

# **Scottish National Investment Bank**

## **Consultation**

**October 2017**



**Scottish Government**  
Riaghaltas na h-Alba  
gov.scot

# **Scottish National Investment Bank Consultation**

## **ABOUT THIS CONSULTATION**

### **Why We Are Consulting**

The First Minister in her statement on the Programme for Government outlined a fresh, bold and ambitious programme that will equip Scotland not just for the next year but for the next decade and beyond. As a critical new investment in the development of Scotland's economy, the Scottish National Investment Bank will work for the benefit of the people of Scotland. As such we are keen to ensure that the people of Scotland are given the opportunity to express their opinions on how best the Bank can meet its objective of supporting the Scottish economy.

Benny Higgins, CEO of Tesco Bank, has been appointed by the First Minister to lead an evidence-led piece of work developing an Implementation Plan for the Bank. He has convened a small Advisory Group of experts to support him in the development of this plan. Membership currently consists of the following (with further specialist support to be identified as the work continues to develop):

- Peter Reekie, (Deputy Chief Executive of Scottish Futures Trust)
- Paul Brewer (Corporate Finance Partner, PwC)
- Cahal Dowds (Vice Chairman of Deloitte UK)
- Prof Mariana Mazzucato (Director of the Institute for Innovation & Public Purpose, University College London)
- Paul Lewis (Managing Director, Scottish Development International and Scottish Enterprise International Operations)
- Liz Ditchburn (Director General Economy, Scottish Government)
- Alyson Stafford (Director General Scottish Exchequer, Scottish Government)
- Gary Gillespie (Chief Economist, Scottish Government)

Results from this consultation will be provided to the Advisory Group to help inform their decisions.

### **Responding to the Consultation**

Please respond to this consultation using the Scottish Government's consultation platform, Citizen Space. You view and respond to this consultation online at <http://consult.scotland.gov.uk/>. You can save and return to your responses while the consultation is still open.

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You do not need to answer all questions. The survey takes around 30 minutes to complete.

Please ensure that consultation responses are submitted before the closing date of Monday 20<sup>th</sup> November.

If you are unable to respond online, please complete the Respondent Information Form (see “Handling your Response” below) and send to:

Economic Policy Unit  
Scottish Government  
3<sup>rd</sup> Floor  
5 Atlantic Quay  
Glasgow  
G2 8JB

### **Handling Your Response**

If you respond using Citizen Space (<http://consult.scotland.gov.uk/>), you will be directed to the Respondent Information Form. Please indicate how you wish your response to be handled and, in particular, whether you are happy for your response to be published.

If you are unable to respond via Citizen Space, please complete and return the Respondent Information Form included in this document. If you ask for your response not to be published, we will regard it as confidential, and we will treat it accordingly.

All respondents should be aware that the Scottish Government is subject to the provisions of the Freedom of Information (Scotland) Act 2002 and would therefore have to consider any request made to it under the Act for information relating to responses made to this consultation exercise.

### **Next Steps in the Process**

Where respondents have given permission for their response to be made public, and after we have checked that they contain no potentially defamatory material, responses will be made available to the public at <http://consult.scotland.gov.uk>. If you use Citizen Space to respond, you will receive a copy of your response via email.

Following the closing date, all responses will be analysed and considered along with any other available evidence to help us.

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Responses will be published where we have been given permission to do so.

### **Comments and Complaints**

If you have any comments about how this consultation exercise has been conducted, please send them to [snib@gov.scot](mailto:snib@gov.scot).

### **Scottish Government Consultation Process**

Consultation is an essential part of the policy-making process. It gives us the opportunity to consider your opinion and expertise on a proposed area of work.

You can find all our consultations online: <http://consult.scotland.gov.uk>. Each consultation details the issues under consideration, as well as a way for you to give us your views, either online, by email or by post.

