping to raise overall levels of Participation.

Increased levels of skills and education are a key driver of Productivity, as a nation's skills base is a vital factor in enabling companies to grow and in attracting investment. Putting these skills to effective use – for example by raising the quality of leadership to inspire and motivate, and stimulate a culture of ambition – is crucial if employers and employees wish to maximise the abilities of our workforce to contribute to overall Productivity and Participation.

The health of our population is vital to delivering sustainable economic growth. It supports growth by helping those out of work because of poor health return to employment and, by improving the physical and mental health and wellbeing of those in work, reducing sickness absence, promoting motivation and increasing Productivity. Increasing healthy life expectancy also contributes to an increasing Population.

The reputation of Scotland’s education system – at all levels – is a key contributor to the overall attractiveness of the country as a place to live and work. This attracts talented people to Scotland, which will contribute to our Population growth target.

By ensuring that everyone has the opportunity to enhance their skills, particularly those most distant from the labour market, and enjoy levels of physical and mental health that allows them to maximise their potential, we will contribute to our Solidarity and Cohesion ambitions.

Ensuring that we provide the Scottish workforce with the skills, qualifications and behaviours necessary for the transition to a low carbon economy will help deliver our Sustainability target.

In the context of the Government Economic Strategy, there are five key
themes to promote learning skills, and well-being:

1. A focus on giving every child a strong start in life;
2. Equipping our young people with the knowledge and skills to flourish;
3. Delivering education that is responsive, and aligned, to demand;
4. Supporting employability and tackling youth unemployment; and
5. Promoting health and well-being.

A focus on giving every child a strong start in life

We know that early years experiences provide the foundations upon which later investments in learning and skills are built. Our Early Years Framework seeks to ensure that all children are given the greatest opportunity to secure the gains from these investments – from pre-birth through school transition to the age of eight.

Evidence demonstrates significant returns from preventative investments in maternal health, parenting and early learning in the form of lifetime improvements to health, socialisation and educational attainment. These benefits extend well beyond the Early Years and are manifest in the form of greater social and labour force participation as adults.

In addition such preventive early actions can result in significant savings across the public sector and support a more strategic vision for efficient and effective government. We will:

• Continue with implementation of the Early Years Framework;
• Improve universal and targeted early years and early intervention support through: Early Years Early Action Fund; and Early Years Change Fund;
• Work to support the continued development and delivery of Getting It Right for Every Child to streamline all aspects of children’s services; and
• Develop a set of national indicators on children’s health, development and wellbeing.

Equipping our young people with the knowledge and skills to flourish

School education is critical in enabling young people to flourish. Learning, living and working in today’s economy requires young people to be flexible, adaptable and to have the ongoing capacity to develop knowledge and skills. This investment in our young people is essential for the future growth of our economy.

Curriculum for Excellence will raise ambitions, standards and achievement levels whilst providing our young people with relevant skills and behaviours. It will allow schools and their partners to focus on the individual pupil and develop the skills wherever the learning is taking place. This will also provide clear and supported pathways for young people to make successful transitions and to continue learning beyond compulsory schooling and to enable them to maximise their economic potential.

In the Senior Phase of Curriculum for Excellence – broadly 15-18 – it will become more common for a young person to learn through a range of providers, including schools, colleges,
universities, community learning and development, youth work and in other less formal settings. This makes it particularly important to ensure that all young people can experience a coherent, inclusive curriculum in the full range of settings; and these are themes we shall explore in our forthcoming review of post-16 learning and skills.

The four capacities at the core of Curriculum for Excellence – successful learners, confident individuals, responsible citizens and effective contributors – will enable our young people to develop the attributes, knowledge and skills they will need in the modern workforce.

Our actions in this area include:

• Continuing to implement Curriculum for Excellence – to the benefit of all young people;

• Developing a new generation of National Qualifications, better aligned with Curriculum for Excellence to deliver a qualifications system fit for all young people and adult learners;

• Supporting skills development within schools and helping more young people stay and progress in learning;

• Supporting our teachers – taking forward the recommendations of the Donaldson Report and considering the outcomes from Professor Gerry McCormack’s review of teacher employment; and

• Continuing to invest in the learning environment – ensuring our school buildings are modern learning facilities that meet the needs of education in the 21st Century, benefiting pupils, teachers and the local economy.

**Delivering education that is responsive, and aligned, to demand**

Our refreshed Skills Strategy published in 2010 set out a flexible, responsive, partnership approach to new and emerging economic opportunities, including those in the low carbon economy.

A key priority is to support employers by better understanding and assessing the skills required for future success, and ensuring that the supply of skills, training and qualifications is sufficiently responsive.

Ensuring all post-16 learning is structured with a system-wide focus on jobs and growth – which is more responsive to, and aligned with, the demands of business – is the first step towards achieving this priority. Skills Development Scotland has a key role to play in both delivering services that support individuals and employers, and working across the skills and learning system to respond to demand.
EDUCATION THAT IS ALIGNED TO DEMAND – THE SKILLS INVESTMENT PLAN FOR THE ENERGY SECTOR

IN ORDER FOR OUR COMPANIES AND SECTORS TO GROW WE MUST ENSURE THAT WE PROVIDE PEOPLE WITH THE SKILLS REQUIRED FOR FUTURE SUCCESS.

Skills Development Scotland (SDS) has led on the production of a national Skills Investment Plan for the Energy Sector. The Plan sets out initial actions for stakeholders and industry to shape future work programmes and prioritise the investment of resources towards meeting the significant opportunities emerging within the energy sector.

Recognising the needs identified in the Plan, up to £1 million is being made available to provide the energy and low carbon sectors with as many as 500 Modern Apprenticeships during 2011-12. The Low Carbon Skills Fund also provides financial support to employers who up-skill and re-skill their employees in low carbon technologies and has already benefited over 800 individuals.

The Scottish Funding Council (SFC) is also working with SDS, Sector Skills Councils, STUC, and industry bodies to take forward the Plan, and is supporting a new network of Scottish colleges to meet the skills needs of this rapidly developing sector.
We are also committed to continued investment in our universities to maintain their international competitiveness and ensure they remain truly excellent in global terms. We recognise that universities, as well as being engines of growth through their research activities, have a critical role in developing graduates who are ambitious, creative, enterprising and socially-minded, with the skills, ingenuity and drive to foster future economic growth.

Our actions in this area include:

- Through Opportunities for All we will ensure every 16-19 year old in Scotland who is not in work, a Modern Apprenticeship or education will be offered a place in education or training;
- Delivering over 46,500 training opportunities with a record 25,000 Modern Apprenticeships per year, including developing Technical and Graduate Apprenticeships;
- Ensuring that access to higher education is based upon ability to succeed rather than ability to pay;
- Through Skills Development Scotland, developing Skills Investment Plans for key sectors that prioritise skills development that supports growth;
- Through 16+ Learning Choices, working with local authorities and their partners to enable every young person to get the skills they need for future work;
- We are rolling out Activity Agreements across Scotland to provide tailored learning and support for vulnerable 16-19 year olds;
- Continuing to provide Education Maintenance Allowance to help young people from low income families and other vulnerable groups, particularly young carers, to remain in learning beyond school leaving age. They will also be available to young people in circumstances similar to those who participate in Activity Agreements;
- Working with Scotland’s colleges and universities to respond quickly and flexibly to employer demand and new economic challenges and opportunities;
- We are modernising our career services to build the capacity of individuals to help them understand and adapt to the changing jobs market, make informed decisions about their learning, job opportunities and career options and to help them get, stay and progress in work;
- Continuing to work closely with universities and the Association of Graduate Careers Advisory Services (AGCAS) Scotland to improve employability and help graduates take their first steps into the jobs market; and
- Supporting enterprising young Scots through the new Youth Enterprise Scotland Challenge with a National Prize Fund of £100,000.

**Supporting employability and tackling youth unemployment**

The effects of the recession have impacted disproportionately on certain groups. In particular, and as witnessed during previous recessions, young people were amongst the first to experience deterioration in labour market conditions.
Opportunities for Our Young People

We have an immediate focus on addressing the labour market challenges facing our young people, and that theme is central to our plans to reform post-16 learning and skills.

