

Written submission from Scottish Enterprise, 1 October 2026

Pre-budget scrutiny 2027-28

Europe, External Affairs and Culture Committee

Dear Convener

Scottish Enterprise welcomes the opportunity to contribute to the Europe, External Affairs and Culture Committee's pre-budget scrutiny of funding for external affairs ahead of the Scottish Government's 2027- 28 Budget. This document summarises some key information we hope is useful in assisting the Committee's discussions.

As Scotland's national economic development agency, Scottish Enterprise brings together the expertise, experience, networks and ambition needed to drive economic transformation at scale, across Scotland. We concentrate our efforts on the areas where Scotland has the greatest potential to be internationally competitive, areas where, together with others, we can scale-up innovation, unlock investment, and create significant impact through internationalisation.

We work across the full growth agenda supporting entrepreneurship, stimulating innovation, attracting investment, enabling international growth, driving capital investment. We back ambitious business and we back regional ambition. We help create the long-term conditions for whole sectors to thrive, from offshore wind to life sciences.

We are a critical innovation catalyst, bridging the gap between research and commercial success through our strategic partnerships with innovation centres and Universities and delivery of spin-out and start-ups programmes, commercialisation support and early-stage funding. As a trusted convenor, we connect high growth potential businesses, investors, academia, government and the wider public sector to unlock opportunities and accelerate growth at scale. We play a distinctive role as a direct investor, co-investing where risk is highest and supporting projects with significant economic potential that may not otherwise secure private sector backing.

Our international ambitions are driven by the National Strategy for Economic Transformation (NSET). Priorities include supporting trade growth in our core markets across Europe and North America whilst pursuing high value opportunities in priority growth markets globally and attracting inward investment from high potential markets in the USA, Asia, Europe and Rest of UK in line with Scottish Government's Trading Nation and Inward Investment Plans.

We believe Scottish Enterprise should be viewed as an investment in Scotland's economy rather than as a cost of administration or delivery. We generate significant income that can be recycled into further economic development activity (we have generated £466m of business income over the last 5 years), while our support for business growth, innovation, productivity and investment contributes to a stronger economy, increased tax revenues and wider societal benefits. Secondly, we have a

strong pipeline of projects and opportunities ready for delivery that have the potential to make a significant contribution to Scotland's economic ambitions. Realising these opportunities will help drive investment, create high-value jobs, enhance productivity and support long-term economic growth.

At the same time, Scottish Enterprise continues to face the same inflationary and cost pressures affecting organisations across the public, private and third sectors, placing additional pressure on the resources available to deliver our remit, particular in the face of sustained real terms budget reductions. We would welcome increased budget flexibility and multi-year funding which would enable us to be bolder with our forward financial planning and investment decisions. Significant economic opportunities can emerge quickly and often require timely intervention. At the same time, elements of our income remain inherently volatile. Greater flexibility and reduced administrative costs and budgetary risks increases our ability to respond to emerging opportunities with pace.

International Operations

Scottish Enterprise delivers on behalf of all of Scotland through our team in Scotland and our international arm, Scottish Development International (SDI). Following a recent restructure, we are implementing a new Global Operations model to drive a more integrated and joined-up approach across our international footprint. Building on our existing strong performance in supporting trade and FDI, we will broaden our international focus to include innovation and capital investment to further economic growth in Scotland. As part of this model, a strengthened international insights capability will bring together market intelligence, investor behaviour, sector demand, and delivery performance to support clearer prioritisation, better coordinated interventions and greater economic impact.

As part of this reorganisation, we have maintained our international footprint, with over 100 staff based overseas across 23 different countries in 32 different offices - six in the Americas, ten in Asia Pacific and sixteen in EMEA. All our overseas staff are on the Foreign Commonwealth and Development Office (FCDO) platform. We are co-located with Scottish Government colleagues in Denmark, France, Germany, Ireland, Belgium, and England where the teams work together to support joint aims to grow the Scottish Economy.

The Scottish Government's 10-year Export Growth Strategy, A Trading Nation (ATN) sets the strategic direction for growing Scotland's exports alongside Scotland's Vision for Trade, which sets out the principles and values for the trading relationships we want Scotland to have in the future. Our Inward Investment approach is also guided by Scottish Government policy, Scotland's Inward Investment Plan (2020) which sets out the ambition "for Scotland to be a leading destination for inward investment that aligns with our values as a nation".

Our international capability forms part of a wider partnership model. We work with the Scottish Government, the Department for Business and Trade, the Foreign, Commonwealth and Development Office, other public and private-sector partners and on behalf of Highlands and Islands Enterprise and South of Scotland Enterprise overseas. Co-location and close working with partners help Scotland present a more

coordinated proposition while drawing on the specialist mandates, expertise, and each organisation's networks.

A significant strength underpinning the Scotland House network is the established integration of Scottish Enterprise (SE) and Scottish Development International (SDI) within a single organisation. This provides Scotland with a competitive advantage that few economic development agencies can match, bringing together domestic economic development, international trade, investment and innovation expertise through one coordinated model. This enables opportunities to be identified, pursued and converted into economic impact more effectively, while presenting a clear and consistent proposition to businesses, investors and international partners. As the Scotland House network expands, this existing joined-up approach provides a strong foundation on which to build.

