

Introduction

The Development Bank of Wales provides financial support to stimulate economic growth, innovation, and entrepreneurship, often operating in the market gap where viable businesses are not supported by the private sector. We help ambitious and promising businesses in Wales access sustainable finance to achieve their potential.

The products and services we offer ensure continuity of access to finance for micro to medium businesses. When other sources in the market are retrenching, we take on a counter-cyclical role and this has proved essential in the economic recovery from the Covid-19 pandemic. Our financial scale, skills, and fund structures are critical in doing this, enabling us to be agile and flexible in the way we respond to the market.

We offer a broad range of funding options, from smaller-scale micro lending through to property development and large-scale equity for growth. This range ensures we can play an essential role in meeting the ongoing needs of business including access to patient capital. The quantum and flexibility in our core funding offer, particularly through the Wales Flexible Investment Fund allows us to create tailored finance packages to suit customers' individual needs, enabling them to startup and grow.

Our investment principles underpin how we work to support economic development in Wales. They are designed to meet our shareholder's ambitions, taking account of the capacity of our operations and market regulation.

- We operate where there is **market failure**, supporting economic opportunity by making finance available to viable businesses and responding to evolving market and customer needs.
- We invest on **commercial terms**, pricing the investment fairly to reflect the risk. This ensures we are not displacing the private sector. It also means we generate returns that can be recycled into new customers, creating a long-term, value for money asset for Wales.
- An exception to this principle can be found in **emergent sectors** such as **green finance** where we have identified a need to incentivise change.
- We are a **patient investor**, providing accessible funding to support the long-term sustainability of the businesses we fund.
- We work in close collaboration with the private and public sector and **crowd-in private sector co-investment** wherever possible to increase the flow of funds in Wales.
- We invest for positive financial and non-financial impact in the regional communities we serve. **Environmental, social and governance** are considerations proportionately embedded in our investment decision-making.

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- We are a responsible investor, delivering **expert, independent investment management services**. Our experienced team adds value to the businesses we work with, for the life of the relationship.

While demand in Wales continues to be predominately for debt-based finance, we develop the market by encouraging suitable businesses to consider equity as a route to achieve growth. We have seen demand for equity fluctuate since the launch of the Development Bank reflecting the appetite for this type of funding.

We use both General and Financial Transaction Capital (“FTC”) on behalf of the Welsh Government. The restrictions that accompany FTC mean that the Development Bank is one of the few public bodies that can make use of this finance, reducing the pressure on General Capital. We can structure the funding within repayable funding models into the private market which satisfy the conditions set by His Majesties Treasury. Currently we invest c. £1.3 billion of FTC across our product suite.

Alongside our core debt and equity products, we also support the Welsh Government to deliver a number of specialist investment services including over £700m through the Help to Buy - Wales scheme and two homeowner support schemes - the Leaseholder Support Scheme and Help to Stay, for customers in difficulty as a result of fire safety issues or cost of living impacts respectively.

Furthermore, we provide portfolio management services for certain of the Welsh Government’s strategic investments as well as the Recovery Support Group, which offers access to expertise for business in difficulty that may include funding support if appropriate.

The Development Bank does this through a unique business model that does not require ‘grant in aid’ from the government for operational costs. Our economies of scale (supported by a continuous focus on efficiency with the benefit of improved technology) allow for cost effective delivery funded by returns on the funds under management, with the ability to recycle capital back into the economy over the longer term.

Importantly, we maintain a strong regional presence and customers and stakeholders benefit from local relationships with people embedded within communities across the whole of Wales. Feedback from stakeholders through our customer surveys tells us that working to find solutions which deliver positive outcomes, and our understanding of regional economic dynamics is as valued as the funding we offer.

Performance

Performance against both corporate plans and each of the supporting annual operational plans are outlined in detail within published annual reports and has been subject to annual scrutiny by Senedd committees. Headline outturn against top line targets is summarised below.

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We work with the colleagues in the Development Bank of Wales Partnership Team within the Welsh Government to set forecast targets and objectives across five-year phases for each corporate plan. Targets are based on the investment profiles of the funds to be invested during that period.

The primary target is the investment to be delivered with associated economic outcome targets set against the mix of products profiled in the period such as co-investment, jobs created and safeguarded, homes built and square footage of commercial property.