We are investing in Scotland’s young people and we are committed to doing everything within our powers to reduce youth unemployment and boost learning and training opportunities for all our young people – including those who become unemployed – to develop their human capital so that they too can benefit from enhanced employment opportunities in the longer term.

Central to our actions to support young people is our Opportunities for All commitment that every 16-19 year old not already in work, education or training will be offered a learning or training opportunity.

Key components of this are 25,000 Modern Apprenticeship opportunities per year; ensuring that higher education is based upon ability to succeed rather than ability to pay; and a range of training initiatives to support young people develop their employability skills and secure employment.

Realising our economic aspirations depends upon having more confident and motivated individuals across all age groups who are aware of the skills they possess and how to best use them. It is also vital that everyone is engaged in workplaces that provide meaningful and appropriate encouragement, opportunity and support to develop and use their skills effectively.

Making more effective use of skills is of fundamental importance to improving levels of productivity and sustainable growth in Scotland. Effective employee engagement is a prerequisite for building employee trust and motivation – a key factor in enabling effective skills use. This encompasses many elements including how well learning is transferred to the workplace, job design and organisational ambition.
The company recently took on their first admin apprentice through Action for Children’s Youthbuild training course and it has proved to be a real success. The trainee has now completed the Modern Apprenticeship Level 2 Business and Administration course and has been offered a permanent contract. The firm is also now considering taking on more office apprentices in the future.

By taking on a Modern Apprentice, businesses of every shape, size and sector can build and expand a skilled workforce in a way that’s achievable in terms of both cost and administration. Skills development Scotland continue to support the Modern Apprenticeship programme which has already benefitted over 10,000 employers in Scotland.
Our actions in this area include:

- Delivering 7,000 flexible training opportunities in 2011-12;
- Investing £10m through Community Jobs Scotland to provide 2,000 work and training opportunities for young people in the third sector;
- Implementing a framework – developed by the Workforce Development Action Group – to improve the accessibility, responsiveness and effective design of learning and development services for employers and employees;
- Promoting effective joined-up working at both the national and local levels with a view to overcoming barriers to work through Workforce Plus, our employability framework; and
- Continuing to support union learning throughout Scotland which enables people – often in lower skilled, lower paid work, and furthest from other learning resources – to develop and demonstrate their skills and access opportunities to progress.

**Partnership Action for Continuing Employment (PACE)**

The national strategic framework for responding to redundancy, Partnership Action for Continuing Employment (PACE), delivered on behalf of the Scottish Government by Skills Development Scotland, has been strengthened to meet the challenges of recession.

The PACE Partnership, set up in June 2009, brings together the Scottish Government, local government, industry partners, and all agencies with an interest to oversee a continuous improvement programme to enhance the operation of PACE, to ensure accessibility for individuals and employers.

We will continue to improve the flexibility and responsiveness of PACE to ensure that when a redundancy takes place there is a coordinated response from the public sector which offers help to individual workers quickly and effectively.

**Health and well-being**

Good mental and physical health and well-being is vital for individuals to participate fully in economic and social life. Investment in health improves the productivity of the individual and economic participation in general, and is also likely to be supported by greater flexibility in the workplace and adaptability to changes at work.

Although healthy life expectancy is improving in Scotland, poor health is still one of the main factors for early retirement or for people not working. Evidence suggests that being sick or
disabled is one of the most cited ‘push’ factors, and is linked to early retirement and early exit from the labour market. Poor health and health behaviours have a cost to economic productivity through premature mortality, presenteeism, absenteeism and unemployment.

We must also take robust action to deal with key challenges – such as Scotland’s relationship with alcohol – which act as a drag on Scotland’s economy and have a negative impact upon our communities. For example, it is estimated that each year alcohol misuse costs our economy around £3.56bn. This includes £270m spent on healthcare, £230m on social care and £730m on crime – vital resources that could be deployed elsewhere.

Our Quality Strategy seeks to ensure that we maximise the contribution of NHS Scotland to the economy and sets out our ambitions to deliver world-leading healthcare services that are consistently person-centred, clinically effective and safe and deliver continuous improvement in clinical practice and best value.

NHS Scotland also contributes to economic growth through the significant investment it makes into world class research and development in medical/life sciences, technology and innovation and is part of the wider life science sector in Scotland.

In order to promote health and well-being we will:

- encourage employers to be more proactive in supporting the health and wellbeing of workers, recognising the benefit this can bring to increased productivity and reduced sickness absence, through Health Works;
- take a strategic approach to tackling alcohol misuse in Scotland, as set out in the Alcohol Framework for Action, and the forthcoming Alcohol Bill which will include proposals on minimum pricing;
- prescribe actions to promote mental health and wellbeing and to address poor mental health in the working population, as set out in Towards a Mentally Flourishing Scotland;
- through the Scottish Government and COSLA health inequalities strategy, Equally Well, take actions to improve health and wellbeing in the workplace and help those out of work access services to help them find employment; and,
- NHS Scotland is taking a robust approach to promoting productivity and efficiency improvements.

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5 The Societal Cost of Alcohol Misuse in Scotland for 2007, Published January 2010,
http://www.scotland.gov.uk/Publications/2009/12/29122804/0
WELL-BEING

Nicola Sturgeon, Deputy First Minister and Cabinet Secretary for Health, Wellbeing & Cities Strategy

Scotland’s greatest economic asset is its people. And the health of our people is our greatest priority. Improving Scotland’s health record is both an essential driver of growth and a key outcome of economic success. This is why we have, and will continue to prioritise health spending.

A healthier Scotland supports sustainable economic growth by helping those out of work because of poor health return to employment, engage effectively in education and training and, by improving the physical and mental health wellbeing of those in work, reduce sickness absence, promote motivation and increase productivity.

There is also clear evidence of a strong correlation between economic opportunity, life expectancy and improved health outcomes. By boosting Scotland’s rate of growth and ensuring that the proceeds of this wealth are shared across society, with opportunities for all to flourish, we can help create a step change in the life chances and health prospects for all the people of Scotland.
C4: INFRASTRUCTURE DEVELOPMENT AND PLACE

Our focus on Infrastructure Development and Place looks to harness the strength and quality of our cities, towns and rural areas, including coastal communities, and to ensure that Scotland is positioned to take full advantage of the opportunities offered by the digital age and the transition to a low carbon economy.

There is a critical role for the public sector in capturing the opportunities that our geography provides, through the effective alignment of Scotland’s planning policy, development and funding frameworks and investment in our physical and electronic infrastructure.

Central to our approach will be a renewed focus on cities and their regions, recognising the critical contribution they make as the drivers of economic growth, and the need to work collaboratively to optimise growth for the benefit of the whole of Scotland.

Our focus on place is also about enhancing the quality of our areas as places to live and work; by improving the overall quality of life in our communities. This is dependent upon the quality and accessibility of the facilities and environment – both physical and natural – in our communities, which will also contribute to our ambitions for a healthier Scotland.

Achieving our Purpose requires a planning system that both protects the quality of Scotland’s natural and built environment as an asset for sustainable economic growth and enables the development of growth-enhancing activities across Scotland.

The attractiveness of our communities as places to live and work is also determined by an effective justice system that contributes to reduced anti-social behaviour and fear of crime, whilst our efforts to tackle discrimination and intolerance help to make life safer and to increase Scotland’s attractiveness.

PRIORITISING OUR SPEND ON CAPITAL INVESTMENT

Alex Neil, Cabinet Secretary for Infrastructure and Capital Investment

Capital investment is crucial to sustainable economic growth and is central to the Government Economic Strategy.

Improving our physical infrastructure brings immediate benefits to our economy by supporting the construction sector and its supply chains.

But it is over the long-run that such investment has its most powerful effect on the economy. By creating a legacy of assets which deliver permanent improvements to our asset base – whether that be in the form of improved journey times, more accessible public transport, greater digital connectivity, higher quality affordable housing or new techniques to address climate change mitigation or adaptation challenges – such investment is an essential driver of productivity, competitiveness and long-term growth.

