Our Statutory Purpose

Scottish Natural Heritage (SNH) is a non-departmental body (NDPB) funded by the Scottish Government through Grant-in-Aid. We are the Scottish Government’s advisers on issues relating to nature and landscape. Our statutory purpose is to:

- Secure the conservation and enhancement of nature and landscapes;
- Foster understanding and facilitate their enjoyment; and
- Advise on their sustainable use and management.

1. What are the advantages or otherwise in establishing the Bank as a public limited company?

No comment

2. What in your view are the fundamental characteristics of a national investment bank?

A national investment bank could look to invest in technologies and infrastructure that may represent a different risk appetite to commercial investment banks to support projects that provide public benefits. Within the criteria for cost-benefit analysis, we suggest that consideration should be given to including social and environmental public goods: whilst these may not initially drive investment in projects which will first and foremost look at financial returns, their benefits could add weight to the wider benefits from the investment and be a defining difference of the SNIB compared to private investment banks.

The memorandum discusses the transformation of the economy through patient capital. It is evidently clear that the desired transformation to a low carbon economy needs to be one that is less resource intensive and seeks to provide inclusive and sustainable growth with fewer impacts on the environment. We suggest that a nature-rich future, that is, investing in natural capital, development of the circular economy and green finance, should be seen as important parts of this economic transformation.

3. Is the level of capitalisation proposed sufficient for the Bank to deliver its desired impact? Please expand.

No comment
4. What is your view on the proposed costs in the set up and day-to-day running of the Bank?

No comment

5. What governance arrangements ought to be in place?

No comment

6. How can we ensure the market is ready for the investment opportunities the Bank can offer?

We wonder if there is an opportunity to promote blended finance initiatives that provide public benefits. There are various models that spread the risks between the public and private sector, often in a dynamic way as the investment vehicle and market matures. They need to generate a cash flow that, ideally, provides a return for private investors as well as a source of income for further investments or ‘evergreen finance’. There are several examples from the European Investment Bank (e.g. Ginkgo Fund) and the current initiative on Vacant and Derelict Land may provide an early opportunity to explore this type of finance initiative.

7. What ethical and equalities considerations do you think should inform the Bank’s ethos and decision making?

We suggest that both social and natural capital should be considered when making investments. Projects that create sustainable and inclusive growth, contribute to low carbon infrastructure or a low carbon economy and those that have minimal impact on the natural environment (at all stages of the value chain) should be given high priority. Financial incentives such as lower interest rates may improve inclusion of these considerations in applications.

8. It is proposed that the Scottish Government will set the strategic direction of the Bank but the body itself decide on its investment approach. What is your view on this “mission-led” approach?

We think that a mission-led approach within the strategic direction set by the Scottish Government, influencing markets to deliver for the public good, is hugely important especially given the current urgency to address climate change and in which a nature-rich future must play an important role. The mission should therefore deliver a wide range of public goods for Scotland in line with the Purpose in the National Performance Framework of inclusive and sustainable economic growth as an enabler and the commitment to transition to a low carbon economy. The mission should therefore be subject to a review cycle, e.g. five-yearly, so that the mission remains relevant. Reviews of the bank’s performance should allow for some investments in natural capital and green finance, and associated avoided costs, taking longer to come to fruition.