



*The Royal Society  
of Edinburgh*

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## **RSE calls for clarity on Scottish National Investment Bank**

The Royal Society of Edinburgh (RSE) has responded to the Scottish Government consultation on its proposals to create a Scottish National Investment Bank (SNIB). The response was prepared by a Working Group, which was chaired by Professor Jeremy Peat.

The response indicates that the RSE accepts the over-arching desirability of increasing business investment, infrastructure development and hence productivity through a SNIB. However, the RSE raises questions around the Government plans for the financing and governance of a SNIB, and recommends that the Scottish Government should consider commissioning research that would identify the problems and solutions to low productivity growth.

On the response, Professor Jeremy Peat observed:

"A key priority for the Scottish economy has to be an increase in high quality investment by business and the public sector, in order to secure higher productivity and hence enhanced economic welfare. A Scottish National Investment Bank could help to achieve that end and we welcome the move by the Scottish Government to consider such a development. However, there should be no rush to judgement. A number of Scottish and UK bodies are already active in this field and there are critical uncertainties as to where and how a new institution could genuinely be cost-effective and add significant value. We need to better understand where the market is failing and why. Hence our recommendation, among others, that a time-limited commission should be established to consider carefully the 'conjoined problems of low investment and productivity.'"

The RSE argues that particularly careful consideration should be given to the *financing* of a SNIB, at a time when there are heavy demands for funds and a limit on what the Scottish Government may borrow. The 'opportunity cost' of Government funds for a bank would be high.

Additionally, the RSE suggests that the potential areas of intervention identified in the consultation document are excessively broad – too broad as a remit of a new organisation with little experience and limited resources. The broad remit of a SNIB would be comparable to the German national investment bank (KfW). The RSE questions this comparison and indicates that while the KfW would be a model to aspire to it would not be possible for the SNIB to achieve success on such a scale in its early years. More relevant examples might include the Irish National Investment Bank (SBCI) and the Nordic Investment Bank.

The response highlights the serious concern about the level of business investment in Scotland and the struggle of UK productivity growth with, so far, no adequate research to identify the problems and propose solutions. To address this the RSE suggests that the Scottish Government should consider the creation of an 'Investment Commission' on a time limited basis that could be used to stimulate and sponsor high quality research into the conjoined problems of low investment and productivity.

**ENDS.**

For more information, contact RSE Head of Policy Advice and Parliamentary Affairs, Bristow Muldoon on 0131 240 2787, [bmuldoon@theRSE.org.uk](mailto:bmuldoon@theRSE.org.uk) The full response is available through the RSE website

<https://www.rse.org.uk/wp-content/uploads/2017/11/RSE-Response-to-Scottish-Government-Scottish-National-Investment-Bank-Consultation-AP17-27.pdf>

### Notes to Editors

The Royal Society of Edinburgh is a leading educational charity which operates on an independent and non-party-political basis to provide public benefit throughout Scotland. Established by Royal Charter in 1783 by key

proponents of the Scottish Enlightenment, the RSE now has around 1600 Fellows from a wide range of disciplines. The work of the RSE includes awarding research funding, leading on major inquiries, informing public policy and delivering events across Scotland to inspire knowledge and learning.

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