

A Consultation on the Scottish National Investment Bank

Analysis of Responses

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Scottish Government
Riaghaltas na h-Alba
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Abbreviations

BBB	British Business Bank
BDC	Business Development Bank of Canada
BME	Black and minority ethnic
CDFI	Community Development Financial Institutions
CEO	Chief Executive Officer
EY	Ernst & Young LLP
HIE	Highlands & Islands Enterprise
KfW	German Investment Bank
PFI	Private Finance Initiative
PPP	Public – Private Partnerships
R&D	Research and Development
SFT	Scottish Futures Trust
SGS	Scottish Growth Scheme
SIB	Scottish Investment Bank
SME	Small medium enterprises
the Bank	The Scottish National Investment Bank
UN	United Nations
VC	Venture Capital
YIC	Young Innovative Company

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Executive summary

The Scottish Government's 2017/18 Programme for Government contained a commitment to establish a Scottish National Investment Bank ("the Bank") to provide mission led, long-term patient capital, help companies grow and support Scotland's economic vision.

To support the work of Benny Higgins (appointed to develop an Implementation Plan for the Bank on behalf of Scottish Ministers), the Scottish Government launched a consultation on the Bank's remit and structure on 20 October 2017. The consultation received 1,108 responses – 44 responses from organisations, a campaign response from Friends of the Earth Scotland with 753 responses, and 311 responses from individuals – before it closed on 20 November 2017.

The Scottish Government engaged Ernst & Young LLP (EY) to analyse the consultation responses and this document sets out the resulting analysis of the responses.

The consultation contained a mix of open and closed questions so this analysis reflects the mix of quantitative and qualitative responses. Submissions were received through the Scottish Government's Consultation Hub and additional responses, including the Friends of the Earth Scotland campaign response, were directed to the Bank's dedicated mailbox. Where Friends of the Earth is mentioned in this report, this refers to campaign responses.

A change to "business as usual"

The responses received as part of the process were overwhelmingly positive towards the proposition of a National Investment Bank. Several respondents were keen to engage with the development of the Bank's scope and investment strategy. The responses suggested that there was a broad appetite across Scotland for a change to what many termed "business as usual" (i.e. continuing with the current status quo) in the Scottish investment landscape and a requirement for additional finance. Specifically, Friends of the Earth Scotland and a small number of other respondents, comprising both individuals and organisations, remarked that this was an opportunity for the Scottish Government to adopt a more ethical, socially-just and environmentally-aware investment strategy.

Scope of intervention

Many respondents to the Consultation noted that, in order to support economic growth, any addition to the funding landscape would need to take a different approach to current market incumbents, with scepticism about their motives and capacity to support economic growth in Scotland. Currently, available finance was thought to be too short-term and unable to properly support growth. The following key points emerged from the analysis:

- Many respondents remarked that the Bank should provide additional support for Scotland's small and medium sized enterprises and be able to be a source of 'patient capital' enabling firms to grow;
- Many respondents considered that the Bank should have some capacity to act as an investor in its own right, rather than relying on intermediaries to make investments. The Bank should maintain control of investment decisions that should be separate from Government;
- Some respondents maintained that the Bank should invest through a range of financial instruments and remain flexible and adaptive in terms of the finance that it offered; and
- The Bank should invest in a wide range of areas. Support was strongest for investment in infrastructure and to support social issues such as social housing, but other areas, such as investment in SMEs, were also supported. Friends of the Earth Scotland specifically argued for an increased focus on tackling climate change.

Relationship to the current market

As well as investing in its own right, the Bank should have the capacity to engage with the private sector and other intermediaries through co-investment models to leverage additional private capital. It was deemed important for the Bank to maintain flexibility in its approach to different sectors, industries and regions.

Many respondents wanted to ensure that the Bank's efforts were focused on providing services for which there was a gap in the market and where failures meant that finance was not available, rather than replicating currently available offerings. Several respondents indicated that there are market failures in the provision of finance, particularly in the early and growth stages. Opinions varied as to the exact position of the financing gap – a small number of respondents focused on sub-£1m funding, others noted that larger sums up to £10m should be the focus.

Investment readiness

Many respondents also reported that simply providing finance was not enough. In order to secure the sort of transformational change that is aspired to, many respondents wished to see the Bank take on advisory and supporting roles in addition to its financing role. This would help bring forward projects and businesses that might otherwise be locked out of further financing as a result of a lack of commercial awareness or business planning expertise. Additionally, Friends of the Earth Scotland argued that the Bank should be even more proactive and have the ability to create new markets and supply chain networks for industries, such as renewable heat and offshore floating wind, for which development has been very slow or non-existent to date.

A national Bank with a regional focus

Many respondents supported the Bank having a focus on Scotland's regions in order to address some of the economic imbalances between different parts of the country. Investment should not merely be focused on the 'central belt' and the characteristics of firms in different parts of the country should be taken into account. Many respondents urged the Bank to focus on the needs of the rural economy. Additionally, Friends of the Earth Scotland urged the bank to support the creation of renewable energy jobs in more rural and deprived areas as well as provide financing to schemes benefitting minority groups.

Engagement with existing public bodies, including Scottish Enterprise, Highlands and Islands Enterprise (HIE) and the new South of Scotland Enterprise Agency, was seen as important in this regard.

A range of models for Scotland to follow

From the responses it was clear that there is no consensus over the agreed model for a development bank, and that Scotland should establish a Bank that is aligned with the long-term economic needs of Scotland.

Recommendations for a number of models were provided, from across the UK and internationally. These included the German Investment Bank, the KfW; the Nordic Investment Bank; the Development Bank of Canada and the British Business Bank.

Some international banks offer export support, to encourage SMEs to increase export activity. A small number of respondents remarked that the support offered by UK Export Finance was inadequate, particularly for smaller firms, and the Bank could usefully fulfil a role in Scotland in this regard. Several respondents, including Friends of the Earth Scotland, supported following the example of international banks, specifically the KfW in Germany.

A modern governance structure

Many respondents were of the opinion that the Bank should be classified as a public sector organisation, at arms-length from Government to allow it the independence it needed to carry out its function. Friends of the Earth Scotland also suggested a joint ownership model with local authorities and Scottish Government, thus enabling the Bank to use local authority borrowing powers.

Several respondents noted that the Bank should adopt a governance structure that is distinct from existing financial institutions who are focused on representing the interests of shareholders. This would see a Board composed of representatives from across the public and private sectors, drawn from a range of industries and with a wide range of experiences. Further, respondents expressed the view that it should be gender balanced and have some representation from civic society.

Opposition to the Bank

While many respondents supported the proposal, a small number argued that the Scottish Government should not proceed with developing the Bank. They argued that the Bank would be likely to simply duplicate services and offerings that were already available through existing public sector bodies or in the private market. Other respondents went further and expressed concern that such a Bank could distort the smooth running of the market, and 'crowd out' private finance to the long term detriment of the Scottish economy. Some respondents were also of the view that as a public sector body, the Bank would be open to political influence, leading it to make poor investment decisions and support unproductive firms.

Continuing engagement

A small number of respondents were interested in remaining involved in the development process and being kept aware of developments. Many respondents expressed positivity about the future of the Bank, and were keen to see it deliver a transformational change for Scotland through its investment strategy.

1. Introduction and background

Policy context

The Scottish Government's 2017/18 Programme for Government contained a commitment to establish a Scottish National Investment Bank to support infrastructure investment, help companies grow and support our economic vision.

The Bank is expected to build upon the existing work of Scotland's enterprise agencies and other Scottish Government bodies, addressing challenges within the Scottish economy, including restricted access to finance and the lack of providers of strategic, patient capital.

The proposal for such a bank follows international practice, with a range of other developed countries using national investment banks to provide cornerstone equity and debt financing, as well as engage in market-shaping activity, designed to support economic growth.

The Scottish Government appointed Benny Higgins, CEO of Tesco Bank, to develop a full Implementation Plan for the Bank and fulfil the Terms of Reference set for this work (see <https://beta.gov.scot/publications/national-investment-bank-implementation-plan-terms-of-reference/>).