Over the last four years we have invested heavily in Scotland’s infrastructure – over £10 billion since 2007 delivering vital projects such as the Airdrie-Bathgate Rail
Our Strategic Priority on **Infrastructure Development and Place** makes a vital contribution to the delivery of all of our Purpose targets. The development of Scotland’s infrastructure, in particular our transport and digital networks, enhances levels of connectivity across all of our communities helping to drive increases in **Productivity**, as well as increasing access to new markets as opportunities for growth emerge.

This investment also improves access to surrounding labour markets which support increased levels of **Participation**, and contributes to delivery of the **Cohesion** target. Infrastructure investment also supports employment throughout Scotland, particularly in sectors such as construction, and some of this investment can be particularly vital to more remote communities.

Ensuring a balanced and coherent spatial policy, which provides new opportunities for regeneration of some of our most disadvantaged areas will be crucial to providing the opportunities necessary for delivery of both our **Solidarity** and **Cohesion** targets.

Our focus on creating attractive and safe communities for people to live and work are central to our ambitions to deliver higher levels of **Population** growth. Increased population growth is particularly vital to maintaining the sustainability of many of our rural and coastal communities.

Infrastructure investment is also key to supporting our transition to a low carbon economy - for example, investment in the electricity grid is crucial to our ambitions around the renewable energy sector - and for aiding the development of an energy generation network that aids delivery of our ambitious long-term target on **Sustainability**. Similarly, investment in public transport to provide viable and reliable alternatives to the car will help drive down emissions and promote **Sustainability**.

**Our approach to Place**

Our approach to Place is built upon a strategy that recognises the unique contribution - based on their own distinct characteristics and strengths - that every part of Scotland can make. This will ensure that all of Scotland can maximise its potential and that we can reduce disparities in economic performance. Our approach also has a strong emphasis on the role of communities and the importance of quality of life factors.
CITIES STRATEGY

Nicola Sturgeon, Deputy First Minister and Cabinet Secretary for Health, Wellbeing and Cities Strategy

Cities are vital to the success of the Scottish economy. The more successful our cities – and their city regions – are, the more successful Scotland will become. In addition to having more economic activity, cities are also generally more productive, sharing access to business services, skilled labour pools and knowledge networks.

Scotland’s city local authorities are already working together and they recognise the need for an increased economic partnership where they collaborate for mutual benefit. The role of Government is to bring strategic leadership to this collaboration. We will work with all partners – public, private and in the third sector – to identify how our policy and programmes can best support Scotland’s cities to flourish.

We need to build the capacity of Scotland’s cities, towns and rural areas to maximise their ability to contribute to, and benefit from, faster sustainable economic growth. Our policies will be focussed on building resilient and adaptable communities, which have the quality of life, environment and connectivity to allow individuals and businesses to create and capitalise on opportunities. This requires coordinated action by public bodies at local and national level. We will therefore support, maintain and develop frameworks for cooperation between bodies at community level, such as Community Planning Partnerships.

Achieving faster sustainable economic growth depends on drawing on assets from across Scotland. Scotland’s cities are particularly important as centres of growth and prosperity. Many of the assets which underpin success across the economy – business base, universities, transport and connectivity – are concentrated in or near our cities, making the delivery of a successful approach to cities and city regions essential. However, Scotland’s natural resources are predominantly in rural and marine areas. These resources support and enable economic activity but they are also assets that can be used to achieve greater economic growth in rural areas and coastal communities.

Our planning system is vital to the economy as it sets the framework for the physical development and growth places and communities. Achieving our Purpose requires a planning system that both enables the development of growth-enhancing activities and protects the quality of the natural and built environment as an asset for sustainable economic growth. Since 2007, an ambitious set of improvements to planning have been implemented, including the ePlanning service and new, more proportionate and focused planning procedures. These reforms have given greater certainty to developers and clarity of decision making and have led to tangible new investment and economic development – but more needs to be done.
European Funds

European funds played a critical role in our Economic Recovery Plan, supporting capital expenditure, improving business support and up-skilling individuals.

By 2013, the current Structural Funds programmes will have secured training and improved skills for 135,000 individuals; and will have delivered 30,000 new jobs.

The Scottish Investment Bank’s Loan Fund has been supported by government funding of £50 million – £20 million of which is Structural Funds – and is helping to ensure improved access to finance and creating a better environment for business. We have started up a JESSICA fund with a £50 million injection, aimed at unlocking the delivery of Integrated Urban Development Plans, creating strong, resilient and supportive communities, and helping to tackle the inequalities in Scottish society.

As we move forward our activities will be supported by more efficient and effective use of European Funding, with significant additional funding from the new European Programmes, which come into force in 2014.

We are working to align the various strands of European Funding so that we can provide better, more focussed, support across our Strategic Priorities. Alignment and clarity of focus are essential to ensure that we can access the new programmes as soon as possible, rapidly commit funding, increase uptake and improve outcomes.

Our actions in this area include:

- Enabling rural Scotland to make the most of its assets to grow local economies and build stronger communities whilst protecting these assets from threats to their viability. Our *Rural Future* sets out the priorities for digital infrastructure, land use, community participation, enterprise and business and skills.

- Introducing a Cities Strategy that focuses on how best to support cities and their regions optimise their potential as engines of growth in the Scottish economy recognising that the most successful cities provide attractive environments for both people and businesses;

- Taking forward a Regeneration Strategy which responds to the challenges faced by our most disadvantaged communities and creates a Scotland where all places are sustainable, and where people want to live, work and invest;

- Giving priority to fund Clyde Gateway Urban Regeneration Company to drive the regeneration of the East End of Glasgow. The funding will support the delivery of a number of priority projects that maximise economic return and job outcomes and will play a key role in securing an economic legacy for the 2014 Commonwealth Games;

- Implementing our *Land Use Strategy* which has a crucial role to play in making the best use of our land resources and increasing the benefits that they can provide;

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6 *Our Rural Future*, Scottish Government, 2010  
(http://www.scotland.gov.uk/Publications/2011/03/08135330/4)

http://www.scotland.gov.uk/Publications/2011/03/17091927/12
• Our Cashback for Communities initiative has helped over 600,000 young people from some of the communities most affected by crime to develop skills and interests that will lead to greater diversion from crime and greater participation in the economy and broader society;

• The Marine (Scotland) Act provides a framework which will help balance competing demands on Scotland’s seas. It introduces a duty to protect and enhance the marine environment and includes measures to help boost economic investment and growth in areas such as marine renewables. In addition, the forthcoming National Marine Plan will shape national objectives and policies surrounding Scotland’s coastal and marine management;

• Creating the conditions for talented people to live, work and remain in Scotland; and to ensure that population growth supports the sustainability of many of our rural and coastal communities.

Immigration Policy

The Government Economic Strategy identifies population growth as a key driver of economic growth. However a key lever to help deliver this ambition – immigration policy – is currently reserved to the UK Government. This puts us at a distinct disadvantage as the needs of Scotland differ to that of the rest of the UK.

Scotland’s population is projected to age more rapidly compared to the UK, whilst the growth rate of the population aged 16-64 is projected to be considerably lower. Maintaining recent levels of net migration – which captures the difference between people entering and leaving Scotland in a given year – will be crucial to delivering our ambitions on growing Scotland’s population.

However, the UK Government has introduced an annual limit on non-EEA (European Economic Area) immigration to the UK. This will have a detrimental impact on achieving our population growth target. Migrant workers make an important contribution to the Scottish economy. Many of our businesses, particularly those who operate in international markets, have raised concerns that UK policy is preventing them from securing the skilled migrant workers that they need to help expand their operations. Our universities have also raised concerns about their ability to recruit the best researchers, as some 20% of their staff come from overseas.

The Scottish Government believes that an annual limit on immigration is too blunt an instrument to address the complex needs of an economy, and we have repeatedly made the case to the UK Government to work with us to take a more flexible approach to the immigration cap in Scotland.

With full control over immigration policy under independence the Scottish Government would be able to set a policy framework that supports the needs of Scottish businesses and which helps to address Scotland’s demographic challenge.