Consultations may involve seeking views in a number of different ways, such as public meetings, focus groups, or other online methods such as Dialogue (<https://www.ideas.gov.scot>)

Responses will be analysed and used as part of the decision making process, along with a range of other available information and evidence. We will publish a report of this analysis for every consultation. Depending on the nature of the consultation exercise the responses received may:

- indicate the need for policy development or review
- inform the development of a particular policy
- help decisions to be made between alternative policy proposals
- be used to finalise legislation before it is implemented

While details of particular circumstances described in a response to a consultation exercise may usefully inform the policy process, consultation exercises cannot address individual concerns and comments, which should be directed to the relevant public body.

### **Overview**

The establishment of a Scottish National Investment Bank was a key measure announced in the Programme for Government 17-18 on 5 September 2017, with Benny Higgins appointed by the First Minister to lead work on an Implementation Plan.

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He has been asked to consider market failures and opportunities, capitalisation, regulation and other factors, as well as governance and operation models. Critical within this process will be exploring where the key opportunities lie from establishing this new institution, and how it can best promote economic growth. We want the Bank to support infrastructure investment (including knowledge, research and development and digital infrastructure), to help companies to grow and to promote our wider economic vision underpinned by Scotland's Economic Strategy.

The remit of the Implementation Plan makes clear that the focus should be on identifying the role of the Bank in best supporting our economic objectives. So as to ensure the widest, and most innovative, consideration of the role of the bank, the Advisory Group have been asked to consider an ideal model without reference to the current public sector landscape. Once this has been determined, consideration will then be given to how best to position the Bank to incorporate or align with existing support.

The broad remit of the Implementation Plan expressly allows for consideration of a variety of options. We want to hear your views as we develop these options further.

For further information on the Implementation Plan, please see the Terms of Reference:

<https://beta.gov.scot/publications/national-investment-bank-implementation-plan-terms-of-reference/>

### **Delivering the Scottish Government's Economic Vision**

The establishment of a Scottish National Investment Bank will assist in our purpose of creating a more successful country, with opportunities for all of Scotland to flourish. It will align with our commitment to inclusive and sustainable economic growth, which remains at the centre of our approach.

Through the recent Programme for Government, the Scottish Government has set out a bold and forward-looking economic vision that Scotland's ambition is to be the inventor and the producer, not just a consumer, of the innovations that will shape the lives of future generations.

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We will seize the economic opportunities of tackling climate change, helping existing industries adapt to the future and using developments in data and digital technology to make our economy more competitive, productive, innovative, fair and profitable.

Boosting Scotland's competitiveness is a key pillar of this economic strategy. We have already committed to helping new Scottish businesses to develop by supporting entrepreneurialism and access to finance, supporting innovation in businesses across Scotland, and helping them to grow and expand. We have made progress in boosting competitiveness by investing in Scotland's infrastructure, with projects valued at more than £6.4 billion in construction or estimated to start in 2017.

Scotland is a wealthy and competitive economy by international standards. However, we recognise that many similar-sized economies perform better, not just economically, but also on measures of equality, wellbeing and sustainability. There is a strong precedent both in Europe and globally of establishing National Investment Banks. The European Commission produced guidance on National Promotional Banks in 2015 called [Working together for jobs and growth: The role of National Promotional Banks \(NPBs\) in supporting the Investment Plan for Europe](#) and the role of NPBs has been widely supported within the Commission.

We believe that the establishment of a Scottish National Investment Bank can help us achieve our economic ambitions.

### **Recommendations from the Council of Economic Advisors (CEA)**

The CEA produced recommendations in their submission to the UK Government 'Building our Industrial Strategy' regarding institutions to support patient capital and economic development. In this, they suggest that establishing a Scottish National Investment Bank could be a cornerstone institution in the delivery of long-term investment to support economic development in Scotland.

The paper outlines the need for patient capital, and suggests that areas where this would be most beneficial include: upgrading infrastructure; investing in science, research and innovation; and supporting businesses to start and grow. They highlight the requirement for NPBs to focus on market failures to ensure that any institution is state aid compliant and to guarantee maximum impact from funding activities. By targeting these market failures the Scottish National Investment Bank

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can ensure additonality, and avoid both “deadweight” and “substitution” effects. It has the potential to go further too, however, and play a pivotal role on both market creating and market shaping.

