

Scottish National Investment Bank

SCVO response to Scottish Government

01 November 2018

Our position

- The Scottish Council for Voluntary Organisations (SCVO) welcome the proposals for a National Investment Bank. The Bank should be closely aligned with Scotland's National Outcomes to deliver a sustainable and inclusive economy with improved wellbeing for Scotland's people.
- Projects and companies that are financed by the Bank should show a clear intention to work towards Scotland's National Outcomes through enhancing our environment, increasing equality and securing a fairer economy that works for the whole of Scotland.
- A clear conditionality framework is needed to make this a reality and the Bank should follow a social enterprise philosophy to remain true to its social impact purpose in the investments and reinvestments of surplus it makes.
- The Bank's governance and lending criteria should reflect the values of openness and participation. This will include drawing on the experiences and expertise of Scotland's third sector to support the design of a fairer, inclusive and sustainable economy.

Public-purpose driven

The Scottish National Investment Bank provides the opportunity for Scotland to establish itself as a global leader in moving to a high-performing and modern economy. But economic growth is not an end in itself. The Bank should align its investments with Scotland's National Outcomes in order to help us achieve a sustainable and inclusive economy with improved wellbeing for Scotland's people.

The National Investment Bank should set the tone for the wider financial sector and draw on local experience in the area of sustainable finance and the third sector to adopt lending criteria, outcomes and indicators that ensure that the flow of investments link to [Scotland's National Outcomes and National Performance framework](#) (NPF).

The Sustainable Development Goals (SDGs) have played a key role in the Scottish Government's agenda setting having recently aligned the NPF with the SDGs. The SDGs

are recognised by financial institutions across the world and underpin many new funds offered by Scottish investment houses. This connection provides an ideal eco-system for the Bank to adopt a vision and missions that ensure all investments contribute towards our National Outcomes, act to catalyse private investment towards the SDGs and support a sustainable and inclusive economy that is engaged with the world.

We recognise concerns over the Bank's independence from the Scottish Government. We also note concerns relating to the financing of commercially viable projects from an economic growth perspective that undermine our environment and wellbeing. The National Outcomes and SDGs provide a suitable framework to overcome these challenges.

Objectives for the Bank

The National Investment Bank should follow a social enterprise philosophy to remain true to its social impact purpose in all the investments it makes, from affordable housing and community development to transport and other major infrastructure. The Bank should focus on a clear set of objectives to achieve its purpose. SCVO considers the following objectives as core pillars of any conditionality framework that can uphold the Bank's mission-led, public-purpose vision through clear ethical lending.

Enhancing our environment

Scotland is highly dependent on fossil fuels as the principal source of energy and we agree with the First Minister's statement that it would be "unthinkable" for the Bank not to focus on low-carbon lending. We welcome the proposal for decarbonising the economy as one of three missions of the bank and call for the bank to commit to financing only those projects that clearly intend to contribute to the transition to a zero-carbon economy. Finance is urgently needed to stimulate this shift.

The integrity of the Bank is strengthened through being aligned with the Scottish Government's climate reduction plans and the forthcoming Just Transition Commission. The Bank should finance transformational technologies and innovation that would otherwise struggle to secure loans and lead to local economies missing out. Renewable electricity generation, renewable heat, low-carbon public transport, and energy efficiency measures should be included in lending and exclusions should be in place for practices that are widely regarded as unsustainable.

Increasing equality

The direct cost of inequality on the Scotland's net fiscal position is estimated at more than £6.4 billion per year, whilst reducing Scotland's gender pay gap (83.4%) to the levels of New Zealand (94.4%) would mean a net fiscal benefit of £3 billion. Reducing poverty and inequality is central to Scotland's National Outcomes and the recommendations on participation and inclusion set out by The Sustainable Growth Commission; the Bank can play a key role in catalysing this shift.

The Bank's governance and lending criteria must improve participation and equality in Scotland's economy. It should finance a portfolio of projects and companies that reflect Scotland's diversity, that are genuinely based on tackling inequalities and that delivers new

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opportunities for groups marginalised from existing arrangements. A key test of whether the Bank can fulfil this equalities objective will be how it supports gender equality; Engender Scotland, the Scottish Women's Budget Group, Close the Gap, and Women's Enterprise Scotland have produced seven principles that are vital for creating a gender-competent National Investment Bank.

