



Engender Parliamentary Briefing: Scottish National Investment Bank Bill Stage 1 Debate

BACKGROUND

Engender welcomes this Stage 1 debate on the Scottish National Investment Bank Bill and this opportunity to highlight the potential for the Investment Bank (the Bank) to make a substantial impact on women's equality. We emphasise the wealth of international evidence that gender equality is a necessary precursor to economic growth in our support for the creation of the Bank.¹ However, **for the Bank to deliver meaningful outcomes for women the Bill must enable it to translate Scotland's ambitions for inclusive growth into gender-competent strategy and execution through firm requirements on its face.**

SPECIFIC CONSIDERATIONS

1. Clarifying the role of the Vision

The Scottish Government's implementation plan set out an ambition vision for the Bank and its role in the economic development and financial landscape. This includes the aspiration to secure a *"step change in growth for the Scottish economy by powering innovation and accelerating the move to a low carbon, high-tech, connected, globally competitive and inclusive economy."* Although the Consultation held in September 2018 indicated that the vision would be set out in the Bill, there is no currently no statement as to what purpose or gap the Bank seeks to fill.

Including the vision on the face of the Bill would ensure the ambition of the Scottish Government has a permanent influence in the way the Bank is established and operates. Additionally, it would ensure clarity about the role foreseen for this new and significant institution as otherwise there is a significant risk that the ambition to do things differently will not become entrenched as the Bank grows.

2. Ensuring the Bank proactively works towards gender equality

The Bank aims to respond to several aspects across the Scottish economy, while also preparing for significant economic and social change, such as climate emergency. In doing so, the Scottish Government has **highlighted the overarching principles of**

¹ EIGE 'Gender equality boosts economic growth' <https://eige.europa.eu/news/gender-equality-boosts-economic-growth>

equality, transparency, diversity and inclusion.² It has been repeatedly stressed that the Bank presents an opportunity to enable actors to do things differently.³

Yet, **none of these principles appear in the Bill itself and there is a huge gap between the intentions and aspirations expressed in the Implementation Plan and Bill.** Scotland's economy fails to deliver for women: the gender pay gap persists at 14%;⁴ and women account for a minority of self-employed workers and company directors and tend to be concentrated in specific fields.⁵ Just 30% of EU start-ups are women-led and Scotland does not beat this trend. If the numbers of women-led businesses in Scotland increased to equal those of men, it would lead to a 5% increase in GDP, equivalent to £7.6 billion.⁶

The objects currently set out in the Bill are considerably narrower than the vision suggested. History has shown us time and time again that without integration of gender equality ambitions into legislation, regulation, strategy, and operations, well-meaning aspirations do not translate into a more gender equal policy.⁷ Equality is not mentioned in the Bill as introduced, nor in the draft articles of association,⁸ despite being included as one of the overarching principles.

Where equality is not explicitly recognised as an integral aspect of an agency's functions, experience shows that tangible beneficial outcomes for women and other groups are deprioritised or considered at too late a stage. A reliance on "investing in inclusive and sustainable economic growth" is not sufficiently tailored to respond to women's inequality, as the concept remains too vague.⁹ Additionally, this object is focused only on 'investing' in inclusive growth, and not the wider impacts of gender-sensitive economic development. **For these reasons, we are clear that equality and non-discrimination should be included as an object on the face of the Bill, which can influence decision making throughout the Bank's lending, policies, governance and interactions with other economic actors.**

²Letter from Cabinet Secretary to the Convenor, 26 May 2019, https://www.parliament.scot/S5_EconomyJobsFairWork/Inquiries/20190528-CabSecFEFW-Shareholder_Framework-Draft.pdf

³ UCL Institute for Innovation and Public Purpose (2018) A new mission-oriented bank for Scotland

⁴ Close the Gap (2019) Gender Pay Gap Statistics

⁵ Sutherland V., McGregor A, Kromydas T., Macdougall L. and McTier A (2015) Equalities in Scotland's Growth Economic Sectors: Final Report

⁶ <http://www.cando.scot/partners/womens-enterprise-scotland/>

⁷ An example is the Human Trafficking and Exploitation (Scotland) Act 2015, which has enormous relevance to women and women's equality.

⁸ Draft Articles of Association, available at https://www.parliament.scot/S5_EconomyJobsFairWork/Inquiries/20190516-SNIB-draft_Articles_of_Association.pdf

⁹ IPPR (2019) How Productivity Could Deliver Inclusive Growth

3. How will the missions work with the Bank's static objectives?

Government stakeholders have repeatedly outlined the crucial nature of the missions in delivering the Bank's vision.¹⁰ However there is currently little clarity on how missions will be developed and set. Section 11 of the Bill gives Scottish Ministers the power to set the direction of the Bank by sending a document "describing the socio-economic challenges". Example missions provided by the Scottish Government do not mention equality or gender equality, and fail to reflect the ways in which women and men's different experiences permeate the challenges the missions seek to respond to – for example, women are more likely to live in areas of multiple-deprivation than men.¹¹

As currently set out in the Bill, the mission-setting process is overly vague and impenetrable. **We believe that the Bill should clearly set out the process for designing and setting missions**, including any role for an advisory group¹² or the third sector to contribute to the development of missions. It is vital that gender be considered at the earliest and highest stage of mission design, otherwise there is a considerable risk that missions will be gender-blind and continue to embed inequality rather than responding to women and men's specific needs.