About the consultation exercise

In order to inform this Implementation Plan, the Scottish Government launched a short and focussed consultation on the Bank's possible remit and structure on 20 October 2017. The consultation paper provided an overview of the consultation process and how responses could be returned.

This consultation received 1,108 responses. This comprised 753 responses as part of a campaign from Friends of the Earth Scotland and a further 44 responses from other organisations, with the remainder (311) of responses from individuals before it closed on 20 November 2017.

The consultation contained the following questions, in a mix of open and closed format.

- **Question 1:** What are the top three areas of intervention where you think the Bank can have the greatest impact on sustainable economic growth?
- **Question 2:** Which of these financial instruments might have the greatest impact in addressing your chosen areas of intervention?
- **Question 3:** In terms of existing international models, is there a particular example that you think is appropriate for Scotland and why?
- **Question 4:** Do you think that the Bank should have explicit regional mandates within Scotland, to address specific regional issues and/or to contribute towards greater economic cohesion?

- **Question 5:** Bearing in mind the potential cost implications, what should the Bank do?
- **Question 6:** How do you think the Bank should act?
- **Question 7:** 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?
- **Question 8:** Do you have any more comments about the establishment of the Bank?

The Scottish Government engaged EY to analyse the responses to the consultation. This document sets out an analysis of these consultation responses, and aims to document the full range of views expressed, rather than identify how many people held particular opinions.

Methodology

As will be seen in section 2, this consultation attracted a large number of responses. However, it is important to bear in mind that, by their very nature, public consultations are not necessarily representative of the views of the wider population. Anyone can submit their views, and individuals (and/ or organisations) who have a keen interest in a topic – and the capacity to respond – are more likely to participate in a consultation than those who do not. This self-selection means that the views of the consultation respondents cannot be generalised to the wider population.

The consultation contained a mix of open and closed questions so the analysis contains a mix of quantitative and qualitative analysis. Its main purpose is to understand the full range of views expressed. In analysing the qualitative submissions, the following methodology was adopted to give the reader an expectation regarding the scale of responses:

- A small number of respondents indicates fewer than 10 responses
- Some respondents indicates 10 to 20 responses
- Several respondents indicates 20 to 30 responses
- Many respondents indicates 30 to 40 responses
- A significant number of respondents indicates in excess of 40 responses

Section 2 presents information about the respondents and the type of responses received. Section 3 provides an overview of the responses and the main findings of the consultation are set out in sections 4 – 11.

2. About the respondents and responses

This section presents information about the respondents and type of responses received by the consultation. It also describes the way in which responses were received and provides a brief description of the campaign response facilitated by Friends of the Earth Scotland.

How responses were received

Responses to this consultation were received online, via the Scottish Government's Consultation Hub and directly to the Bank's email inbox.

Submission through an organised campaign

One campaign group, Friends of the Earth Scotland, co-ordinated responses among their members and supporters. These campaign responses were based on a standard text provided by the campaign organiser and were submitted to the Scottish Government directly to the Bank's email inbox. Alternatively, respondents were given the option to edit the standard campaign response and add their own comments.

Number of responses included

Altogether, 1,108 responses were submitted to the consultation. 335 responses were received through the Scottish Government's online consultation portal, the Consultation Hub, with a further 20 responses submitted to the Bank's mailbox. The remaining 753 responses were submitted through the Friends of the Earth Scotland campaign response. Of these 753 responses, 709 use the standard template and are identical. The remaining 44 have some form of variation, and are analysed separately in Appendix A.

For the purposes of this consultation analysis, the 20 mailbox responses and the 44 Friends of the Earth responses that varied from the standard form were uploaded into the Consultation Hub, resulting in a total of 399 responses within the quantitative analysis.

45 responses (including Friends of the Earth Scotland) were received from organisations. The categories of the respondents are analysed in Table 1 below, while a list of all those organisations that submitted a response is included in Appendix C.

Table 1: Respondent Profile

Main Category	Sub-Category	Number
Academia/Research/Training	Academia/Research/Training	4
Business/Industry	Business/Industry	6
Network/Professional/Trade	Network/Professional/Trade – Business/Finance	5
	Network/Professional/Trade – Climate/Environment	2
	Network/Professional/Trade – Housing/Infrastructure	4
Total Network/Professional/Trade		11
Local Government	Local Government	2
Public Sector	Public Sector	6
Third Sector/NGO	Third Sector/NGO – Business/Finance	2
	Third Sector/NGO – Climate/Environment	3
	Third Sector/NGO – Social/Religious	9
Total Third Sector/NGO		14
Trade Union	Trade Union	2
Total Organisations		45

Key stakeholder groups were targeted for response to the consultation and highlighted to relevant government departments who were asked to publicise the consultation among their contacts. Organisations, e.g. the third sector, business organisations and enterprise agencies, utilised their existing sources of communication to increase the response rate among the stakeholders they represent. Blogs, websites and newsletters were utilised and a number of media articles were published which referenced the consultation.

Responses to individual questions

As noted above, there were 1,108 responses to the consultation. Valid responses were considered on a question by question basis as summarised in sections 4 – 11 of this report. However, not all respondents answered all of the questions and not all of the comments made within the response were directly relevant to that question. Some also used inappropriate language.

There was a moderation of the responses received and any which were defamatory have been excluded for the purpose of this analysis. Where individuals provided answers which were not relevant to that specific question, yet closely related to another question within the consultation, we have sought to capture these opinions within the relevant and appropriate questions.

Specific feedback on the consultation cited that certain questions were harder to answer than others. Question 2 was found to be overly technical as some respondents noted that they did not understand a number of the terms used. Question 7 was also considered excessively technical as some respondents noted that they did not have sufficient specialist knowledge to provide an adequate response.

3. Overview of responses

This section of the report provides an overview of the responses and provides a broader context for understanding respondents' views.

It cannot be assumed that the views expressed in this consultation are representative of those of the general population.

Strong support for the creation of the Bank

A significant number of respondents were supportive of the proposal for the Bank, with many seeing it as an opportunity to move away from the status quo in the existing Scottish investment landscape. A range of perspectives were provided, with some recognising market failure and funding gaps in specific areas of the economy as the basis for the Bank and consequently supporting a long term approach to investment. Others supported the proposal because they were sceptical of the motives of the private finance sector and either wished to see an organisation focusing on raising Scotland's international profile or an investment vehicle investing in socially and ethically minded projects locally.

The majority of the questions within the consultation required the selection of an answer, but each question provided respondents the opportunity to formulate their own answer or provide additional detail to their chosen answers. In these sections, many respondents provided opinions and additional information, with most demonstrating enthusiasm to engage with the development of the proposal.

An alternative view

While many respondents supported the proposal, a small number of respondents opposed the process. These respondents noted that the potential services and scope of the Bank were already provided across the UK, and that this was an unnecessary addition to the existing public sector landscape. Others considered that the existence of the Bank would distort the free market, and lead to undesirable outcomes for Scotland's economy. Finally, some of those not in favour of the proposal remarked that it could be open to political pressure or manipulation.

4. Areas of intervention with greatest impact (Question 1)

This section discusses the views of respondents in assessing the possible areas interventions of the Bank which might have the greatest impact on the economy. Respondents were asked to consider, “What are the top three areas of intervention where you think the Bank can have the greatest impact on sustainable economic growth?”

Respondents were given a list of possible interventions to choose from, including:

- 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, e.g. 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 black and minority ethnic (BME) entrepreneurs;
- Providing mission-oriented finance, e.g. providing finance for transformational technologies to reduce carbon emissions; and
- Other.