Our continuing work on modernising the planning system will centre on the following key priorities:
• a strong focus on delivery and further improvements to the speed and quality of service;
• ensuring that the planning policy framework supports sustainable economic growth and sets clear priorities for the improvement of strategic infrastructure;
• Promoting the development of good quality sustainable places (both new and existing) with access to good amenities and services; and
• addressing the challenges faced by the development sector due to finance constraints by introducing an initiative to help unlock development currently stalled due to infrastructure needs; continuing with the Chief Planner’s broker role; and sharing innovative models to fund the infrastructure that supports development; and improving the compulsory purchase process.

Infrastructure Investment

Investment in infrastructure – whether through new capital investment projects or through the maintenance of the existing asset base – is a key driver of both short and long-term economic growth performance. In the short-term such investment provides new employment opportunities, particularly in sectors such as construction; whilst in the long-term it creates a set of assets which are vital to driving improvements in productivity performance and facilitating the transition to a low carbon economy. The OECD has noted that investment in the communications and electricity sectors is strongly linked to growth, and that for the UK in particular, tackling transport congestion will enhance productivity.

As highlighted in section B the UK Government’s cuts to public spending have impacted heavily on the Scottish Government’s capital budget, which means that we will have less resource to invest in capital projects. However, despite these spending reductions we are committed to ensuring that our wider capital investment programme supports employment and activity and the creation of new assets. This is why we are seeking new opportunities for innovative funding arrangements and opportunities to leverage in new private sector investment.

Capital Borrowing

International studies show that infrastructure investment is an essential contributor to productivity and economic growth. The accumulation of capital increases the potential output of an economy.

In the short-term, this can provide a boost to economic growth, construction output and employment.

Over the long-term, capital investment, public and private, is a key driver of productivity, competitiveness, and long-term economic growth.

There is widespread agreement across the political spectrum that the Scottish Parliament should have greater responsibility to determine the pace and scale of Scotland’s infrastructure.

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investment programme, within a prudent and sustainable long-term financial framework.

Unlike most other governments however, we are unable to borrow to fund capital projects. While the proposals contained in the Scotland Bill are a step-forward they are modest and have been developed without detailed consideration or discussion of sustainability and affordability.

Independence would enable us to develop a robust framework which balanced the needs of affordability while ensuring that Scotland’s capital borrowing facility has sufficient scale and flexibility to enable the funding of productive investments over the long-term.

With full authority over borrowing the Scottish Government would have maximum autonomy to manage capital investment responsibly and to determine priorities according to the needs of the Scottish economy and public services.

Our actions in this area include:

- An Infrastructure Investment Plan – to be updated in autumn 2011 – which will set out our priorities for the next ten years;

- We will continue to seek out new opportunities to expand the capital funding available to Scotland including –
  - take forward a new pipeline of revenue financed investment worth £2.5 billion, to be delivered through the Non-Profit Distributing model, to finance investment in transport, education and health;
  - when available – use the limited Scotland Bill borrowing powers to fund growth-enhancing investments and to maintain the quality of Scotland’s public sector asset base; and
  - leverage in additional finance through innovative measures such as Tax Incremental Financing, the National Housing Trust and the JESSICA Fund.

- We will support maintenance of assets in our key public services and encourage a collaborative approach to asset management planning across the public sector;

- We will ensure value for money from our infrastructure spend by rigorous prioritisation and management of capital spending; and

- We will capitalise on the expertise of the Scottish Futures Trust to enhance value for money from capital investment, support the development of innovative financing methods and facilitate collaborative procurement and asset management across the public sector.

Scotland’s Draft Electricity Generation Policy Statement (2010) will be updated in 2011. Our approach in the Statement focuses on secure energy supplies, and maximising economic benefits from our energy infrastructure systems. This includes significant economic activity through: research and development, construction, maintenance and operation of: Carbon Capture and Storage, offshore wind, marine energy, smart grids and offshore grids. We will:
• Implement the 2020 Routemap for Renewable Energy in Scotland;

• Implement the National Renewables Infrastructure Plan (N-RIP) led by Scottish Enterprise and Highlands and Islands Enterprise and with the active engagement of councils, focussing on the infrastructure needed to catalyse growth of the offshore renewables industry in key locations;

• Work to deliver a strategically-planned onshore and offshore electricity transmission network to connect and transport Scotland’s vast offshore renewable energy potential; and

• Take forward our Carbon Capture and Storage (CCS) Roadmap – published in 2010 and reviewed in 2011. With our existing infrastructure, technological expertise and decades of experience of working in deep waters offshore, Scotland can lead the way in deploying commercial scale projects and developing a CCS industry that can create 13,000 new jobs in the next 20 years. We have a storage capacity of European significance, with the North Sea able to store our industrial emissions for the next 200 years.

Transport
An efficient transport system is one of the key enablers for enhancing productivity and delivering faster, more sustainable growth. It is a key element of our overall strategy for infrastructure investment and central to our ambitions for a low carbon economy. Enhancing transport infrastructure and services can open up new markets, increase access to employment and help to build a critical mass of businesses that drive up competitiveness and deliver growth.

National Renewables Infrastructure Plan
Scottish Enterprise and Highlands and Islands Enterprise have led the development of the National Renewables Infrastructure Plan. The plan aims to assist the development of a globally competitive off-shore renewables industry in Scotland through the creation of infrastructure to support large scale manufacturing, assembly, deployment and operations, and maintenance of offshore renewable energy devices.

The Plan has identified the locations across Scotland which offer the biggest potential for private developers to base their manufacturing operations, outlining how more than 5,000 green jobs could be created through the development of three regional offshore energy manufacturing zones built around key port locations, with rapid job growth scheduled for 2014 and 2015.

As part of the plan, Scottish Enterprise have established a £70 million National Renewables Infrastructure Fund to support private sector investors in the development of manufacturing locations. The fund aims to stimulate an offshore wind supply chain to help realise the opportunity for off-shore wind in Scotland. There is also funding available for investment in the Highlands & Islands Enterprise area.
We will:

• Focus investment on making connections across, within and to/from Scotland better, improving reliability and journey times, seeking to maximise the opportunities for employment, business, leisure and tourism;

• Invest in maintaining our existing transport infrastructure to ensure it remains safe and reliable, so safeguarding current connectivity;

• Facilitate the transition to a low carbon economy by providing integrated and cost-effective public transport and better connecting people, places and work;

• Safeguard transport links to remote and rural communities and support economic growth in remote communities such as the Western Isles through encouraging tourism by rolling out the application of the Road Equivalent Tariff;

• Build the Forth Replacement Crossing, so providing continuation of a key linkage for the whole of Scotland;

• Take forward key rail projects to provide fast and efficient transport to boost productivity, facilitate connectivity and promote our transition to a low carbon economy; and

• Ensure Scotland is well connected with the rest of the world by working closely with the air, rail and sea transport industries to actively promote new international routes, services and sustainable infrastructure.

Digital Infrastructure

Availability of next generation broadband connectivity is critical to Scotland’s economic future. Delivering next generation broadband to all by 2020, with significant progress by 2015, as set out in Scotland’s Digital Future: A Strategy for Scotland is one of the Government’s top priorities for this Parliamentary term.

Next generation broadband infrastructure will support future innovation in the digital economy and ensure Scotland’s businesses (particularly in rural communities) remain competitive in the global digital environment and take advantage of new opportunities this revolution will provide. It will also help the transition to a low carbon economy – allowing people to travel less and work from home.
SCOTLAND’S DIGITAL FUTURE: A STRATEGY FOR SCOTLAND

‘SCOTLAND’S DIGITAL FUTURE: A STRATEGY FOR SCOTLAND’ SETS OUT THE SCOTTISH GOVERNMENT’S COMMITMENT TO ENSURING THAT SCOTLAND IS AT THE FOREFRONT OF THE DIGITAL ECONOMY. THE STRATEGY RECOGNISES THE ECONOMIC BENEFITS WHICH WILL FOLLOW FROM SCOTLAND HAVING WORLD-CLASS BROADBAND INFRASTRUCTURE. THESE INCLUDE THE ABILITY TO ATTRACT INWARD INVESTMENT, ALLOW BUSINESSES TO BECOME MORE COMPETITIVE BY RAISING PRODUCTIVITY, AND DRIVING INNOVATION AND INTERNATIONAL TRADE.