Delivery and Impact

In 2025-26, Scottish Enterprise activity, including through our international brand, Scottish Development International, supported:

- £2.15 billion planned international export sales
- 2,237 jobs supported through international trade
- 6,223 planned Real Living Wage jobs through inward investment
- £1.02 billion of planned capital investment across Scottish Enterprise-supported projects

The international sales and trade-jobs figures reflect businesses supported by Scottish Enterprise. The inward investment jobs figure relates specifically to inward investment activity. Across Scottish Enterprise's full 2025-26 portfolio, activity also supported 12,459 jobs paying at least the Real Living Wage, £355 million of planned innovation investment, £348 million of growth funding and 518,000 tonnes of estimated CO2e savings.

Ernst & Young's Attractiveness Survey, published earlier this year, confirmed Scotland's position as the top performing UK region (outside London) for the attraction of foreign direct investment for the eleventh consecutive year. The inward investment portfolio balances the attraction of new investors with the expansion of existing operations and the safeguarding of jobs and supply chains. On trade, support is targeted towards ambitious businesses with the potential to contribute significantly to Scotland's economy, helping them innovate, build export capability, identify opportunities, enter new markets, and develop international partnerships.

Scotland House 40 (SH40)

The Programme for Government committed to bring together Scottish Government and Scottish Development International offices into a more effective Scotland House network, expanding it to more than 40 locations.

The SH40 commitment provides an opportunity to consider how Scotland's international assets can work together even more effectively, improving coherence,

strengthening Scotland's profile and ensuring that international activity supports Scotland's economic and wider international ambitions. Scottish Enterprise is working jointly with the Scottish Government as part of the evidence-gathering and options-development process.

We believe that Scottish Enterprise's Global Operations model can be an effective starting point for the aspirations of the SH40 network and can help align activity around shared priorities, connect international opportunities more effectively to Scotland's sectoral strengths, and provide an evidence base for decisions on where different forms of presence and partnership can add the greatest value.

Scottish Enterprise is an integral part of the Scottish Government's project team for developing the SH40 commitment, which is in the early stages of being stood up to undertake detailed options appraisals. No decisions have been taken on future locations, governance, or operating models. We are committed to working collaboratively on the options to deliver a network that maximises our impact, reflecting our relative specialist skills and knowledge.

Challenges, Opportunities and Priorities

The international operating environment is increasingly competitive and uncertain. Businesses and investors are navigating geopolitical tensions, changes in trade policy, supply-chain disruption and stronger competition between countries and regions for mobile investment, talent, and market share. Global flows of greenfield Foreign Direct Investment (FDI) are declining. According to EY's 2026 Attractiveness Survey, across Europe, greenfield FDI projects were down 7% and jobs down 25%. Projects in the UK were down 14% (23% if you exclude London) and jobs were down 24%. The market for FDI is expected to remain challenging into 27/28. These conditions increase the importance of specialist market intelligence, trusted relationships, and the ability to adjust activity as opportunities and risks change.

A principal priority for 2027/28 will be to build on Scottish Enterprise's current strengths in delivering economic returns for Scotland, while creating the conditions for the SH40 commitment to be implemented in a way that supports further economic growth.

As work with the Scottish Government on the development of the SH40 commitment continues, it will be important to ensure that Scotland builds on its existing trade and investment strengths and maintains the delivery capability that is already generating significant economic impact. Any future expansion of the Scotland House network should be supported by appropriate resources and a clear implementation approach to ensure that expectations are aligned with the capacity available to deliver them.

Decisions on future market coverage and models of international presence should be informed by a strong and shared evidence base. This should include an assessment of economic opportunity, foreign direct investment trends, exporter and investor demand, Scotland's sectoral strengths, current delivery performance, and the role of existing partners and networks. Such an approach will help ensure that future investment is directed towards locations and activities where it can deliver the greatest value.

There is also an opportunity to strengthen coordination across Scotland's international activities while maintaining focus on delivery. Greater coherence should make Scotland's international offer easier for businesses, investors and stakeholders to understand and access, while improving coordination between enterprise agencies and government in support of shared objectives.

Given the scale of the ambition, a phased approach to implementation would allow new operating models to be tested, evidence to be gathered and lessons to be incorporated before further expansion decisions are taken. This would help ensure that the development of the SH40 network is evidence-led, practical and focused on achieving measurable outcomes.

Conclusion

Scottish Enterprise supports the ambition to strengthen Scotland's international presence and welcomes the opportunity to contribute its delivery experience, market evidence, and specialist trade and investment expertise. We believe that Scotland's existing international network, partnerships and governance arrangements provide a strong platform from which to develop the SH40 commitment.

The key objective should be to increase Scotland's international impact and convert that presence into stronger economic and wider national outcomes. An evidence-led, collaboratively developed and appropriately resourced approach will give Scotland the best opportunity to improve coherence, build on existing performance and direct resources towards the markets and activities where they can add the greatest value.

Yours sincerely,

REUBEN AITKEN

MANAGING DIRECTOR – Investment and International