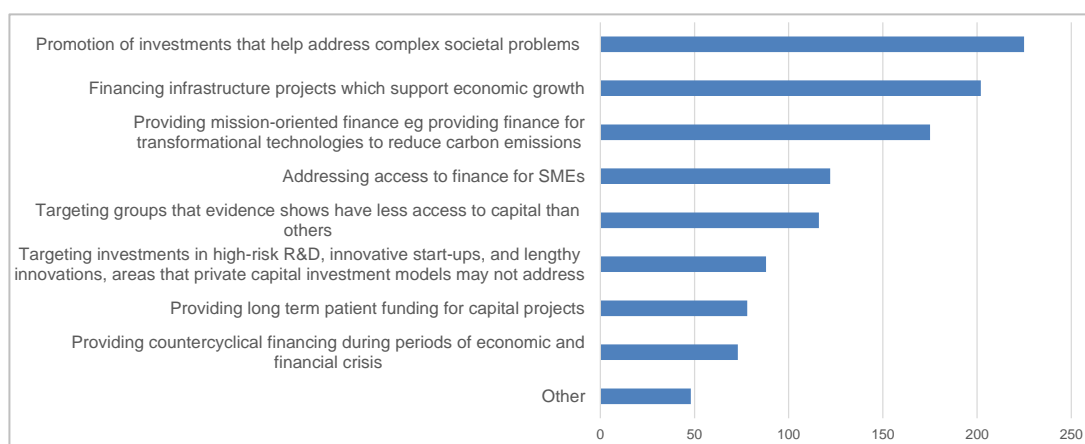
382 individuals (96%) responded to Question 1, with 119 (31%) of those providing commentary on other areas of other possible interventions. Within those providing commentary 102 (86%) were considered valid. 295 respondents (77%) provided a rationale as to their choices for the closed element of the question, with 254 responses (86%) considered valid.

Areas of intervention with greatest impact

The three areas of the Bank’s intervention that were identified as having the greatest impact on sustainable economic growth were the promotion of investments that help address complex societal problems, the financing of infrastructure projects and providing mission-oriented finance. The number of respondents identifying these as one of the top 3 areas of intervention were 225, 202 and 175 respectively.

The responses are illustrated below:

Figure 1: Question 1 Responses



Source: Consultation Hub

Other – Export finance

Respondents were also invited to provide “Other” suggestions on possible interventions and to provide commentary on why they had selected their chosen answers.

Analysis of these identified further discussion of the interventions proposed through the consultation document. The narrative indicated that there was backing for the Bank to offer export finance support. This opinion was cited by individuals rather than organisations responding to the Consultation. It was cited that often SMEs have the commercial potential to compete internationally but are too small to be eligible for the support from UK Export Finance programme, despite the fact that there is no size restriction for eligibility for support. This demonstrates that the perception that export finance support is difficult to obtain persists for individuals but not necessarily from organisations.

The rationale for selection

The review of the commentary on *why* respondents had selected the suggested interventions identified a number of repeating themes as set out below.

Transformational projects

Several respondents confirmed the importance of access to financing for future technologies such as alternative/renewable energies and digital, e.g. robotics, automation and artificial intelligence. They also remarked that these technologies tend to be overlooked by the private sector which can be driven by a desire for rapid growth and short term shareholder returns. It was also noted that in areas like climate change this investment should be focused on preparing Scotland for the future and progressing Scotland’s competitive advantage.

SME/Start-up financing

Some respondents highlighted the difficulty in accessing scale-up financing and specifically, the gap between angel investment levels (£50k-£250k) and typical venture capital investment levels (£2m-£5m+). It was noted that this creates unnecessary pressure in terms of additional financing rounds and diverting founder time away from growing the business. A small number of respondents also indicated that this gap has been exacerbated by the post-recession reluctance of existing banks to provide SME finance and that, ultimately, such finance should help create a new generation of Scottish entrepreneurs.

R&D investment

Some respondents alluded to the Bank's need to focus on high risk Research & Development projects, due to the fact that these have the potential to create new business opportunities and enhance Scotland's future capabilities. However, the risk and lengthy timescales involved before any commercialisation potential can be demonstrated tend to again dissuade private investors bent on quick returns.

Patient capital investment

Patient capital has been highlighted as essential to start-ups and SMEs with the aspiration to scale up their businesses progressively, taking start-ups from pre to post commercialisation stage and growing SMEs into larger enterprises. This scale up requires long term funding, which is unlikely to attract private sector investors. Additionally, the same difficulty was outlined for long term capital projects due to the construction risk involved and long lead times endured before returns are generated.

Countercyclical financing

Some respondents noted the need to provide a source of contingency funds during unexpected economic crises to enable the economy to more easily absorb economic shocks. They noted that countercyclical cash injections would help maintain balance in the economy and sustain employment, aiming to offset the need for benefits and welfare; ultimately safeguarding those most vulnerable in society.

Infrastructure investment

An opinion expressed by several respondents is that current UK infrastructure is underfunded, particularly in rural areas. A small number expressed hope that the Bank's investment could provide a national, joined-up network (i.e. 100% broadband/mobile connectivity) and encourage higher levels of international, inward investment.

Disadvantaged groups

Many responses remarked that the Bank offered an opportunity to address inequality, by providing financial support to the most vulnerable in society. A small number of individual respondents, as well as organisations such as the Church of Scotland, Women's Enterprise Scotland, Friends of the Earth

Scotland, Scottish Independence Advocacy Alliance and RSPB Scotland, identified the investment in social housing as a possible area of intervention. Other respondents, however, were of the opinion that the Bank should not have a fixed mandate for this sort of financing, as it would be difficult to pre-determine what sort or quantum of investment would be required, which could lead to unforeseen policy outcomes.

Summary

This section has highlighted that respondents broadly supported the different areas suggested and that the following areas could have the greatest impact on sustainable economic growth for Scotland:

- Promotion of investments that help address complex societal problems;
- Financing infrastructure projects which support economic growth; and
- Providing mission-orientated finance.

The narrative section of this question indicated the reasons why respondents believed these interventions would be of greatest impact. It emerged that there was a lack of financial support available to the most vulnerable in society, with recognition that more investment was needed for social housing in particular. Further, it was noted that due to the tendency of the private sector to favour short term, returns, areas such as alternative/renewable energies and digital were often overlooked. In addition, it was reported that UK infrastructure is currently significantly underfunded, especially in the rural areas.

5. Financial instruments with greatest impact (Question 2)

This section provides an analysis of respondents' views on which financial instruments the Bank could offer that might have the greatest impact.

Respondents were asked to consider "Which of these financial instruments might have the greatest impact in addressing your chosen areas of intervention":

- Later stage (patient/long term) equity
- Early stage capital equity
- Seed/start up equity solutions
- Providing patient/long term finance
- Guarantee solutions
- Helping access to finance by SMEs
- Providing microfinance
- Other.

Respondents were asked to rate each possible intervention on a scale of No Impact, Low, Medium and High Impacts. In addition, respondents were also asked to share their thoughts on other possible financial instruments that the Bank could offer.

A total of 367 individuals, 92% of all respondents, answered this question, however a small number of respondents did indicate that they did not feel they properly understood the terms sufficiently to be able to provide a fully informed response. 98 respondents, 27% of those responding to the question, provided commentary against the "Other" category, with 80% of those responses considered valid.