To meet the ambitious targets set out in the Strategy, the Scottish Government is working with Enterprise bodies, Local Authorities, Industry Advisory Groups and other stakeholders to map and understand future priorities for Scotland in relation to the digital economy. The strategy will align action across the public sector to ensure the rollout of next generation broadband across all parts of Scotland – which underpins the digital economy.

It is particularly important to ensure that access is available in rural areas, particularly where this will not be provided by the market. One approach to this is the Highlands and Islands broadband pilot. Designed and managed by Highlands and Islands Enterprise, this project will in its initial phase deliver next generation broadband to around 50 population centres spread across the region. It represents a huge step forward in ensuring the needs of Scottish rural areas are given the best possible head start.
Scotland has some of the most challenging geography and the market alone will not deliver next generation broadband across the whole of Scotland. The Scottish Government therefore wants to ensure that public investment in digital infrastructure maximises leverage of private sector funding to ensure that rural and remote communities are not left behind.

Next generation broadband will also enable delivery of the future generation of digital public services, health and social care (e.g. telehealth) – services which can be cheaper, easier, quicker and more convenient for people to use.

We will deliver a robust digital infrastructure in Scotland by:

- A coordinated and comprehensive approach to digital ensuring that Scotland is positioned to take full advantage of the opportunities offered by the digital age.
- As part of SR2011, we will set out plans for a Next Generation Digital Fund to accelerate the roll out of superfast broadband across Scotland, with a particular focus on rural areas.

**Housing**

Housing is a key part of our physical, economic, and social fabric. It is also critical to the wider development of our ambitions in Place. Whilst housing quality is a key factor in the quality of individual and family life it also has important economic impacts.

In the short term, government funded house construction can provide extremely valuable support to industry in times of economic downturn. Over the period 2008-11, the Scottish Government invested a record £1.7 billion in affordable housing and achieved its target to approve around 21,500 new/improved affordable homes delivering a vital boost to Scotland’s construction sector.

Over the longer term, a well functioning housing system is a key component of a society’s infrastructure. A large stock of good quality, appropriate housing will help us achieve the country’s full potential through better employment opportunities, healthier lives and a more prosperous and equal society.

Our actions in this area include:

- Working with Councils, housing associations and private developers across Scotland, we are committed to investment and leverage programmes to fund new housing. This includes our own housing investment and procurement of new affordable homes for rent through the groundbreaking National Housing Trust initiative (NHT);
- To support the transition to a low carbon economy we will introduce the Warm Homes Fund supported from the Scottish Futures Fund (SFF) to deliver energy efficiency, district heating and other measures targeted at the fuel poor;
• We have expanded housing supply programs, accelerating funding where appropriate, to help protect the construction industry during the economic downturn and have diversified funding models to meet the challenges of constrained public finance; and,

• We will take forward a significant programme of enhancement of the energy efficiency of the existing housing stock, including renewable energy, in order to meet our Climate Change targets, assist in tackling fuel poverty, as well as providing a valuable boost to local economies.
SECTION C: STRATEGIC PRIORITIES

C5: EFFECTIVE GOVERNMENT

Effective Government is critical to successful implementation of the Government Economic Strategy, by ensuring that the actions of the public sector are aligned to maximise their positive impact on the Purpose.

The public sector generates over 20 per cent of Scotland’s national output directly and is the economy’s largest purchaser of goods and services, dominating two of Scotland’s largest industries – education and healthcare. The efficiency and effectiveness of the public sector, therefore, has a major impact on the performance of the Scottish economy.

Scotland’s public sector has the potential to operate very effectively by utilising advantages of speed in decision-making, nimbleness and coordination. In short, using its scale to become ever more enterprising and agile.

ECONOMIC LEVERS AND THE OPPORTUNITIES WITH INDEPENDENCE

Bruce Crawford, Cabinet Secretary for Parliamentary Business & Government Strategy

The Government Economic Strategy continues to ensure that the entire public sector is focussed upon the central Purpose of improving Scotland’s rate of sustainable economic growth. Our commitment to an outcomes based approach is delivering a new type of collaboration in the public sector in Scotland, with a greater focus on joint working and less duplication. This is vital if we are to deliver on our objectives in these tough economic and financial times.

While the Government Economic Strategy sets out the actions and activities that we are taking forward within the current devolved settlement, it is clear that we are disadvantaged by the fact that many of the key levers to promote growth and employment in Scotland remain reserved to Westminster. The opportunities to set competitive policies, particularly in relation to taxation, are strictly limited. More generally, we lack the ability to use the full range of economic levers to complement the specific strengths of the Scottish economy or address any weaknesses. This is one reason why we are committed to a referendum on constitutional change during this Parliamentary term. Only independence will give Scotland the full range of economic powers as other small independent nations to promote growth, employment and opportunities for all to flourish.
Ensuring that we have an Effective Government is vital to the delivery of all aspects of the Purpose framework, and in creating opportunities for all of Scotland to flourish. More effective public services that are focused on maximising the resources available will help boost **Productivity** performance – both in the public sector, and in the private sector.

As a major employer, investor and producer of services, the public sector makes an important contribution to overall levels of **Participation** and **Productivity** in the Scottish economy. For example, through the training and development of its own workforce the public sector exerts a major influence on whole-economy skill levels and therefore **Productivity**.

As the largest purchaser in the Scottish economy, the public sector can adopt innovative approaches in its procurement policy to contribute towards delivery of the Purpose targets. In particular, introducing conditions to procurement contracts to encourage suppliers to recruit and train people who are currently outside of the labour market will help to contribute to the **Solidarity** and **Cohesion** targets.

The public sector has a vital leadership role in influencing the behavioural change required across the economy – and the shift towards resource efficiency and improved use of technology – in order to deliver our challenging **Sustainability** target. Public sector procurement also has an important role to play in delivering this target.

An Effective Government that optimises the use of resources to deliver high quality public services will help to make all areas of Scotland more attractive places to live and work. This will be an important contributor to helping deliver our ambitions on **Population** growth and increased healthy life expectancy.

**Public Service Reform**

Delivery of the Purpose is dependent on supportive actions by all parts of the public sector. The **Strategy** provides a framework for delivering the Purpose, but overall success is dependent upon ensuring that all parts of the public sector: are aware of the contribution that they can make to the Purpose; and how they can cooperate and align their activities to maximise the outcomes that are delivered for the people of Scotland.

Effective and efficient public services will play a key economic and social role in Scotland’s successful future. They are at the heart of a fair and civilised society, and their quality is an important measure of the nation’s wellbeing and of strong, inclusive communities which protect the most vulnerable.

We are ambitious for Scotland’s public services, even in these challenging times – we want to **improve** and **reform** the vital services on which people and our future prosperity depend. Public services now face an extremely testing set of circumstances. Incremental improvements are no longer adequate: fundamental reform is unavoidable. We need to ensure that Scotland’s public services remain fit for purpose, and are affordable, into the future.
There are good foundations and achievements on which to build: a track record of local and national partnership working; alignment behind the outcomes-focused approach; good progress on the successful streamlining of the public sector landscape; significant efficiency savings in all service areas freeing up resources to invest in the frontline; ground-breaking progress to secure better value from public sector procurement; and a diverse and innovative third sector.

The report of the Commission on the Future Delivery of Public Services (‘the Christie Commission’), published in June 2011, made an important contribution to our understanding of the way forward, and confirmed the pressing need for ongoing reform of public services. We are now taking their conclusions into account as we consider how best to prioritise resources in the Spending Review.

Our public service reform agenda will be built on four pillars:

- a decisive shift towards prevention;
- a greater focus on “place” to drive better partnership, collaboration and local delivery;
- investing in people who deliver services through enhanced workforce development and effective leadership; and
- a more transparent public service culture which improves standards of performance.

The Economic Recovery Plan

When Scotland entered recession in 2008, as a result of the global financial crisis, the Scottish Government responded immediately by launching a detailed Economic Recovery Plan (ERP). The ERP was firmly embedded within the Government Economic Strategy. The actions taken were an immediate response to the recession, but they were also designed to leave a lasting positive impact.