The achievement of targets over five years is influenced by three factors. Firstly, the activity of the Development Bank in promoting the funding available together with the mix of the specific products offered to the market in a given period. Secondly the prevailing economic conditions which impacts business confidence which in turn shapes demand, or inflation which shapes metrics such as job creation or property measures. Finally, the credit risk appetite of other lenders and investors which determines market competition and shapes co-investment.

The economic uncertainty as a result of shifting regulation following Brexit, post-covid recovery and the more recent cost of living crisis, has created a volatile market that has challenged the way we work. Ultimately, our role to provide liquidity is ever more important in a challenging environment particularly when traditional lenders and investors are changing their risk appetite. Given this overriding responsibility, our primary objective is to find a commercially satisfactory solution for the client whether or not this enhances our overall KPI measures.

One learning from our first corporate plan and reflected in the second, is the impact that increased property development activity has had against some outcome measures. This activity stimulates a wider range of impact measures such as homes built. Other lenders have retrenched away from supporting speculative development and typically the positive economic benefits of these funds are in sub-contracted work and much needed new housing and commercial property. Work is underway to review these and other measures in line with the way in which other public sector organisations track and ensure the true value is represented and not understated.

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Headline KPI achievement

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total
Total economic impact (£'m)	212	280	251	330	228	258	1,563
Direct investment (£'m)	68	80	103	205	110	124	694
Co-investment (£'m)	70	126	76	60	64	114	510
Jobs created and safeguarded	3,909	3,660	3,964	19,347	3,540	4,669	39,089
Housing units	220	285	322	403	223	191	1,644
Commercial premises (sq. ft.)	28,977	20,204	29,601	70,892	73,350	67,407	290,431
Business supported	285	352	391	1,696	468	435	3,627
Help to Buy - Wales (£'m)	74	74	72	65	54	20	359

“The Development Bank of Wales - a strategic asset for a more prosperous Wales”

This prospectus was issued in July 2017 ahead of the launch of the Development Bank. Its aim was to outline the ambitions of the organisation prior to the release of the Corporate Plan and the more detailed five-year objectives.

The goals of both remain the same and we have achieved the following ambitions:

- To make more money available to Welsh businesses which has increased from £700 million in 2017/18 to £1.2 billion in March 2024.
- Develop new products and services with 15 launched since 2017.
- Offer tailored packages alongside ongoing customer relationship support.
- Establish Economic Intelligence Wales, a research unit which launched in 2018
- Moved our headquarters to Wrexham and expanded our physical presence across Wales.
- Exceeded the specific commitment to increase our capacity for dedicated micro lending from a £6 million fund to £40 million. Achieved by raising a further £42m for a total lending facility of £48m. These funds outsourced contracts to social enterprise specialists to ensure this

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sector had access to funding and our working relationship with the Wales Council for Voluntary Action over this period has been positive.

- Maintained focus on 'micro businesses' which makeup over 88% of the businesses supported and 55% of the value.

Corporate plan 2017/22

The first five-year corporate plan for the Development Bank centred on building our brand, scale and breadth. Setting in place long-term foundations, developing new working partnerships and practices such as embedding our early impact investment approach, which aligns with the Wellbeing of Future Generations Goals and the UN's Sustainable Development Goals. This has informed our priorities, enabling us to build a suite of enhanced products and services designed to meet the ongoing needs of the Welsh market.

2021 remit letter

The 2021 remit letter forms the basis of our corporate plan for 2022/27.

We welcomed the move by the Minister towards longer term planning, aligned to the term of government, recognising the reality of developing and implementing the corporate and annual plans while maintaining the level of stability necessary to maintain market confidence and meet our fund management obligations.

The remit letter tasks the Development Bank with meeting the high expectations and ambitions of Ministers within the Welsh Government and is the primary mechanism by which we align corporate strategy with economic development policy. These are broadly grouped into seven themes and headline progress against each is summarised at Appendix 1 with further detail available within each annual report.

Corporate plan 2022/27

Our objectives for the current corporate plan have progressed to further focus on our impact and role as a responsible investor through improved environmental, social and governance goals. We continue to facilitate an entrepreneurial culture in Wales, delivering over £258 million of economic impact in the first year.