Financial instruments with potential for greatest impact

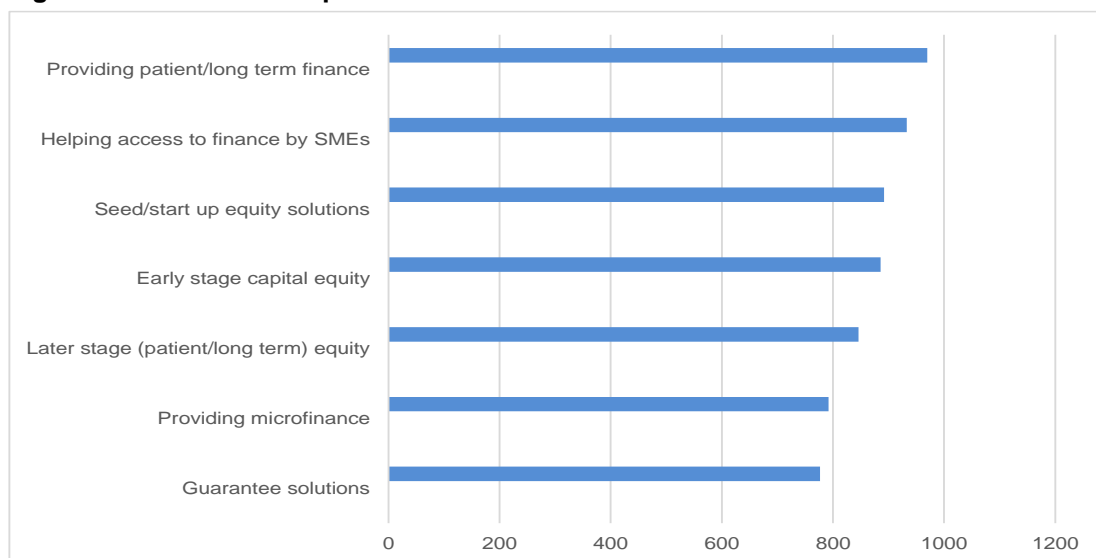
"Providing long term/patient finance" and helping "access to finance by SMEs" were identified as the two most high impact interventions that the Bank could make, with respective scores of 970 and 933 out of a maximum of 1,468. However all of the available options were considered to have the potential to make an impact in the Scottish economy. It should be noted that the other responses submitted did not provide relevant alternative instruments worth consideration.

For the purposes of demonstrating the results of this question, the following methodology was adopted. For each rating a score between 1 and 4 was awarded, e.g. No Impact received a score of 1 while High Impact received a

score of 4. The ratings for each individual intervention were then combined to give a total score. These were then compared, as detailed in Figure 2, to identify the interventions with the greatest impact.

The responses are illustrated below:

Figure 2: Question 2 Responses



Source: Consultation Hub

The rationale for SME finance and long term patient capital being identified as the two most high impact interventions is outlined below:

Long term patient capital

Some respondents provided further commentary on their views of the Bank’s long term finance role. Where respondents agreed the Bank had a role to play in providing long term patient finance it was noted that local authorities and larger capital projects, including renewable energy projects, could be beneficiaries of such a facility.

SME finance and mid-market funding gap

Concerning SME finance, a small number of respondents identified a gap in the finance market for businesses, coined by one respondent as “the missing middle”. While estimates of the funding requirement for this market ranged, it was generally agreed that it applied to growth businesses seeking funding in excess of £1m and under £10m, above which level, it was remarked, commercial lenders demonstrated more interest.

Other relevant issues raised by respondents

Respondents were also offered the space to suggest other instruments the Bank could use. 98 respondents used the “Other” commentary box to provide a broader opinion on the scope of the Bank and its investments, with 72 responses considered valid. Several key themes emerged from this discussion.

Flexibility

Some noted that the Bank should have the necessary flexibility in the financial instruments it offers, in order to intervene as appropriate in the economy. It was reported that the Bank should be able to invest in ways that allow it to advance its vision, and that this would require it to be able to flex its approach based on which sector it is engaging with, or what financial instrument it is implementing.

Scope of Investments

Where respondents were supportive of the proposed Bank, many, including the campaign response for Friends of the Earth Scotland, provided thoughts on what areas it should invest in, with a number supporting the idea that the Bank should focus on ethical investments. Environmental concerns were the most prominent, with a number of respondents urging the Bank not to invest in fossil fuel companies, and to ensure support is provided for Scotland's renewables sector. New technologies and housing were also areas that respondents wanted to see supported. Within the technology sector, one respondent recognised the financing of feasibility studies and financing the development of pilot projects as two gaps in funding that the Bank could support.

Advice and support

A small number of respondents expressed the view that the Bank had a role in providing advice and support to the businesses it was investing in, particularly the SME sector and communities which may not otherwise have such support. Specific support around financial readiness and supporting credit enhancement of businesses. This is a theme that will be considered further in section 9.

Co-investment

There was a range of views on the way in which the Bank should interface with the private sector and lenders. Many respondents, including Friends of the Earth Scotland, were clear that the Bank should not support any PPP/PFI style financing models. Others were of the opinion that equity partnership models could be pursued with financial partners who have a track record of disrupting the status quo, or through co-investment with local joint venture partners in various regions.

Opposing Views

A small number of respondents were not supportive of the proposed bank. Some remarked that the government should not intervene in this way, and that it would destroy economic incentives to create wealth by stifling competition and innovation. Other respondents noted that a similar offering was already in place, through the Bank of England or the British Business Bank.

Summary

This section provides an analysis of respondents' views on specific financial instruments which might have the greatest impact. In general, there was broad support for all of the identified interventions but those most popular proved to be "providing patient/long term finance" and "helping access to finance by SMEs". In addition, from the narrative section of this question, it emerged that some respondents considered it important for the Bank to be flexible, have a broad investment scope with focus on ethical and environmental investments, provide an advice and support function and have the ability to co-invest with the private sector.

6. National and international examples (Question 3)

This section provides an analysis of respondents' thoughts as to what national and international models would be suitable for the Bank to follow. Respondents were asked to consider, "In terms of existing international models, is there a particular example that you think is appropriate for Scotland and why?" 233 respondents (58%) answered this question, with 206 responses (88%) considered to be valid.

National and international model examples

With regards to national and international examples, many respondents found the German Investment Bank (KfW) and the Norway oil fund as the most appropriate models for the Bank to follow. Examples are ordered in terms of the most popular responses first.

Germany - KfW

Several respondents commented that the KfW has a strong track record of facilitating SME financing by providing support to a network of local, small community banks through loans and guarantees. Additionally, a small number noted that the Bank should replicate the structure of the Bank in terms of its federal and state shared ownership (i.e. shared Scottish Government and local authority ownership). A small number of respondents also supported the model because of its ability to influence the German economy without directly competing with commercial banks. Moreover, the KfW was viewed as being effective in targeting areas across Germany that are comparatively worse off than other regions. Similarly, some respondents, including the Scottish Independent Advocacy Alliance, Friends of the Earth Scotland, the Glasgow Labour Party, the Association for Research on Banking and the Economy and a number of individual respondents, expressed the opinion that the Bank could provide start-up capital and wider assistance to local authorities, who could ultimately act as intermediaries for SMEs to access low-cost capital.

Norway - state oil fund

Several respondents were advocates of Norway's sovereign wealth fund model, with a small number noting that the country allows businesses to borrow money interest free to help boost investment. It was suggested that the Bank follow a similar model with a 1% interest cap.

A number of other models were also identified – these are set out below.

Finland - Young Innovative Company (YIC)

Some respondents identified the Finnish YIC as a public model stating that it has helped accelerate the growth of the most promising Finnish start-ups through providing finance for equity stakes in order to develop their commercial capabilities. The Finnish Government has allegedly used equity stakes in this way to retain company headquarters and jobs in the country.

Iceland

Whilst not representing a National Investment Bank, some respondents noted that lessons can be learned from Iceland's strong governance model whereby, following the economic crash, Iceland allowed banks to fail instead of recovering them and also imprisoned bankers for their role in the banks' downfall.

Denmark

Denmark was cited as a good example due to parallels in population demographics, geography and access to natural resources, leading to suggestions that their governance models are most appropriate to examine. Additionally, Denmark's focus on green energy, with 85% of wind turbines being owned by co-ops/farmers, was considered to be a worthwhile consideration.

China

A small number of respondents noted that lessons can be learned from China's infrastructure drive since the 2007/08 recession. It was cited that, following the crash, China's unemployment soared, which drove the country to start a significant and rapid infrastructure drive. It was highlighted that as their high speed rail construction was so successful they have now built an in-demand export out of assisting other developing countries with high speed rail engineering.

UK - British Business Bank (BBB)

A small number of respondents remarked that the Bank should follow the BBB model, which was said to make investments to fill gaps in the market for business funding, normally through investing in new financial ventures and product areas (along with some guarantee and loan programmes).