Building social capital

The National Investment Bank will be one of the many drivers the Scottish Government has at its disposal to promote fair and progressive work and active employment policies. Projects that receive capital from the Bank should only do so on the condition that they pay the real living wage, offer proper contracts, are tax compliant and clearly intend to tackle gender-based inequality. It should also finance projects where employers support those living in deprived areas and offer training opportunities that help Scotland create a more inclusive society.

The Bank should invest to increase productivity in low-wage sectors so that everyone can share the benefits. It should catalyse a shift to valuing the contribution each of us can make beyond what is viewed as regular employment and contributors to growth, such as unpaid work and provisioning for others. One example would be caring, recommended as a key growth sector in the Scottish Parliament's inquiry into the economic gains for closing the gender pay gap.

Investment in re-skilling and preparing for the '4th Industrial revolution'

The Bank should also be proactive and not reactive to the changes of Scotland's future workforce, particularly in the light of increased automation, remote working and a low-carbon approach to workplace commuting. Investment should flow to those projects and companies that can accelerate our efforts towards a highly skilled workforce with transferable skills. Investment in innovation, re-skilling, training and knowledge is critical for the future of work and the skills system in Scotland and getting ahead of the transforming nature of work.

Open governance

Scotland's National Investment Bank needs to position itself so that it works with people and communities to remove the barriers and structures that prevent a just transition to a sustainable and inclusive Scottish economy. The highest levels of transparency and governance must be a part of this approach and build on the Scottish Government's commitment to financial transparency. In doing so, it will harness a unique opportunity to shape a different type of narrative and attitude towards financial institutions in Scotland.

Governance of the Bank must include different actors in the economy, involving public, private and third sectors from the very top to the bottom. Third sector organisations will provide expertise that can help the Bank to design a smarter, inclusive and sustainable economy, however it must also involve those groups that are traditionally marginalised from financial decision making.

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An open lending process for the Bank will be key to articulating a clear view of why certain lending decisions are made. Straightforward, transparent and accessible presentation of this information could lead to more support of public spending in Scotland and result in greater confidence and trust in the Scottish Government's £2 billion in funding it will provide over the next ten years. This should also cover how public funding has been spent by recipients of capital and the evaluation of its success to make sure systems are in place for the Bank to be outcomes-focused and to learn from experience.

Conclusion

SCVO welcomes the Scottish Government's intentions to set up a Scottish National Investment Bank. However, it is important that the Bank does not contribute to business as usual and that it serves to shift the direction of the economy in Scotland for it to align with our national and international commitments. Central to this vision will be clear outcomes and conditionality that ensure all lending contributes to enhancing our environment, increasing equality and building Scotland's social capital. A coherent and open approach to the Bank's positioning, day-to-day running and lending will be critical for the Bank to deliver on a commitment to being mission-led and public-purpose driven.

About us

The Scottish Council for Voluntary Organisations (SCVO) is the national body representing the third sector. There are over 45,000 voluntary organisations in Scotland involving around 138,000 paid staff and approximately 1.3 million volunteers. The sector manages an income of £5.3 billion.

SCVO works in partnership with the third sector in Scotland to advance our shared values and interests. We have over 2,000 members who range from individuals and grassroots groups, to Scotland-wide organisations and intermediary bodies.

As the only inclusive representative umbrella organisation for the sector SCVO:

- has the largest Scotland-wide membership from the sector – our 1,900 members include charities, community groups, social enterprises and voluntary organisations of all shapes and sizes
- our governance and membership structures are democratic and accountable - with an elected board and policy committee from the sector, we are managed by the sector, for the sector
- brings together organisations and networks connecting across the whole of Scotland
- SCVO works to support people to take voluntary action to help themselves and others, and to bring about social change.
- Further details about SCVO can be found at www.scvo.org.uk.

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Contact

Paul Bradley

Scottish Council for Voluntary Organisations,

Mansfield Traquair Centre,

15 Mansfield Place, Edinburgh EH3 6BB

Email: politicalengagement@scvo.org.uk

Tel: 0131 474 8000

Web: www.scvo.org.uk

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The Scottish Council for Voluntary Organisations (SCVO) is a Scottish Charitable Incorporated Organisation. Registration number SC003558.