

Scottish National Investment Bank Update

Background

From 2020, the Scottish National Investment Bank will be operational and investing in businesses and communities across Scotland. The Bank will be a cornerstone institution in Scotland's financial landscape providing finance to support inclusive, ethical, and sustainable growth across Scotland.

There is currently a need to address the gaps in the lending market for small and medium enterprises and serve businesses who find traditional routes to finance challenging. The Bank will have a mission-oriented approach to investment, tackling key societal issues set by Ministers, and will align with the Scottish Government Economic Strategy. The Scottish Government has committed to providing £2 billion over 10 years to capitalise the Bank.

The Bank will be a unique organisation as it will be both a public limited company and a public body. The Bank will be administratively and operationally independent of Government and will decide where and when it invests, and manage its investments, risks, and products. The Bank will however be accountable to Scottish Ministers and the Scottish Parliament.

The Bank will, where appropriate, consolidate existing public financing activities provided by the Scottish Government and its agencies and build on the success of operations and initiatives currently underway. It will align with and complement activity by the Enterprise Agencies and other public bodies.

An analysis of the public consultation, conducted in 2018, was published in February 2019 and showed strong support for the Bank's proposed objectives, purposes and investment activities. In addition, the proposed approach to governance and Board arrangements for the Bank received broad agreement across the responses.

The Scottish National Investment Bank Bill

In February 2019, the Scottish National Investment Bank Bill was introduced to the Scottish Parliament to support the establishment and capitalisation of the Bank in 2020. Following this, the Economy, Energy and Fair Work Committee published its Stage 1 report which demonstrated widespread support for the Bank and recommended that Parliament accept the general principles of the Bill at Stage 1.

The Bill passed Stage 1 in late September with cross-party support for establishment of the Bank. The Bill establishes a legislative framework for the Bank that ensures it is both commercially-minded and publicly accountable whilst putting mission-led investment as the Bank's main remit.

Mission-Oriented Investment

The Bank will take a missions-oriented approach to investment; these will be set by Ministers and formally given to the Bank on its launch in 2020. A mission-oriented approach encourages transformative solutions that are sector and technology neutral.

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The missions will be reflective of societal challenges that Scotland faces and will be aligned with the National Performance Framework (NPF). A range of indicators aligned to the NPF covering economic, social and environmental impact of its activity will be used to measure the success of the Bank.

Tackling climate change is a priority for the Scottish Government and the First Minister announced in the Programme for Government 2019-2020 that the primary mission for the Bank will be to support Scotland's transition to net zero emissions by 2045. Other possible missions, detailed in the Implementation Plan, were responding to demographic change, and promoting inclusive growth through place-making and regeneration.

An Ethical, Inclusive and Trusted Institution

The Scottish Government is committed to ensuring that the way the Bank operates – its culture, governance, and approach – will define it as an ethical, inclusive and trusted institution. In line with this, the Bank will operate under four key principles: equality, diversity, transparency, and inclusivity. An ethical statement will be developed by the Bank which will place the Bank as a leader in the financial sector in terms of diversity and inclusion, and ethical and inclusive investment.

What will the Bank do for the rural economy?

The Bank will have a national mandate to realise benefits of investment at scale, while maintaining regional reach to help businesses across Scotland to achieve their full economic potential.

The Bank will be part of an ecosystem which includes Highlands and Islands Enterprise, Scottish Enterprise and the South of Scotland Enterprise, and together with other relevant partners, the Bank will work to share knowledge and expertise and ensure that the Bank's approach reflects different opportunities and challenges across the country.

Having an institution based in Scotland is important in order to connect its activities to an economy that is distinct from the rest of the UK in terms of geography, sector focus, infrastructure requirements and the supply and demand for capital to finance business growth.

Question to Consider for CoHI Members

- How can the Bank most effectively engage with businesses and communities in the Highlands and Islands to develop robust proposals of a scale that might attract investment?

**Scottish Government
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