Canada - Business Development Bank of Canada (BDC)

A small number of respondents expressed support for the BDC, stating that it has a comprehensive suite of business support services focused on efforts to assist the areas with the most deprivation in Canada. It was noted that it could be worthwhile to look at the services that BDC offer and align them with what is currently on offer in the UK, identifying any gaps which will need to be developed in the Scottish context.

Ireland - Enterprise Ireland

A small number identified the Irish model of early-stage investment as a good example. It was highlighted that by splitting their resources into co-investment packages with the private sector, they have been able to increase their coverage and leverage in professional investors. A respondent outlined the Irish model to be much more efficient at deploying capital into early stage businesses, given that it is being managed by professional investors who have market-standard obligations and incentives.

Bank of North Dakota

This publicly owned bank was cited as an appropriate model to follow due to its ability to finance the building and maintenance of key infrastructure.

Nordic Investment Bank

Parallels were drawn to the Nordic Investment Bank as an appropriate model. The Bank finances projects that improve the competitiveness and environment of the Nordic and Baltic countries. Additionally, it was noted that the Bank offers long-term loans and guarantees on competitive market terms to its clients in the private and public sectors.

Other models identified:

- Argentina
- Luxembourg
- Switzerland
- Japan
- Netherlands
- Some US states
- Sweden
- Australia
- Switzerland
- South Korea
- Costa Rica
- US CDFI Fund
- Brazil
- Californian VC community
- European capital fund/business growth fund
- Singapore Investment Bank

Summary

This section highlights that it is clear that there is no 'one size fits all' model for a development bank, as there is no consensus for a particular model which should be followed and that Scotland should establish a Bank that was aligned with its long-term economic needs. There are a number of suggested models to follow and these will be considered as principles for the Bank develop.

7. The Bank and regional mandates (Question 4)

This section analyses respondents' views regarding whether they believe that the Bank should have clear regional mandates throughout Scotland. Respondents were asked to consider, "Do you think that the Bank should have explicit regional mandates within Scotland, to address specific regional issues and/or to contribute towards greater regional economic cohesion?"

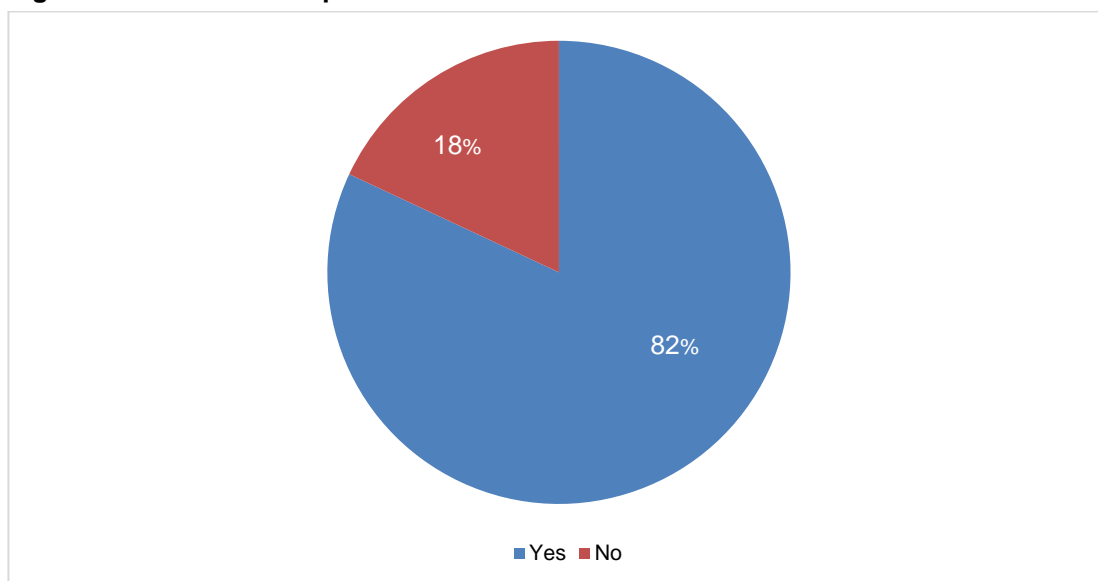
Respondents were asked to answer Yes/No and were also given the opportunity to provide the rationale for their chosen answer.

There were 367 responses to this question, 92% of the total, with 320 respondents opting to provide further narrative in the commentary box. Of those responses for which additional narrative was given, 278 (87%) were considered valid.

Should the Bank have explicit regional mandates?

Respondents were strongly in favour of regional mandates for the Bank.

Figure 3: Question 4 Responses



Source: Consultation Hub

Support for regional mandates

82% of respondents noted that the Bank should have explicit regional mandates. This is for a variety of reasons. The primary reason cited by respondents was that a one size fits all approach is not appropriate for the diverse economic performance of Scotland's regions. Several respondents who expressed support for this also expressed the opinion that economic development is highly skewed to the Central Belt and Aberdeen, while rural areas struggle with multiple economic challenges, including deprivation, outward migration, availability of affordable housing, connectivity issues and lack of well-paid employment opportunities.

Many respondents therefore feel the Bank should offer support tailored to the needs of different regions. Specifically, many respondents including the South of Scotland Alliance, Zero Waste Scotland, Business for Scotland, Women's Enterprise Scotland and North Ayrshire Council, as well as a number of individuals noted that rural areas suffer from a chronic underinvestment and reduced levels of economic activity in comparison to urban areas. They believe it therefore makes sense to prioritise these low-growth regions and take into account the various differential rates of regional development across Scotland.

Some respondents suggested that if the Bank is able to provide long-term and low cost capital, then local authorities could act as intermediaries to public sector entities and private sector enterprises, who could in turn request loans for specific projects in their region. It was also proposed that the Bank should ultimately support a network of smaller banks that offer localised, bespoke support for businesses, social enterprises and community groups in specific areas. A network of smaller banks would ensure that outcomes are oriented towards the needs of people within a particular area.

Opposing views

18% of respondents did not support explicit regional mandates. Some respondents remarked that the Bank would be more successful in the early stages through having a national focus and that spreading its efforts too widely may lead to dilution of effectiveness. These advocates expressed the opinion that regional mandates should be established at a later stage once area-specific problems and solutions have been identified and experience of more successful areas can be used to inform the process and make it more efficient.

Additionally, some noted that regional mandates should never be put in place, primarily because investments should be based on a successful business case irrespective of region. Additionally, it was suggested that there are too many variables and uncertainties to earmark for specific regional initiatives, as well as there already being policies in place to address specific regional issues.

Summary

Respondents reported that the Bank should have a regional Scottish focus and seek to address economic imbalances witnessed across Scotland. Specifically, the Bank should embrace the rural economy and have the capacity to be able to direct support beyond cities and the 'central belt'.

8. What the Bank should do (Question 5)

This section discusses respondents' views on whether the Bank should focus solely on finance provision or if it should broaden its remit to include tailored financial advice and support. Respondents were asked to consider "Bearing in mind the likely resource cost, should the Bank:

- Focus on solely providing financing
- Provide advice and support to assist entities/projects in becoming 'funding ready'
- Provide ongoing advice and support to entities/projects which it has supported".

Respondents were invited to select one or more answers from the pre-populated suggestions and were given the opportunity to state the rationale for their choice.