The alignment of the public sector behind the Purpose which the Government Economic Strategy had established in 2007, enabled the ERP to fully mobilise and coordinate resources across the entire public sector to support the Scottish economy at its most difficult time. The actions taken by central government, local government and our agencies mitigated some of the worst impacts of the recession on Scotland’s communities and helped to maintain and develop a supportive framework for sustained growth in the long-run.

For example, the PACE Partnership – the national framework for responding to redundancy – continues to provide a strong example of cross-public sector alignment behind economic recovery.

Other actions taken to support recovery included:

- A programme of accelerated capital spending across central and local government, and partner organisations to support jobs and growth;
- Scottish Development International (SDI) launched Smart Exporter, a service aimed at helping Scottish SMEs target new international markets;
• Skills Development Scotland’s Employer Recruitment Incentive provided employers with a £1,000 incentive to recruit a participant progressing from pre-employment programmes for young people;

• VisitScotland’s support for Homecoming 2009, and the Perfect Day marketing campaigns helped Scotland’s Tourism industry remain resilient; and

• Through its Now’s the Time to Ask and Strengthen your Business campaigns, Scottish Enterprise actively listened and responded to business needs.

Our actions in this area include:

• Reform of the police and fire and rescue services and the wider justice system, including the courts, to protect and enhance the public services they provide and deliver significant efficiency savings;

• A continued focus on better alignment, collaboration, and partnerships across the public sector, including through the Community Planning Partnerships;

• A promise to train and develop our public servants and match their commitment to a more successful nation;

• Maximising scarce resources by utilising all available resources from the public, private and third sectors, individuals, groups and communities;

• Continuing reform of procurement, investment planning and asset management across the public sector to improve resource efficiency;

• Reforming of post-16 education to meet the needs of employers and learners better, maximising the talents and resources of our young people, supporting self-reliance, and building resilience;

• Concentrating the efforts of all services on producing integrated services that maximise technological opportunities and deliver results – for example, more effective integration of health and social care so that resources follow people’s needs as they move from institutional care to services provided in the community; and

• Utilising the world-class expertise of the Council of Economic Advisers and the National Economic Forum to guide the pursuit of faster, more sustainable economic growth.

**Welfare, Employability and Skills**

Under the current devolution arrangements there can often be a disconnect between the UK Government’s welfare to work agenda and the services provided by the Scottish Government (through for example Skills Development Scotland), local government and other funders such as the European Social Fund. Independence would also enable expenditure and tax policy to work together in harmony and deliver greater efficiencies. For example, the Scottish Government currently picks up the ‘gross’ cost for initiatives – such as Modern Apprenticeships – which help reduce unemployment and improve employability. However as welfare is reserved, the UK Government benefits
from such initiatives by paying less in unemployment benefits. But if unemployment benefits were devolved, such savings could be used to fund additional employment or training opportunities thus having a far bigger impact than originally planned.

A much more efficient system, and one that will deliver real benefits for the people of Scotland, is one where we secure full responsibility for all aspects of employability, skill and welfare to deliver an improved customer interface and avoid unnecessary duplication. In pursuit of this goal, we have made some progress in aligning some services of Skills Development Scotland and Jobcentre Plus at a national and local level. We are now working to extend better alignment to include the employability services provided by Local Authorities and colleges to further support our ambitions for growth and jobs.

Streamlining our Dealings with Business

As outlined under our **Supportive Business Environment** Strategic Priority the public sector has a vital role in creating an economic environment that is conducive to growth in the private sector. Such an environment is influenced, in part, by how the public sector engages with businesses.

We are focussed on streamlining the public sector’s dealings with business, removing the barriers to growth and adopting more efficient procurement practices that encourage competition. However, it is also vital that the appropriate forums exist to maximise the potential opportunities for the public and private sectors to work together in order to deliver better outcomes.

Effective government includes maintaining an environment in which business has confidence to invest and maximise Scotland’s growth potential. Continued robust investigation and prosecution of serious and organised crime, financial crime and corruption by prosecutors dedicated to ensuring those who commit crime do not benefit from their misdeeds and recovering proceeds to reinvest in local communities, will contribute to a fairer, flourishing society.

Our actions include a range of measures across the public sector including:

- Continuing to work effectively with business – through the Regulatory Review Group – to develop and apply regulations in a way which addresses social or environmental needs and supports business growth;
- Involving businesses more effectively across the work, and direction, of government to build consensus on our economic future;
- Recognising the key role of local authorities in local economic development, as highlighted by the decision to transfer delivery of Business Gateway to local authorities as part of the 2007 enterprise network reforms. Business Gateway also have an important role in identifying potential growth businesses for referral to Scottish Enterprise and Highlands and Islands Enterprise for account management;
- Working with the industry advisory groups (IAGs) to maximise their
contribution to Scotland’s economic development, challenging how the public sector supports the work and aspirations of the IAGs as well as identifying the synergies between sectors, sharing best practice and enhancing the role of industry leadership and collaboration in driving policy; and

- Working with the banks, HMRC, Accountant in Bankruptcy, insolvency practitioners and the PACE Partnership\(^{10}\) to ensure a consistent and joined-up approach to supporting viable businesses facing financial difficulties.

**Public Procurement**

As outlined earlier, as a major consumer in the economy the public sector can, through its procurement policy, exert a significant influence on economic development.

The procurement reform programme has generated savings of more than £800 million since 2006. We are mindful, however, that work to generate savings should not exclude SMEs and third sector organisations from public sector work. Indeed, three quarters of all suppliers winning contracts through Public Contracts Scotland, the online advertising portal, are SMEs.

Our actions in this area include:

- Using public procurement to maximum effect to promote economic growth. Whilst European rules do not allow us to discriminate in favour of Scottish firms, we will help public bodies to design their contracts in a way which gives Scottish firms, particularly SMEs a fair chance to compete;
- Asking every company in receipt of a significant government contract to produce a training and apprenticeship plan as part of our wider action on skills.
- Encouraging a broad consideration of sustainability in contracting, for example by using community benefit clauses to provide training opportunities for local people, or by reserving contracts for supported businesses;
- Continuing to develop the suite of eCommerce shared services which underpin procurement reform. We are working closely with the private and third sectors to introduce improvements – for example to allow increased use of Quick Quote (an electronic system which allows buyers to ask for competitive quotes for low value purchases, without the need to go through a full procurement exercise);
- Using public procurement to encourage innovation in both the public and private sectors – allowing bidders to come up with new ideas wherever possible; and,
- Pressing for changes to the European procurement rules to allow public bodies to consider local economic impact in their contract award decisions.

\(^{10}\) [http://www.scotland.gov.uk/Topics/Business-Industry/support/15419](http://www.scotland.gov.uk/Topics/Business-Industry/support/15419)
An outcomes-focused approach to performance

In 2007 we moved the whole of government to an outcomes-focused approach to performance. This was supported by the National Performance Framework, which provided an overarching clear, logical and easy to understand framework for shaping delivery against the Government’s agenda. As a result we are judged – as we should be – on the results that we achieve; results which reflect real and meaningful improvements in public services and quality of life.

Our approach focuses government on the key long-term challenges for Scotland and will enable, and encourage, more effective partnership working and alignment across the public sector and with our stakeholders. Under this approach the entire public sector will contribute to the Purpose with all performance management systems aligned to a single, clear and consistent set of priorities.

This transition to an outcomes-based approach with delivery partners, including local government, has left the detailed management of services to those who can best understand and tailor their resources and activities in line with local priorities. The Scottish Government will concentrate on providing leadership and direction, and focus on strategic priorities.

We will:

- Drive reform across all public services based on outcomes, improved performance and cost reduction;
- Through Scotland Performs continue to provide accountability based on national priorities set out in the National Performance Framework. The framework will be used to help identify where resources will need to be focussed and assess how the impact of our investment is being achieved. This will be developed consistently across all our delivery and partner organisations. The NPF is a 10 year plan with a refresh of the National Indicator set to be published in Autumn 2011 to reflect lessons learned since 2007; and
- Continue to use the Single Outcome Agreements between the Scottish Government and Community Planning Partnerships, first introduced in 2008, to drive the achievement of improved local outcomes.
C6: EQUITY

In order to ensure that all of Scotland benefits, the Government Economic Strategy has a vital role in ensuring shared and sustainable economic growth that provides the most disadvantaged areas and people in society with the opportunity to prosper. We must maximise the potential of Scotland’s people, places, and assets.

