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The Scottish Parliament  
EDINBURGH  
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14 June 2019

Dear Gordon,

During my session with the Committee on 11 June 2019, I agreed to write setting out the performance figures for the different financial products available under the £500 million Scottish Growth Scheme (SGS).

As the Committee will be aware, the **Scottish Growth Scheme** is funding a range of financial interventions aimed at helping SMEs realise their growth and export ambitions – allowing investment to happen that would not normally happen. To end May 2019, 158 companies have received some £125.3 million of investment under the Scottish Growth Scheme. Companies are in a wide variety of sectors such as software development, textiles, energy, multimedia, fintech and healthcare, as well as some traditional sectors.

The first substantive equity element put in place under the Scottish Growth Scheme - the £200 million Scottish European Growth Co-investment Programme (SEGCP) - opened for business in June 2017. The Scottish Government, through Scottish Enterprise, is co-investing £50 million alongside £50 million from the European Investment Fund (EIF) which in turn will be invested alongside a minimum of £100 million from EIF accredited fund managers. The aim of the Programme is to provide access to equity funding in the range £2 million and above, normally up to £10 million. The Programme is delivered by the EIF under an agreement with Scottish Enterprise. Given the scale and nature of potential funding it inevitably takes time for companies and investors to conclude deals of this scale and as I emphasised at the Committee, both investors and individual businesses are also being influenced in their investment decisions by the continued uncertainty over Brexit. I can confirm that to end May 2019, the Programme has invested in 3 companies, with a total investment of £10 million being made, with another two investments, (mentioned by Kerry Sharp in her appearance at the Committee) being finalised that will increase that figure to £17 million.

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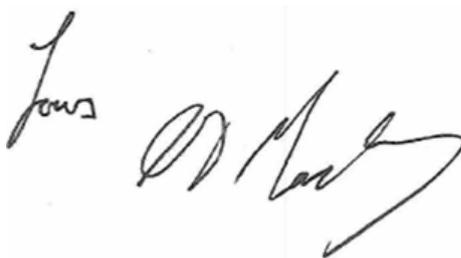
The Scottish Growth Scheme's second element of £25 million, supported equity investment below £2 million per company. This £25 million has now been fully invested. This was new and additional funding, announced in Programme for Government in 2017. The additional funds were fully invested by end of August 2018, however, due to demand, and early closure of this element, we redeployed Scottish Growth Scheme dedicated resources to meet that continued demand to the end of October 2018. This activity closed with £103.6 million invested (both private and public) in 81 companies.

I am also pleased to be able to say that following a rigorous procurement process, I announced in January 2019 the appointment of 5 Fund Managers to deliver more choice and a wider range of products (including microfinance – up to £25,000; debt - £25,000 to £100,000; and equity – up to £2m) for Scotland's SMEs. Some of the appointed Fund managers are new to the Scottish marketplace and bring additional monies with them to invest so we are extending the range and depth of financial support available (as well as increasing the number of active fund managers) in the marketplace, giving SMEs greater choice in the funding options open to them. Up to the end of May, 69 companies have received £9.5 million investment under this element.

We will be regularly and frequently assessing performance, reviewing circumstances, and seeking to adapt the package of measures to respond to any new evidence based changes in market failure. For example, we have also redeployed some of the resources available under the Scottish European Growth Co-investment Programme last year to fund a Scottish Loan Scheme, through Scottish Enterprise, providing loans in range £250,000 to £2 million, and in exceptional circumstance up to £5m. The initiative was introduced in December 2018 and to date 5 companies have received loans totalling £2.14 million.

In addition, at the Evidence Session on Tuesday I also indicated that I would send you a diagram detailing the proposed governance arrangements for the Bank so please find this diagram enclosed.

I hope this insight into the current performance levels of the Scottish Growth Scheme as well as the diagram of proposed governance arrangements for the Bank are helpful.



**DEREK MACKAY**

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EUROPE & SCOTLAND  
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Investing in a Smart, Sustainable and Inclusive Future

# SCOTTISH GROWTH SCHEME (SGS)

## Investing in Ambition

The Scottish Growth Scheme, a Scottish Government initiative of up to £500 million, provides a range of commercially focussed finance to help viable small and medium sized enterprises (SMEs) in Scotland to start-up, grow and scale up. A number of new funding options (microfinance, debt and equity) are now available under the Scheme for Scottish SMEs.

### Funding Options

#### Microfinance

Small business loans from the 'Scottish Microfinance Fund' under the Scottish Growth Scheme.

Loans of up to £25,000 to help new businesses start up, or established businesses grow. **Fund Manager:**

- **DSL Business Finance Ltd** <https://www.dsl-businessfinance.co.uk/micro-loans/>

#### Debt Finance

Business loans of £25,000 to £100,000 for early or more established businesses that can demonstrate growth and exporting potential. **Fund Managers:**

- **Business Loans Scotland** <https://www.blscot.com>
- **BE Group Debt Finance Scotland** [www.begrouppfinance.scot](http://www.begrouppfinance.scot)
- **Scottish Enterprise - Scottish Loan Scheme - £250k to £2m range** (up to £5m in exceptional circumstances) [www.scottish-enterprise.com/funding-growth](http://www.scottish-enterprise.com/funding-growth)

#### Equity Finance

Early stage equity funding (up to £2 million) from **VC Fund Managers:**

- **Foresight Group** <https://www.foresightgroup.eu/private-equity>
- **Techstart Ventures** <https://www.techstart.vc/>

Later stage equity funding (£2 million to £10 million):

- **Scottish-European Growth Co-investment Programme** delivered by Scottish Enterprise through the Scottish Investment Bank, in partnership with the **European Investment Fund**.

### Why Apply?

The Scottish Growth Scheme funding options can help you establish or grow your business in a number of ways, for example by:

- Providing funding to get your business started
- Funding innovation and expansion projects
- Purchasing new machinery or equipment
- Leasing new commercial premises
- Expanding into overseas markets

### How to Apply?

1. Make an enquiry direct to any of the Fund Managers listed above
2. The Fund Managers will contact you to see if your business qualifies
3. You make a formal application
4. The Fund Manager evaluates your application and makes the investment decision

Businesses in a variety of sectors (such as software development, textiles, energy, multimedia, fintech and healthcare) have already been supported under the Scottish Growth Scheme. Advice and support for SME's seeking to access finance is available from Business Gateway and Financial Readiness support is available from Scottish Enterprise, including in the Highlands and Islands area.