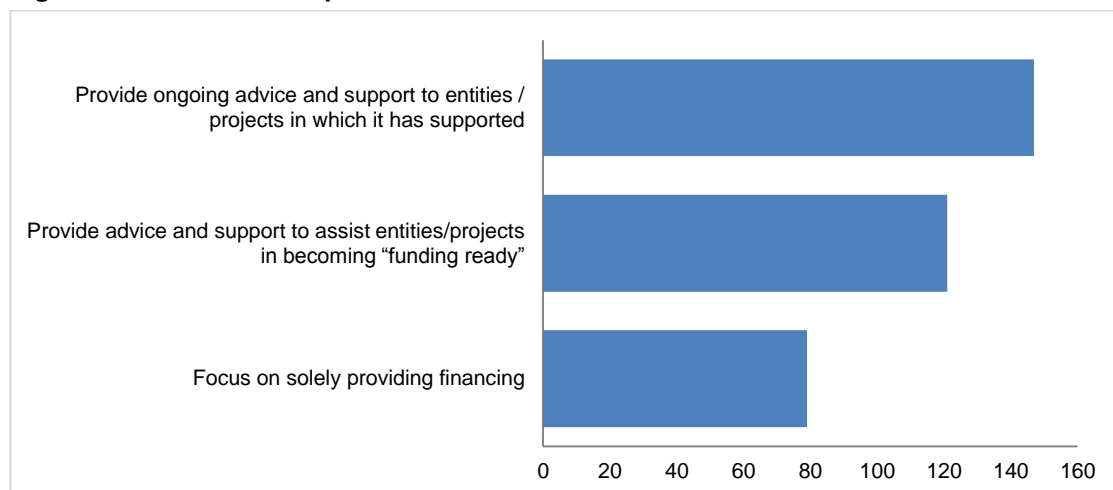
A total of 365 responses (91%) were received with answers to one or more parts of this question. 306 respondents (84%) also provided additional narrative within the commentary box, but just 248 (81%) were considered valid. Within the narrative, several respondents noted that they could have chosen more than one answer. This could indicate that whilst the majority of respondents understood the extent of the question, some did not understand that the question sought to determine whether advice and support should be offered in addition to finance.

Overview of responses

The preferred option selected by 43% of respondents is for the Bank to "provide on-going advice and support to the entities and/or projects which it has supported", followed by the Bank providing "advice and support to assist entities and/or projects in becoming funding ready" selected by 35%. The option of focussing only on provision of finance was the least popular, with 22% of respondents selecting this option.

Several respondents voiced confusion over the relative nature of this question, commenting that they could, or in fact did, select all three options. Other respondents noted that options two and three worked particularly well together and that advice and support should be provided to both those entities/projects to become funding ready but also those which have been assisted previously. Because of this, the number of responses exceeds the number of respondents in this question. The responses are illustrated below:

Figure 4: Question 5 Responses



Source: Consultation Hub

A Bank which offers advice and support in addition to financing

The view of many respondents was that the Bank should incorporate an advice and support function in addition to financing. 43% of responses noted that the Bank should “provide ongoing advice and support to entities/projects in which it has supported”, while 35% of responses considered that the Bank should “provide advice and support to entities/projects in becoming funding ready”. Respondents in general expressed that, often, there is little point in organisations obtaining investment if they can’t access it and make it work for their businesses, indicating a role for the Bank in creating and stimulating demand.

Some respondents noted that advice was not just required for start-ups, but should be available for organisations at all stages of the business cycle. In addition, some found that support should be available over the longer term which would lead to greater accountability and trust across the public and private sectors. Furthermore, it was noted that effective advice and support could act as an incentive to entrepreneurs and start-ups in the future.

Some respondents also expressed the importance of greater learning and knowledge share opportunities within the local business environment and the possibility of the Bank providing a facilitation role in this area. Providing support specifically within the fundamentals of investment, like the development of business cases, was expressed to have particular value in supporting SMEs in accessing finance.

As above, it was noted that there are already a number of organisations providing advice and that careful consideration must take place to identify whether this is something which the Bank should do alone or whether the Bank could work within the existing parameters of the current landscape and align the offering.

A Bank which focuses solely on financing

The alternative view expressed by 23% of responses was that the Bank should focus solely on financing, rather than dilute its offering by providing support and advice. Many remarked that there are already plenty of organisations providing advice, e.g. Local authorities, Business Gateway,

Scottish Enterprise, and Highlands & Islands Enterprise among others who provide a suitable service and, therefore, that investment and financing provision should be the priority. In addition, some respondents including Zero Waste Scotland, Business Scotland, the Glasgow Labour Party, the South of Scotland Alliance and a small number of individuals, noted that some form of formal collaboration or partnership should be established between the Bank and existing support agencies. This would reduce the likelihood of functions being duplicated and enlarge the support networks available to Scottish businesses.

Further, a small number considered that the current landscape was already too cluttered and that adding further complexities through the role of the Bank would be counterproductive.

A Bank which focuses solely on advice and support

This question also highlighted that two respondents (0.5%) expressed the view that the Bank should not provide financing and instead only act in an advisory capacity.

A balanced proposition would be the preferred option

Several respondents concluded through the qualitative section that a balance is required in order to harness the true potential of the Bank. They recognised that an effective balance would ensure money could be used effectively and to lever in as much private sector contributions as possible.

Several respondents frequently made reference to the importance of both financing and advice and support in the need to make the Bank sustainable in both the short term and the longer term.

Summary

This section highlights that the majority of respondents were of the view that the Bank should offer advice and support in addition to financing to harness the true potential of the Bank. However, there is a recognition that in the provision of advice and support, the Bank must work to be coherent with the existing players doing this already.

9. How the Bank should act (Question 6)

This section analyses respondents' views regarding the potential roles that the Bank could carry out. Respondents were asked "Do you think that the Bank should act...?" and given the following options to select:

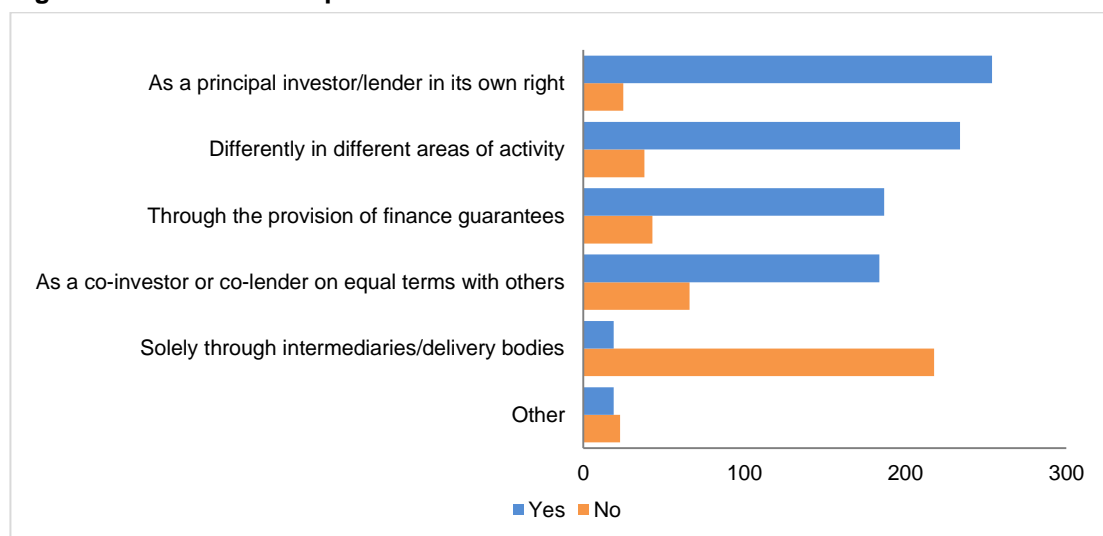
- Solely through intermediaries/delivery bodies
- As a co-investor or co-lender on equal terms with others
- As a principal investor/lender in its own right
- Through the provision of finance guarantees
- Differently in different areas of activity.

Respondents were invited to select a Yes/No against each of the options. There was also an opportunity for respondents to select "Other" and to provide narrative within the commentary box. As respondents were not restricted in the number of selections they made, this could give rise to a perceived contradictory response.

371 respondents (93%) answered one or more elements of Question 6, with 106 respondents (29%) providing additional narrative within the commentary box of which 84 (79%) were considered valid.

The responses are set out in the graph below. Only those that provided a response have been captured in the graph.

Figure 5: Question 6 Responses



Source: Consultation Hub

It should be noted here that a small number of respondents cited some confusion in the answering of this question because in their opinion all of the potential options were possible.