As well as being a desirable outcome and characteristic of growth, Equity – social, regional, and inter-generational – is also a key driver of economic growth.

Nearly a million people in Scotland remain in relative low-income households, whilst significant numbers remain unemployed, or economically inactive. Increased equity – through improving opportunities and outcomes – across Scotland has the potential to engage large numbers of people and communities who face disadvantages into the mainstream economy. This will allow them to fulfil their potential and improve their health and wellbeing. In turn, this will boost Participation, economic growth and build stronger and safer communities.

A lack of equality in opportunity acts as a constraint on the contribution that individuals and communities can make to delivering a more successful Scotland, as well as impairing the quality of life that people can enjoy. A fairer and more equal society will allow all of Scotland to flourish and contribute to a more prosperous society.

OPPORTUNITIES FOR ALL OF SCOTLAND TO FLOURISH

Kenny MacAskill, Cabinet Secretary for Justice

Ensuring that all of Scotland has an opportunity to flourish is a central theme of the Government Economic Strategy. Our focus on growth which embodies goals of Solidarity and Cohesion, highlights our commitment to reducing inequalities between individuals and across areas of Scotland; challenges which can be particularly pronounced during deep recessions.

Our efforts to reduce inequalities are not just an aim in themselves, they are also key to securing faster sustainable economic growth. Continuing to work to deliver a Scotland that is safer, healthier and more equal will create the foundations to help build stronger communities and a more prosperous and fairer society. It is also vital in making Scotland an attractive place to live and work and in securing talented migrants, new businesses and investment. An effective justice system, founded on the principles of equity before the law and protection of social and property rights, is the fundamental underpinning of a flourishing economy.

Our Cashback for Communities initiative is just one of the ways in which this government is turning the principle of equity into practice to support flourishing communities. We are investing £42 million of the ill-gotten gains of criminals back into affected communities, benefiting over 600,000 young people through a programme of diversionary and
other activities that develop interests and skills as well as creating opportunities for greater participation in the economy and broader society.

This Government’s desired characteristics of growth are focussed on ensuring equity across individuals, regions and generations, by reducing inequalities. At the heart of this is a focus on ensuring that there is equality both of opportunity and outcome. The actions and approach set out in our strategic priority on Equit y are therefore crucial to delivering our Purpose targets on the characteristics of Growth, in particular Solidarity and Cohesion. However they also underpin our actions across all of the Strategic Priorities.

Ensuring that everyone has the opportunity to participate in the labour market is a key mechanism for improving the outcomes for people and communities who face disadvantage. The focussing of our resources on ensuring that everyone has the skills and adaptability required to secure the employment opportunities that will emerge as the recovery gains momentum will contribute to our Participation target. In particular, as more people are able to participate in the labour market the supply of potential workers will increase supporting long-term improvements in our growth performance.

Greater equality of outcome is also about ensuring that we maximise the potential and the contribution of individuals and communities, by addressing the barriers that some people encounter and supporting everyone’s potential. This makes the best use of Scotland’s human capital and will therefore boost Productivity. Many people work in high-participation sectors like care, retail or construction. By encouraging opportunities for learning, effective skills use and employee engagement, employers can help to ensure their contribution will improve our Productivity performance, particularly in the long-term.

A fairer and more equal society is also a key part of making Scotland an attractive place for people to live, work and contribute. This will help attract more people, including highly skilled migrants, to Scotland, whilst also encouraging more people to remain in Scotland to take advantage of the opportunities that will emerge – which will help increase our Population.

The link between equity and Sustainability is also important. Sadly it is too often the poorest in our society who suffer from volatile energy prices. By gradually encouraging the transition to a low carbon economy we are reducing our dependence on volatile fossil fuels and therefore provide greater certainty for households.
Tackling the Causes of Inequality

Too many of our resources are focussed on tackling the results of many of the long-standing problems in Scottish society that act as a constraint on individuals and communities – across all parts of Scotland – from maximising their potential. By focussing our resources on the causes of these problems through sustained preventative action we can improve outcomes and deliver considerable future savings.

We are focussed on improving the life chances of those who encounter barriers and set-backs from birth, whether due to their circumstances or characteristics. An Early Intervention approach will improve the resilience and raise the capacity within our communities and give people the knowledge and power to improve their conditions.

Our actions include:

- A focus on Preventative Spend to ensure that we tackle Scotland’s social and health problems – which prevent individuals and areas from realising their potential – by reducing demand for our public services and reducing inequalities;

- The identification and targeting of the underlying causes of inter-generational disadvantage and low aspiration. Achieving Our Potential outlines our approach to engaging more people in the mainstream economy and provide the opportunities – and incentives – for all; and

- A commitment to step up efforts to end child poverty by 2020. The new Child Poverty Strategy for Scotland sets out our approach to tackling this vital issue; and

- By implementing the Early Years Framework we are focusing our efforts to break inter-generational transmission of poverty and inequality.

Welfare Reform

The UK Government is embarking on a wide-ranging programme of welfare reforms. The UK Welfare Reform Bill 2011, is likely to be passed early in 2012 and be implemented from 2013-2017. It will introduce Universal Credit, an integrated in-work and out-of-work benefit which will replace: Income Support, Income Based Job-Seekers Allowance, income related Employment and Support Allowance, Housing Benefit, Child Tax Credit and Working Tax Credit. The Bill abolishes Council Tax Benefit and elements of the discretionary Social Fund and devolves responsibility for successor schemes to Scotland.

These changes are likely to have an impact on many disposable household incomes in Scotland and on demand for services and local economies. At present, many devolved Scottish services, such as Free School Meals, Legal Aid, health goods/services, housing costs and the independent living fund, determine eligibility on the basis of receipt of benefits which will be replaced by Universal Credit.
It will fall to the Scottish Government and Scottish local authorities to recast eligibility in the light of these changes – with a potential, consequential impact on devolved resources.

We have established an external stakeholder group in association with CoSLA (Welfare Reform Scrutiny Group) to develop a shared understanding of the impact and agree a collaborative approach to influencing the final legislation.

**Equality**

Equality is about creating a fairer society where everyone can participate. It recognises the potential impact of demographic, economic and social change on the life chances of all people in Scotland. The Scottish Government is committed to promoting equality by reducing the inequalities which carry most significant consequences by breaking down barriers, which may be historic or inadvertent, and which restrict the contribution and positive experiences of people, particularly those who face disadvantage, discrimination or prejudice.

This is achievable not just by ensuring equality of opportunity but by a focus on the equality of outcome for all people regardless of their personal characteristic or circumstance. For example, there are often barriers in labour market participation and differences manifest in the gender pay gap and occupational segregation. Opening opportunities for skills development for women in traditionally male dominated sectors i.e. engineering or for men in social care or education, helps raise skills development but only translates into improved outcomes (including increased earnings) when the training is translated into sustained employment in the sector.

The Government is committed to ensuring that delivery of the *Government Economic Strategy*:

- Supports the improvement of life outcomes for all of Scotland’s people, including those who face disadvantage, discrimination or prejudice;
- Mainstreams equality in all aspects of Scottish Government policy development and decision taking including our activity to encourage economic growth; and,
- Supports the development of a robust evidence-base which identifies the underlying causes of inequality and supports activity to address it.

We will do this by:

- Using the Equality Act 2010 and the framework provided by the public sector duties to mainstream equality within the everyday work of the Scottish Government;
- Engaging directly with different communities in order to better understand their concerns, priorities and perspective;
- Using evidence and equality data to translate this into practical implementation and changes to mainstream Scottish Government programmes and spend; and
• Taking forward a range of actions to tackle gender stereotyping/occupational segregation, which is a major contributor to the gender pay gap.

**Alleviating Pressures on Household Incomes and Protecting the Low Paid**

Since the onset of the recession, household budgets have been under pressure from a range of factors including high inflation, rising unemployment and UK Government tax rises such as the increase in VAT to 20%, the increase in fuel duties and the rise in employee National Insurance Contributions.