The sector-neutral and business-neutral approach of missions makes it all the more critical that equality be a core consideration within the missions themselves. **This could be pursued by a duty requiring that Ministers set out how the mission relates to the Bank's objects in s.2, which should be updated to include equality and non-discrimination.**

4. How will the Bank's objectives be furthered by its activities?

The Scottish Government has set out intentions for the Bank to publish an Ethical Statement that "will guide the Bank's Investment Strategy", embedding the overarching principles of equality, diversity, transparency and inclusion.¹³ However, we do not believe that the Ethical Statement is broad enough to cover the full breadth of the Bank's activities or potential impacts, and that its content remains overly broad.¹⁴

While we agree that an ethical investment policy is a necessary instrument, we are concerned that the Scottish Government continues to syphon its gender equalities considerations into an aspect of its investment policy.¹⁵ It is vital that the Bank looks

¹⁰ Economy, Energy and Fair Work Committee, Official Report 11 June 2019

¹¹ Scottish Government (2018) Poverty and Income Inequality in Scotland 2014-17

¹² Scottish National Investment Bank Bill Financial Memorandum

¹³ Letter from Cabinet Secretary to the Convenor, 26 May 2019,

https://www.parliament.scot/S5_EconomyJobsFairWork/Inquiries/20190528-CabSecFEFW-Shareholder_Framework-Draft.pdf

¹⁴ Economy, Energy and Fair Work Committee, Official Report 11 June 2019

¹⁵ Mazzucato M. and Macfarlane L. (2018) State investment banks and patient finance: An international comparison

beyond the direct beneficiaries of its investment and examines the social consequences (including of failing to act) of its lending.

Instead, **Engender has recommended that the Bank should develop a comprehensive strategy which embeds the steps and principles vital for gender competence across the full range of its activities and structures.**¹⁶ Such a strategy could include the bank's contribution to economic development; the role of missions; lending, both processes and outcomes; recruitment and internal policies and process as well as how the Bank might contribute to the skills pipeline and promote activity from women-led businesses; and governance.

5. How will impact be monitored?

In its response to the Committee's Stage 1 Report, the Cabinet Secretary reiterated the intention that the full range of financial, economic, social and environmental impacts be monitored and evaluated.¹⁷ We believe that the Bill currently lacks sufficient clarity about the metrics to measure success. While we support proposals to link evaluation frameworks to the National Performance Framework,¹⁸ it is important to highlight that there is no metric which specifically relates to gender equality.¹⁹

We therefore call for the creation of gender indices,²⁰ to measure progress against women's equality, such as the forthcoming Scottish Gender Index, as part of the duty in s.14 to Report on performance. In line with the principles of equality and transparency, monitoring data on lending, employment and other activities should be disaggregated by gender and other protected characteristics, and used to update strategies to ensure relevance for those currently underrepresented in private finance.

6. EQIA

Engender has previously raised significant concerns about the Equality Impact Assessment (EQIA) published with the Bill, as it was extremely limited in scope, lacking analysis and did not appear to have led to any attempts to progress equality measures within the Bill itself.²¹ The Economy, Energy and Fair Work Committee reflected these issues and recommended meaningful engagement in a revision process.²² While we

¹⁶ See for examples, KfW (2011) The Gender Strategy of KfW Entwicklungsbank or the European Investment Bank "Protect, Impact, Invest: The EIB Group Strategy on Gender Equality and Women's Economic Empowerment

¹⁷ Letter from Cabinet Secretary to the Convenor, 26 August 2019, https://www.parliament.scot/S5_EconomyJobsFairWork/Inquiries/20190826-Cab_Sec-Stage_1_Response.pdf

¹⁸ Economy, Energy and Fair Work Committee (2019) Scottish National Investment Bank Stage 1 Report

¹⁹ Long G (2019) The SDGs and Scotland: a discussion paper and initial analysis

²⁰ European Institute for Gender Equality (2017) Gender Equality Index <https://eige.europa.eu/genderequality-index>

²¹ Engender (2019) Engender submission of evidence to the Scottish Parliament Economy, Energy, Jobs and Fair Work Committee Call for Evidence on the Scottish National Investment Bank Bill

²² Economy, Energy and Fair Work Committee (2019) Scottish National Investment Bank Stage 1 Report

welcome the substantial progress made with the updated EQIA, the purpose of an EQIA as a mainstreaming tool has inevitably been hindered by the revision process. While efforts have been made to retrospectively link the Bill's content to equalities evidence and analysis outlined, it remains troubling that the EQIA was published so late on in the development of the Bank.

Inevitably, efforts to retrofit equality into the policy development process will limit the effectiveness of the design in enabling the Scottish Government's ambitions for the institution. In that regard, we remain concerned that the new EQIA remains overly focused on the Bank's role as a lender, and lacks detail about other areas of impact. The full breadth of the Bank's activities, both internal and external, should be proactively considered following the updated research.

7. Summary

Engender recognises the opportunities that the creation of a Scottish National Investment Bank presents in directing investment in line with the economic, environmental and social priorities of Scotland. However, we believe that the specific needs and opportunities of women, who generally have less access to finance, have additional caring roles, and are clustered into low-paid and undervalued work across Scotland's economy, have not yet been adequately integrated into the design of the Bank.

We therefore call for the Bill to address gender equality in a number of ways:

- The vision for the Bank should be included on the face of the Bill;
- Equality and Non-discrimination should be explicitly listed as an ancillary object of the Bank;
- The mission-setting process should be clearly elaborated, including a mechanism to set out the relationship between an equality and non-discrimination object and the content of the mission;
- The Bank should be required to publish and maintain a strategy to advance gender equality across all its activities;
- Reporting processes should include gender equality metrics which set out ways in which the bank's activities have contributed to equality between women and men.

FOR FURTHER INFORMATION

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ABOUT US

Engender is a membership organisation working on feminist agendas in Scotland and Europe, to increase women's power and influence and to make visible the impact of sexism on women, men and society. We provide support to individuals, organisations and institutions who seek to achieve gender equality and justice.