As a principal investor/lender in its own right

This option received the most responses with 91% of those responding to this option answering that the Bank should “act as a principal investor/lender in its own right”. A small number of respondents who selected “Yes” for this option stated that acting as a principal investor/lender in its own right would allow the Bank to maintain direct control in all investment decisions which would in turn enable the Bank to meet its predefined objectives. A small number of respondents also noted that acting as principal investor/lender would reduce the risk of project delays and even collapse, as there would be less dependence on additional partners.

Differently in different areas of activity

Generally, there was a strong recognition that the Bank should “act differently in different areas of activity”, with 86% of those responding to this option answering “Yes” for this question. Some respondents remarked that the Bank should be flexible and adaptable to the specific needs of the different projects because a structure too restrictive could adversely affect the performance of the Bank. The ability of the Bank to act flexibly should also provide the Bank with an opportunity to balance portfolio risk and returns and result in a more sustainable proposition over the longer term.

A small number of respondents expressed the view that flexibility was important to ensure that differences in Scotland’s regional profile would not hamper the success of the Bank, while some other responses stated that flexibility was necessary to ensure that the Bank could intervene in projects of different shapes and sizes, e.g. public infrastructure, SMEs, suitable R&D technology, and existing enterprises among other possible investments. Specifically, it was suggested that the Bank could act through intermediaries for SMEs but act directly on larger scale projects.

Through the provision of finance guarantees

Respondents responded favourably on the opportunity for the Bank to provide guarantees with 81% of those responding to this option selecting “Yes”. However, there seemed to be a lack of understanding about how financial guarantees work emerging from the narrative responses. A small number of respondents in favour of guarantees noted that, in particular, export guarantees would be useful, in the industrial sectors specifically. Specific mention was made to lower level export guarantees around the level of £50k. However, it was noted that these should be used sparingly to ensure that enterprises don’t expect too much support, which might result in complacency.

As a co-investor or co-lender on equal terms with others

74% of responses to this option recognised the importance of collaboration with the private sector. Firstly, in order to lever in additional investment for the Bank (possibly international) but also to allow for opportunities within the private sector to promote business positively and to share expertise.

However, a small number of respondents recognised that where the opportunity for co-investment exists, appropriate governance must be deployed to ensure that the Bank continues to meet the objectives of the Scottish Government.

Solely through intermediaries/delivery bodies

Respondents expressed a strong view against the Bank acting through intermediaries/delivery bodies with 92% of those responding to this option stating that the Bank should not operate solely through intermediaries/delivery bodies. The reason was that relinquishing control of the Bank's activities by acting through intermediaries was not palatable to respondents.

Other relevant material

A small number of respondents referred to the need for the Bank to operate in an open, transparent and ethical manner to maintain trust between the public and private sectors and ensure sustainable co-investment over a long-term time horizon. Clear and effective reporting would be appreciated for the public to understand the Bank's activities. The governance of the Bank is specifically covered within Question 7 of this Consultation.

A small number also made reference to the need for the Bank to de-clutter rather than further complicate the existing landscape in Scotland. It was noted that several bodies already exist, e.g. SFT, SIB, SGS and it is not advisable to duplicate the efforts of these existing bodies.

Summary

This section analyses respondents' views on how the Bank should carry out its activities. Emerging themes from this question highlighted that the Bank should "act as a principal investor/lender in its own right" but also have the capability to "act differently in different areas of activity". Overwhelmingly, the majority of respondents did not want the Bank to operate solely through intermediaries/delivery bodies.

10. Governance and operations (Question 7)

This section analyses respondents' opinions regarding what possible governance and operational strengths and weaknesses could enable or constrain the success of the Bank.

Respondents were asked, "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?". There were no predefined answers to select so this was a fully open question.

261 respondents (65%) provided commentary on this question, 222 (85%) of those responses were considered valid. Responses generally fell within broad themes. Each of these are explored in further detail below, based on the frequency of response.

Classification

While a small number of respondents had contrary views, many respondents remarked that the Bank should be a public sector, arms-length organisation.

Management and oversight

The structure and composition of the Bank's board, and its oversight structures, were identified as key considerations by many respondents. It was recognised that individuals with strong financial sector credentials should have a role in the management of the Bank, but several respondents were keen to ensure that this was balanced with oversight and input from the public sector and individuals from other private sector industries. It was noted that the Board should be gender-balanced.

Some expressed the view that there should be independent oversight from Civic society involved in the Bank, with possible stakeholders including trade unions, professional bodies and the charity sector. As well as this, it was noted that it was important for the Board to represent Scotland's regions, in order to try and establish a regional perspective on the Bank's activity.

The Bank's accountability to Scottish Government was also discussed, with some respondents keen to ensure that the Bank was wholly responsible for its activities to Ministers and Parliament. Audit Scotland was noted by one respondent as having a potential oversight role.

Independence of operations

Some respondents reported that the Bank should be independent, but ultimately publicly owned. Others were wary that, as a public body, the Bank and its investment decisions could be susceptible to political pressure. Some were of the opinion that, after establishing the Bank, and setting its terms of reference, Ministers should maintain a light touch approach to their involvement in the Bank.

Partnership and collaboration

The need for the Bank to engage with a range of other stakeholders was referenced throughout the consultation. Some respondents noted a range of potential partners for the Bank, including communities, Scotland's financial sector and social enterprises, as well as Scotland's existing enterprise agencies.

Remuneration

A small number of respondents noted that the salaries and remuneration packages offered to employees of the proposed Bank should be restrained, avoiding the higher salaries often associated with careers in banking.

Policy alignment

A small number of respondents noted that the Bank's investment strategy and vision should be aligned with key policies at a Scottish, UK and international level, for example the Climate Change (Scotland) Act, or UN climate agreements. This desire was balanced against other respondents who were hesitant about significant political involvement in the Bank.

Opposing views

A small number of respondents expressed the view that the Bank should not be publicly owned. Furthermore, a small number also remarked that the model replicated existing functions and organisations, and so shouldn't be established at all. They also noted that it would interfere in the smooth running of the free market, to Scotland's detriment.

Summary

This section analyses respondents' views on the governance of the Bank. Clear principles emerging from this section highlight the need for the Bank to:

- Be a public-sector arms-length organisation;
- Be managed by individuals with strong financial sector credentials but this should also be balanced with oversight and input from the public sector and individuals from other private sector industries;
- Engage with key stakeholders to shape the Bank's focus and activities;
- Carefully manage the salary and remuneration packages offered to employees given the public sector angle to the Bank; and
- Align its investment strategy with key policies at a Scottish, UK and international level.

11. Other comments (Question 8)

This section outlines any additional comments or suggestions respondents had regarding the Bank, which were not captured through their answers to the previous questions. In the final question, respondents were asked, “Do you have any more comments about the establishment of the Bank?” There were no predefined answers to select so this was a fully open question.

271 respondents (68%) submitted general comments on the Bank spanning a wide range of issues, with 228 of these responses (84%) considered valid.

Responses varied greatly in their scope and commentary, but some themes did emerge. In general, responses were supportive of the proposal, and many respondents used this space to reiterate their support. Several respondents also recognised that the Bank had the potential to support greater economic growth across Scotland. Several responses also covered areas that were addressed earlier in this paper, and therefore, these have not been revisited in this section.

Each of the key themes are set out below, based on the frequency of response.

Public good

Many respondents took the opportunity to stress that the Bank needed to operate in the interests of the Scottish economy and invest in projects that were for the public good. This included a focus on renewable energy sources and other infrastructure. A number of responses also reiterated their position that the Bank should be a public body.

Opportunity for change

The prospect of the Bank delivering a step change in the investment landscape in Scotland was a recurring theme within responses to this question. Some respondents remarked that the Bank could have the potential for a different approach to investment in projects and infrastructure than in the commercial lending sector, and that this offered the chance of delivering real change to the economy.

Lack of clarity about the function of the Bank

It was clear from the responses that some of those engaging with the consultation were not clear on how the Bank was likely to operate. Some respondents wanted the Bank to accept public deposits, for example, also making reference to local branches of the Bank, confusing its function with that of a retail bank.