We are developing new financial solutions with the Welsh Government to support the priorities set by the Minister in the Economic Mission, Net Zero transition plans and housing requirements having launched four new schemes in the period. The initiatives the Development Bank can undertake, particularly at a time of heightened pressure on public sector finances, offer cost effective options for government through repayable (non-grant) structures. We believe it is critical that hybrid funding structures and patient capital options are considered against all funding needs to ensure we maximise value from every pound of public sector funding, enabling it to go further.

An industry standard measure to track customer loyalty and satisfaction has been introduced, which we also use to measure and track employee engagement. Net Promoter Score¹ (“NPS”) asks a single question—how likely a customer or employee is to recommend a business. This clear focus on advocacy reflects our organisation culture which promotes customer satisfaction and reputation as of paramount importance. Tracking this measure, alongside other customer feedback routes, supports our understanding of real-time customer sentiment.

Alignment with economic development strategy and the wider business support ecosystem

As discussed above, the remit letter is the primary mechanism by which ministers align the priorities of the Development Bank to government policy and strategy and progress is further summarised at Appendix 1. While the core of our mission to provide finance to viable businesses who might otherwise be unable to raise capital is unchanged, the themes in the remit letter and wider government policies inform our activity in several ways. These include:

- The development of funds and services to address particular sectors such as the Wales Tourism Fund or segments such as decarbonisation.
- Activity which stimulates market appetite such as for equity investment.
- Changes to the way we develop and assess new investment proposals such as applications from younger entrepreneurs.

Programme for Government

Community, equality and social justice are the values which underpin the Programme for Government (PfG) and are embedded within the objectives of the Development Bank. Activity addresses a number of government policy areas such as building new homes, stimulating job creation, financial inclusion of underrepresented groups, decarbonisation and community owned renewable energy projects.

There are two key areas in the PfG which refer to commercial investment activity:

Expanding patient capital funds

Since the start of this term of government we have extended the quantum of patient capital from £30 million per annum to over £46 million per annum including extending the maximum term for debt finance to up to 15 years.

Increase the use of equity stakes in business support.

As the largest equity investor in Wales and one of the most active in the UK (350 investments between 2013 and 2022) we are capitalised to support innovative technology businesses, companies

¹ [Net Promoter Score \(NPS\) & System | Bain & Company](#)

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with ambitious growth plans and equity to support succession transactions. We monitor this investment on a rolling three-year average to help account for the volatility in demand for equity in the region. During the current term of government there has been a c. 12% increase in equity delivery (on a three-year rolling average basis), currently at an average of £15.5m per annum.

Economic Mission (Resilience and Reconstruction)

The four national priorities within the updated Economic Mission are reflected within our corporate plan. For instance, alignment with Priority 2 which sets out an ambition for young people, has resulted in a revised approach to the way we assess funding applications from younger entrepreneurs and an increase in the amount we invested in businesses with a director or owner under 30 from £4m at launch to £17m in 2022-23, tripling the number of individuals supported. Priority 1 focuses on a just transition and green prosperity and since 2022 we have launched two green schemes, become signatories to the UN backed Principles for Responsible Investment and joined the Partnership for Carbon Accounting Financials.

Innovative funding and service delivery

Since 2017 we have worked with officials in the Welsh Government to develop and launch 15 new funds. Each of these initiatives is in direct support of policy objectives and exemplifies the ability of the Development Bank to deliver successfully against a wide remit.

2017/18	Wales Flexible Investment Fund- £500 million
2018/19	Wales Angel Co-Investment Fund- £8 million Wales Self Build Fund- £40 million Wales Technology Seed Fund II- £20 million
2019/20	Wales Commercial Property Development Fund- £55 million Wales Tourism Investment Fund- £50 million Wales Stalled Sites Fund- £55 million Wales Micro Loan Fund- £30 million Wales Management Succession Fund- £25 million
2020/21	Covid Wales Business Loan Fund- £92 million Wales Rescue and Restructuring Fund- £25 million
2021/22	Town Centre Fund- £2.5 million Green Homes Incentive- £15 million
2022/23	Leaseholder Support Scheme- demand led. Green Business Loan Scheme- £10 million

2023/24	Help to Stay (Mortgage support) Scheme- £11 million
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Relationship with business support services

We recognise that a symbiotic relationship between funding and business support services is effective in fostering a vibrant entrepreneurial economy. Numerous successful models exist whether delivered by a single or multiple bodies, and each has inherent opportunities and risks.