For further details please see the [Council of Economic Advisors: Building Our Industrial Strategy](#) paper.

### **Mission Statement of the Scottish National Investment Bank**

Based on the remit set out by the Scottish Government and initial evidence, the Advisory Group has developed the following draft mission statement for the Bank:

“The mission of the Scottish National Investment Bank is to provide and catalyse investment in order to create opportunities for Scotland, by powering innovation and accelerating the transformation to a low carbon, high-tech, connected, globally competitive and inclusive economy”

The key elements of this mission statement include:

- The objectives of the Bank being fully aligned with Scotland’s Economic Strategy
- Moving beyond only addressing market failures to a market shaping and creating role
- The institution itself providing resilience in the face of changing international circumstances

The Advisory Group are now working to identify the capabilities of the Bank which will ensure it can deliver this mission statement, and the underlying instruments at the Banks disposal which, together, will provide it with these capabilities.

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This consultation is about your views of the formation of a Scottish National Investment Bank. Given the mission statement as set out above, we invite your views on the following.

Q1

What are the **top 3 areas of interventions** where you think the Scottish National Investment Bank can have the greatest impact on sustainable economic growth?

Please tick the **THREE** that you think are the most important.

- Addressing access to finance for SMEs
- Providing countercyclical financing during periods of economic and financial crisis
- Financing infrastructure projects which support economic growth
- Providing long term patient funding for capital projects
- Targeting investments in high-risk R&D, innovative start-ups, and lengthy innovations, areas that private capital investment models may not address
- Promotion of investments that help address complex societal problems eg. the provision of infrastructure in deprived areas or addressing financial constraints in the housing sector
- Targeting groups that evidence shows have less access to capital than others (e.g. female and BME entrepreneurs)
- Providing mission-oriented finance eg providing finance for transformational technologies to reduce carbon emissions.

- 
- Something else.

Please tell us **in the box below**



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**Q1a**

Can you explain why you chose these as the most important?  
Please tell us **in the box below**

**Q2**

Which of these financial instruments might have the greatest impact in addressing your chosen areas of intervention?

Scottish National Investment Bank would have an impact via	No Impact	Low	Medium	High
Providing microfinance	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>
Helping access to finance by SMEs	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>
Guarantee solutions	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>
Providing patient / long-term finance	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>
Seed/start up equity solutions	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>
Early stage capital equity	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>
Later stage (patient/long term) equity	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>
Another area that is not on this list: Please specify below	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>

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If other, please specify. Please add any comments in the box below.

**Q3**

In terms of existing international models, is there a particular example that you think is appropriate for Scotland and why?

Please add any comments in the box below

**Q4**

Do you think that the Scottish National Investment Bank should have explicit regional mandates within Scotland, to address specific regional issues and/or to contribute towards greater regional economic cohesion?

Yes	No
<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>

What leads you to that conclusion?

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**Q5**

Bearing in mind the potential cost implications, should the Scottish National Investment Bank

Should the Scottish National Investment Bank	Please choose
Focus on solely providing financing	<input type="checkbox"/> <sub>1</sub>
Provide advice and support to assist entities / projects in becoming “funding ready”	<input type="checkbox"/> <sub>1</sub>
Provide on-going advice and support to entities / projects in which it has supported	<input type="checkbox"/> <sub>1</sub>

What leads you to that conclusion?

**Q6**

Do you think that the Scottish National Investment Bank should act

Scottish National Investment Bank should act	Yes	No
Solely through intermediaries/delivery bodies	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>
as a co-investor or co-lender on equal terms with others	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>
as a principal investor / lender in its own right	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>
through the provision of finance guarantees	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>
differently in different areas of activity.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>
Other: Please specify below	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>

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Please add any comments in the box below

Q7

Are there particular issues on governance and the operational model, including issues such as public/private classification, that you think would strengthen, or constrain, the bank's ability to deliver on its mission?

Please tell us **in the box below**

Q8

Do you have any more comments about the establishment of the Scottish National Investment Bank?

Please tell us **in the box below**



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