Other comments

Other comments and suggestions for the Bank include:

- Helping in areas which have to date seen underinvestment, including geographic regions and economic sectors

- The need for strong oversight, to maintain confidence in its activities and to protect public investment
- There must be consideration as to how it will interact with existing agencies and bodies tasked with generating investment and economic growth. A small number of respondents wanted to ensure that remits do not overlap
- Several respondents reiterated their support for SMEs and housing development, two recurring policy intervention themes.

Summary

This section analyses the section of the consultation where respondents were provided the opportunity to provide any other relevant points on the Bank. Common themes were focused on the need for the Bank to operate in the interests of the Scottish economy and that the creation of the Bank should provide an opportunity for a step change in investment in Scotland. However, some respondents noted that they were not clear on how the Bank would function.

Appendix A Campaign responses

This appendix provides further information about the campaign response received from Friends of the Earth Scotland.

It should be noted that:

- The campaign asked their supporters to provide various levels of detail in relation to personal information
- All campaign responses received in the consultation were checked to identify whether they were standard or non-standard. The standard response is provided below. Non-standard responses were copied into the analysis and put through the validation process described in Appendix B (see below)
- Within the campaign, there were a small number of non-standard responses in which the respondent had edited the standard response. These have been reported as non-standard ('variation') responses below.

Friends of the Earth Scotland online campaign

Friends of the Earth Scotland provided a standard text which could form the basis of a response to the consultation which respondents had the option of personalising. For the purpose of the analysis, the template below was seen to relate to all of the consultation questions (Q1-Q8):

Question 1: What are the top 3 areas of interventions where you think the Bank can have the greatest impact on sustainable economic growth?

Answer: Investment that addresses social problems, such as inequality; providing investment to marginalised groups; and finance for transformational technologies to reduce carbon emissions should be prioritised (Options 6, 7 and 8 in the list).

Question 2: Which of these financial instruments might have the greatest impact in addressing your chosen areas of intervention?

Answer: To be effective the new Bank should have a broad remit, seeking to offer investment in any way that can make a meaningful contribution towards tackling inequality and climate change. This must include investment in public infrastructure; but the Bank should not create public-private partnership schemes which have burdened local government with high levels of debt.

Question 3: In terms of existing international models, is there a particular example that you think is appropriate for Scotland and why?

Answer: Outside the UK many public development and investment banks make a significant contribution towards sustainability and social justice. Germany's state development bank underpins regional and local banks and funds household and business energy efficiency, and renewable technologies.

Question 4: Do you think that the Bank should have explicit regional mandates within Scotland, to address specific regional issues and/or to contribute towards greater regional economic cohesion?

Answer: Inequality between Scotland's regions is acute and should be addressed by the Bank, for example providing green jobs in deprived areas and places which will lose jobs as we transition away from oil and gas. The Bank should also fund schemes that benefit marginalised groups including women, disabled people and people of colour.

Question 5: Bearing in mind the potential cost implications, should the Bank:

- Focus on solely providing financing
- Provide advice and support to assist entities/projects in becoming 'funding ready'; or
- Provide ongoing advice and support to entities/projects in which it has supported?

Answer: It should take a proactive role in the economy, creating new markets and supply chains where they do not exist in Scotland, for example in renewable heat and offshore floating wind. (Option 2 in the list).

Question 6: Do you think that the Bank should act:

- Solely through intermediaries/delivery bodies
- As a co-investor or co-lender on equal terms with others
- As a principal investor/lender in its own right
- Through the provision of finance guarantees; or
- Differently in different areas of activity?

Answer: The Bank should be considerably more powerful than existing lending public bodies and have the full powers of a Bank so that it can have a powerful impact on the economy.

Question 7: 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?

Answer: It should be a public body jointly owned by local authorities and the Scottish Government, enabling the Bank to use local government borrowing powers. The governance structure of the Bank must represent Scotland's regions, industrial sectors, civil society and trade unions, reflect the genders, abilities and ethnic backgrounds of the population, and be free from day-to-day political interference. The Bank shouldn't invest in unsustainable industries like oil and gas: it should have a code of practice to ensure that

those it lends to have the highest environmental and workers' rights standards, and do not engage in tax avoidance.

Question 8: Do you have any more comments about the establishment of the Bank?

Answer: When creating the Bank, the Scottish Government should look to public sector best practice and civil society and not seek to emulate the toxic culture and bloated pay scales of the private financial sector.

Variation in responses

Some respondents chose to supplement the template response, which created several non-standard responses.

Most of these responses varied only in word or sentence structure and therefore were not materially different. The remainder of these responses provided materially different content as highlighted below:

- A small number of respondents cited that only a decentralised banking system with many locally-focused, not-for-profit community banks, as has been in place in Germany for about 200 years, guarantees the best possible outcomes for Scotland. It was suggested that this idea could be modelled on the not-for-profit corporate governance structure of the Hampshire Community Bank, whereby 50% of equity is in the control of a charity for the benefit of the people within the local area only
- It was highlighted that the Bank should avoid the Green Investment Bank and British Business Bank model as respondents were of the opinion that they only focused on large centralised projects and do not have a banking license
- It was noted that it should not focus on providing funding for peer-to-peer lending schemes which were considered to be untested in recessions and played into the hands of the bigger banks, while not creating new credit.

Some of the varying responses built on the views mentioned in the template, shown below:

- The idea of the Bank helping to tackle climate change was developed through asserting that it should be a priority to develop new green technologies, proposing that at least 90% of investments be made in sustainable technologies at inception, with the aim that within five years all investments in unsustainable industries (e.g. oil and gas) are phased out
- The underlying inequality issue within Scotland was built upon, with a respondent asserting that the Bank should invest in all areas of Scotland and not just concentrate on the central belt.

Appendix B Data validation

This appendix provides details about the data validation process – i.e. the process of determining the total number of consultation responses.

Number of responses received

1,108 responses were received to the consultation. 335 responses were received through the Scottish Government's consultation portal, with a further 20 responses having been emailed to the Bank's dedicated mailbox. The remaining 753 responses received were part of a campaign from Friends of the Earth Scotland. However, it should be noted that of these 753 responses, 709 use the standard template and are identical. The remaining 44 had some form of variation and were analysed separately in Appendix A.

For the purposes of this consultation analysis, the 20 mailbox responses and the 44 Friends of the Earth variation responses were uploaded into the consolidation hub, resulting in a total of 399 responses within the quantitative analysis.

Validation of responses

The analysis takes into account all the statements submitted through the online consultation hub in relation to each of the consultation questions, and the number of campaign responses received have been reported on a question-by-question basis.

For each question, a number of responses were removed for a variety of reasons:

- Were found to be entirely blank
- Were identified as being irrelevant to the question
- Were found to have inappropriate use of language.

Appendix C List of organisational responses

- South East of Scotland Transport Partnership
- Rudman Consulting
- Creative Scotland
- Gupta Smart Energy
- Scottish Independent Advocacy Alliance
- Federation of Master Builders
- City of Edinburgh Councillor
- MBM Commercial LLP
- Zero Waste Scotland
- South of Scotland Alliance
- Common Weal
- Church of Scotland
- Scottish Federation of Housing Associations
- Friends of the Earth Scotland
- Scottish Catholic International Aid Fund (SCIAF)
- RSPB Scotland
- Business for Scotland
- Hoda productions
- Friends of the Earth
- The Association for Research on Banking and the Economy
- Scottish Property Federation
- STUC
- Scottish Environment LINK
- Engender
- Scottish Wildlife Trust
- Close the Gap

- CMS Cameron McKenna Nabarro Olswang LLP
- UK Finance
- UNISON
- North Ayrshire Council
- Homes for Scotland
- WiSE Research Centre
- CBI Scotland
- Royal Society of Edinburgh
- Association of Accounting Technicians
- Women's Enterprise Scotland
- Scottish Renewables
- Creative Industries Federation
- Glasgow Labour Party
- LINC Scotland
- Scottish Financial Enterprise
- Scottish Natural Heritage
- Social Investment Scotland
- The Institute of Civil Engineers
- Baldiesburn B&B
- Johnstone of Elgin Ltd



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