Regardless of the particular delivery model, collaboration is essential while recognising that funders and advisory services may measure success differently.

Our approach is always to seek to build trust with stakeholders in the ecosystem through communicating how we can help clearly and consistently. We work closely with Business Wales, making it simpler and easier for businesses to access support alongside finance. We work together through both strategic and operational links and Business Wales remains our most prominent source of deal referrals for the micro loan team.

While the Development Bank doesn't provide support services, we do support portfolio companies to navigate the wider business support ecosystem and offer targeted specialist workshops and seminars and in some instances access to part funded consultancy services.

Green economy

In line with the term of government remit letter and our corporate plan ambitions, we are undertaking an active role in supporting the transition to a low carbon economy in Wales. In 2022 we set our green growth pledge and in 2023 recruited a dedicated sustainability manager to guide our work through this evolving area.

As a responsible investor our role is to assist businesses as they navigate net zero opportunities and challenges, working closely with key stakeholders, contributing fully to the ecosystem for green action in Wales. We will work with the tools available to us to continue to target decarbonisation impact, but it must be noted that incentivisation comes at a cost and the ability to progress all opportunities in this area is constrained by budget availability and accounting treatment.

We have integrated Environmental Social and Governance (ESG) considerations in our deal sanctioning to ensure that the public funds we manage meet the standards and priorities of Welsh Government. Alongside this we are developing stewardship activities across our investment portfolio to support our customers to realise the benefits of transitioning to more sustainable practices.

We are developing our stewardship across our portfolio to match the needs of our customers from growth equity deals to micro-loans. This approach centres on supporting our customers to integrate ESG considerations in their business planning, signposting to advisory support services, resources and further investment where required.

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Live schemes

Decarbonisation investment for businesses - In February 2023, we launched the Green Business Loan Scheme which combines access to net zero consultancy through Business Wales or other services with a financial package for energy efficiency and decarbonisation projects. The total offer includes repayment holidays, discounted interest rates and patient capital making decarbonisation affordable.

Incentive schemes for SME developers - In 2022 we launched the Green Homes Incentive which offers reductions on the cost of borrowing to SME house builders using modern methods of construction/low carbon building methods.

Community energy support - We also manage the Local Energy Fund which supports SME and community groups with small scale regional renewable energy projects. This scheme offers long-term capital with dedicated technical support and grant where required.

In development

Housing retrofit - We are working with the Welsh Government team within Homes and Places to establish support for owner occupiers to access a funding package in support of implementing decarbonisation measures.

Large scale renewable energy - We are working with several third parties to establish support needs in the structuring of funding arrangements for large scale renewable energy developments.

Equity investments

The Development Bank of Wales makes equity investments into a diverse range of companies across business stages through seed and early stage to Series A and beyond. Our investments range from £25,000 seed finance to support pre-revenue IP rich companies to commercialise new technology, up to £10 million for ambitious growing businesses.

Typically, the rounds in which we participate are invested alongside and on the same terms as a private sector investor, supporting compliance with historic state aid rules. We are always a minority shareholder and positively avoid having control over company activities.

Equity investments are managed by specialist teams within the Development Bank. A dedicated technology ventures team with expert knowledge to support businesses through their early stages to commercialisation and on to growth. Our new investments team can offer a blend of debt and equity for more established businesses ensuring that companies benefit from the investment package best suited to their needs. The portfolio development team manages the relationship with the scale up equity portfolio and are focussed on supporting the growth journey of these businesses through to exit.

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The right to appoint an Investor Director (“ID”) to the board of an investee company is a standard condition of investment across the venture capital and private equity industries and is included within the BVCA model documents for early stage investing which we use². Whether and how this right is used will be dependent on the unique circumstances pertaining to the individual investee company.

Our standard equity investment documentation contains the right to appoint an ID or equivalent within it. The Development Bank’s ID is typically a non-executive role. Following appointment, the ID has the same legal duties as any other Director—that is to act in the interest of the company and all shareholders.

The circumstances of each equity investment will be unique and is especially informed by the degree of company development, the commercial challenges it faces and quantum of investment, or in other words, the level or risk to which we are exposed.

For mature, in revenue and profit companies we usually appoint an ID at our first round of equity investment. In contrast, we very rarely appoint an ID to our smaller, seed-stage technology investments. Maturing technology companies, into which we have committed more money, are a mixed picture—we do appoint IDs in some situations, but only when needed.