As set out in the *Economic Recovery Plan*, we will continue to use our powers to help maintain the underlying resilience of our economy through protecting household incomes and employment. This approach will help mitigate the remaining worst impacts of the recession and provide a springboard for economic recovery.

By taking the difficult decision to limit pay awards in the public sector this year, we have been able to use the savings to protect employment, providing greater certainty to public sector workers in these challenging times.

Scottish Ministers are wholly committed to supporting those on the lowest incomes. One of the key aims of our annual public sector pay policy is to continue to work towards making sure pay is fair and non-discriminatory and provide employers, subject to that policy, with the flexibility to target the lower paid.

As we have asked for pay restraint we have delivered on core economic and social commitments and benefits to deliver a ‘social wage’ for the people of Scotland.

Our key actions include:

• Maintaining household incomes through freezing council tax and water bills and abolishing prescription charges;

• Continuing with key commitments including protection for health budgets, abolition of tuition fees, scrapping of bridge tolls and continuation of concessionary travel; and

• Funding and supporting the advice and information infrastructure in Scotland to help people maximise their incomes, by claiming all the financial support to which they are entitled, to manage their money well and to avoid or resolve debt problems.

**Social Enterprise and The Third Sector**

The third sector – comprising social enterprises, voluntary organisations and community organisations – makes a direct impact on the growth of Scotland’s economy, the wellbeing of its citizens and the improvement of its public services. As the needs of the environment and of the disadvantaged are at the heart of the third sector’s work, there is a real role for the sector in ensuring services meet the needs of communities, are focussed on prevention and that economic growth meets the needs of all.
The third sector has a vital contribution to make to our Equity Strategic Priority. It reaches individuals and communities, including the young, the old and the long-term unemployed, that the public and private sectors do not always effectively engage with. The third sector can, and does, change peoples lives. In particular, it strengthens community resilience and sense of well being, and supports community engagement in the design and delivery of public services. It is the primary source of support for volunteering which not only helps deliver services that make communities stronger and support vulnerable people but builds skills and self-development that can improve employability prospects.
CONTRIBUTION OF THE THIRD SECTOR – FYNE FUTURES CASE STUDY

THROUGH THEIR VALUABLE CONTRIBUTION TO THE ECONOMY, THE NEEDS OF OUR COMMUNITIES, OUR ENVIRONMENT, AND TO THE WELL-BEING OF SCOTLAND, THE THIRD SECTOR HAS AN IMPORTANT ROLE TO PLAY IN DELIVERING THE AMBITIONS SET OUT IN THE GOVERNMENT ECONOMIC STRATEGY.

Fyne Futures provides an example of the role that the third sector can play. Formed in 2004 to help achieve the environmental and community goals of local groups based in Bute, the social enterprise has already proved to be a big success.

It has established an award winning purpose built recycling centre in Rothesay to process waste from an ever expanding kerbside collection service to the surrounding area. Capital grants awarded from Highlands and Islands Enterprise and the Third Sector Enterprise Fund have allowed the group to start converting used cooking oil into biodiesel to power the fleet of large vehicles used by the centre.

The social enterprise has also set up a community garden and sells fruit and vegetables alongside produce from other local farm businesses through a pilot vegetable box scheme. In early 2010 the garden acquired the first wind turbine on Bute which will supply power for the site and should generate up to £5,000 a year for the enterprise through putting surplus energy back into the National Grid.
The third sector also contributes to regional equity. Traditionally the third sector operates in areas deprived through changed economic circumstances or geographic remoteness where the private sector often does not operate.

The third sector also contributes to inter-generational equity. Through initiatives such as community recycling, renewable energy production and the sourcing of local produce the third sector has frequently led the way in putting communities and the needs of the low carbon economy at the heart of its business model.

The Scottish Government is committed to the development of an enterprising third sector in Scotland. We will do this by:

- Supporting social enterprise, as part of our investment in the third sector, ensuring provision of support from start-up to business maturity through the Just Enterprise programme which will complement the services available through Business Gateway, Scottish Enterprise and HIE;

- Continuing to invest in those enterprising third sector organisations with the greatest potential to succeed; and

- Working with the public sector to ensure that the third sector is appropriately involved in the design and delivery of services that are focused on the needs of the user, continually improving and are focused on prevention.
ALL PARTS OF THE PUBLIC SECTOR HAVE A CONTRIBUTION TO MAKE TO THE DELIVERY OF THE PURPOSE. THIS REQUIRES CONTINUED ALIGNMENT AND COOPERATION ACROSS ORGANISATIONS IN ADDITION TO ENHANCING OUR LINKS WITH THE PRIVATE AND THIRD SECTORS.
**Resourcing**
Growing the economy and creating opportunities for all to flourish continues to be the Purpose toward which all our resources and actions are directed. The imperative of generating increasing sustainable economic growth has, therefore, driven the difficult task of prioritisation within the forthcoming Spending Review process. The final decision on Scottish budget allocation will reflect the actions required to deliver the Purpose.

**Implementation**
All parts of the public sector have a contribution to make to the delivery of the Purpose. This requires continued alignment and cooperation across organisations in addition to enhancing our links with the private and third sectors.

Within the Scottish Government we will provide a clear focus on delivery of the Purpose. Cabinet is supported by a Strategic Board, comprising the Permanent Secretary and five Directors General, each of whom has responsibility for delivering the Government’s Purpose.

The Strategy will help us to secure the maximum contribution to achieving sustainable growth across the public sector in Scotland and at all levels of government.

The Strategy will be used to:

- align the activities of key bodies such as Scottish Enterprise, Highlands and Islands Enterprise, Visit Scotland, Transport Scotland, Scottish Funding Council, Skills Development Scotland and Scottish Water;
- shape the development of the outcome agreement approach with Community Planning Partnerships that will enable local partners to contribute effectively to the country’s sustainable economic growth; and
- frame our discussions with the UK Government and the EU, for example through our engagement on the Europe 2020 Strategy and options for fiscal reform, in areas which will influence the achievement of sustainable economic growth in Scotland.

The Strategy will only be effective in delivering the Purpose if it impacts on and influences the activities of Scotland’s businesses and people. We have engaged widely in the development of this update of the Strategy and have tried to achieve a clarity of message that will allow us to engage effectively in its implementation. However, continued engagement will be vital to the successful delivery of the Strategy, and we are committed to working with all our partners across Scotland over the months and years ahead. By working together we will help secure the recovery and put Scotland on a path toward increased sustainable economic growth with opportunities for all to flourish.

**Strategic Environmental Assessment**
The Scottish Government has considered the requirement for strategic environmental assessment of the refreshed Strategy. Pre-screening has concluded that the Strategy itself – as a publication to provide an overarching framework – will have no or minimal
environmental effects. However, it is recognised that many of the proposals set out here could have environmental implications when they are developed into more specific policies and actions.

All Scottish Government plans, programmes and strategies that implement these targets will therefore be considered in relation to the Environmental Assessment (Scotland) Act 2005, and subjected to SEA where it is determined that they will generate significant environmental effects.

**Challenging, Monitoring and Review**

There have been marked changes in economic conditions since the 2007 *Government Economic Strategy*. However, the GES has provided a flexible and adaptable framework against which we were able to respond to these changing conditions through our Economic Recovery Plan. The Strategy will continue to offer this flexibility to evolve to economic conditions and also to changes in the responsibilities of the Scottish Government.

This will be heavily influenced by the reviewing of progress from outside of government and by the development of evidence which is brought to bear. To secure this external review we will:

- through Scotland Performs continue to provide accountability based on the national priorities set out in the National Performance Framework.
- continue to draw on the expertise and knowledge of the Council of Economic Advisers, whose work and analysis since 2007 has informed this update of the GES and advised us on how best to achieve increasing sustainable economic growth and to create opportunities for all to flourish;
- engage, listen and learn from key partners across Scotland – whether that be in business, the public sector or the third sector – to constantly refine policy and streamline delivery to ensure the best possible outcomes; and
- continue to draw on the valuable contributions from the National Economic Forum, which brings together key players from across Scotland in building consensus around the collective contributions to achieving increasing sustainable growth.

These bodies will hold the Government to account through assessing achievement of the measurable economic targets set out in this Strategy.