

## For immediate release

### Does the UK need a state investment bank for innovation-led growth?

- New policy brief by the UCL *Institute for Innovation and Public Purpose* sets out the role state investment banks can play—if structured appropriately—in fostering growth that is more smart, inclusive and sustainable
- The UK continues to depend on consumption-led growth, yet fostering investment-led growth requires more long-term strategic finance that is largely missing in the UK
- State investment banks can provide this patient finance
- The UK's potential loss of access to the European Investment Bank and the economic challenges of Brexit renders the creation of sources of patient finance “more relevant than ever”

A new policy brief published today (13 June) by the UCL [Institute for Innovation and Public Purpose](#) (IIPP) sets out the role that state investment banks can play in smart, inclusive and sustainable growth. It calls for the Patient Capital Review and the UK government's Industrial Strategy to be in more direct dialogue.

[Patient Finance for Innovation-Driven Growth](#) sets out the importance of early-stage, high-risk public investment in order to fund those areas which the private sector is unwilling or unable to support. Innovation is a highly uncertain process and has long-lead times, so requires “patient” finance that state investment banks can provide.

International lessons show that not all state investment banks have been structured appropriately. Some have been too focused on subsidies and guarantees, not willing to actively co-invest in new areas that can crowd in private investment. The brief suggests that public banks should move from simply fixing ‘market failures’ to more venture capitalist and challenge-focused roles to foster innovation-led growth.

A key way to do this is to structure banks to be more ‘[mission oriented](#)’ helping to steer finance to the firms willing to innovate in areas that are related to bold societal missions—such as those related to creating a green economy. In other words, moving from a ‘picking winners’ mentality to ‘picking the willing’.

These lessons have been incorporated in IIPP's advice for setting up the Scottish Government's Scottish National Investment Bank, launched on 28<sup>th</sup> February 2018.

The brief also claims that public banks must be able to reap some of the financial rewards in order to offset the inevitable failures, such as retaining equity or royalties, retaining a share of the intellectual property, using income-contingent loans, or attaching conditions to company re-investment of profits.

[Professor Mariana Mazzucato](#), Director of the UCL Institute for Innovation and Public Purpose, said:

“The UK's potential loss of access to the European Investment Bank and the economic challenges of Brexit makes the points in our policy brief more relevant than ever. Growth in the UK continues to follow a growth model that is consumption—not investment—led, fuelling ever higher rates of private debt to disposable income.

“Innovation-led growth requires patient finance. There is too little of this in the UK—and much of the little we had was coming from Europe. Brexit will put further strain on any hopes of changing direction and the UK needs a new strategy if it wants innovative, inclusive and sustainable growth.”

The policy brief will be launched at an event at the UK House of Lords this afternoon, in an event hosted by Lord David Willetts, with speakers including Stephanie Kelton, Professor of Public Policy & Economics at Stony Brook University and former advisor to Bernie Sanders. The agenda for the workshop called *Patient Capital and Industrial Strategy* can be view [here](#).

The mission-oriented approach, developed by the Institute for Innovation and Public Purpose, has played a [key role](#) in creating a new innovation framework for the European Union.

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**Related links**

[Institute for Innovation and Public Purpose](#)

The Policy Brief: [\*Patient Finance for Innovation-Driven Growth\*](#)

[Mission-Oriented Research and Innovation](#)