Investment Director appointments are always made with consideration and a genuine expectation that the ID will help the company achieve its business aims. Our funds benefit indirectly from this insofar as a successful company is much more likely to deliver a positive investment return.

Potential IDs are sourced from our extensive network of contacts. Others are found through advisory contacts and often at the suggestion of Investee Company boards themselves. IDs are proposed based on the specific challenges facing the investee company based on their skillset, experience and likely fit with the existing board dynamic and are not Development Bank of Wales employees.

It is usual that ID appointments are made with the agreement and consensus of the existing board and other stakeholders. A typical engagement would be for the prospective ID to undertake a piece of consultancy work for the business. For example, this might be some commercial due diligence (pre-investment) or a business diagnostic.

There are rare occasions when a consensus regarding appointment is not reached, but the Development Bank has enacted the right of appointment in any case. This is within our legal rights but is never done lightly and is usually done so in an effort to provide greater support to that company’s specific needs.

Investor Directors are paid a fee for their work for the Company, by the Company. Although appointed via investment rights they do not have any special obligation to act in the sole interests of

² [Model documents for early stage investments \(bvca.co.uk\)](https://www.bvca.co.uk)

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the Development Bank. As outlined above, a Company Director has fiduciary duties to the company and all shareholders which override their own personal considerations.

Whilst we would expect a communicative relationship with the ID (as with all Directors), the Investor Director is not our sole or primary reporting conduit in regard to the company. A Development Bank colleague responsible for customer facing management of the investment will usually attend Board meetings as an observer, receive management accounts information and make reports & submissions internally.

Support for succession and management/employee buyouts.

Over recent years we have increased collaboration with Cwmpas and the Welsh Government, supporting the ambition in the Programme for Government to increase the number of employee buyouts undertaken in Wales. This includes:

- Working with Cwmpas as part of their “Wales Employee Ownership Forum” event
- Workshops with Business Wales and the Welsh Government advisory network in conjunction with Cwmpas to ensure broader understanding of succession and EBOs.
- Clear messaging on our website for enabling employees to get to the support they need if looking for EBO support including a direct link to Cwmpas.

The flexible funding that we offer can already support the investment required for employee buyouts and therefore a specific fund in this area is not required. Typically, we find that EBOs are funded through other sources, such as own funding or private lenders, accounting for the low number of specific EBOs from Development Bank funds which number 4 in total (for context, only c.68 have been recorded in Wales across all years). On many occasions however, we have gone on to support businesses that have undertaken an employee buyout with subsequent growth funding - such as Tregroes Waffles in Ceredigion.

EBOs form part of a much larger succession funding strategy delivered by the Development Bank of Wales. This includes our £25m Wales Management Succession Fund that has to date supported 19 businesses with £16m of investment. Since launch of the Development Bank, we have invested c. £95 million into succession transactions in Wales into over 250 companies. Our team regularly host meetings, workshops and seminars to educate on the routes to successful succession. Diane Walker was appointed to the Development Bank board in March 2022 and brings extensive experience of employee-owned businesses helping develop our knowledge in this area.

Complaints and feedback

Over the past year, we have updated our complaints handling policy and procedures and rolled out training to all customer-facing employees and continues for new employees.

In addition to management involvement in resolving individual complaints, we complete quarterly management reviews of complaints received to identify any recurring themes and undertake root

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cause analysis of both complaints and customer feedback. This data is used to inform procedural changes where possible and appropriate.

Two Group companies are authorised and regulated by the Financial Conduct Authority (FCA) for the provision of regulated consumer credit. These are the Group subsidiaries that are engaged in the provision of micro finance to business customers and the Help to Buy (Wales) scheme on behalf of the Welsh Government. Complaints data relating to the activities of these companies is reported and reviewed at the board meetings of one of the Group subsidiary companies; DBW Holdings Limited and is also reported annually to the FCA.

In order that all complainants are afforded equivalent standards of fairness and timeliness as regards complaints resolution, our approach to complaints handling is consistent across all areas of the business and is aligned with the standards required by the FCA with respect to regulated activity (even though not all group subsidiaries are themselves FCA regulated). Accordingly, we aim to provide an early resolution to complaints within 3 working days of receipt and if this is unsuccessful or not possible then we aim to resolve within 8 weeks.

If a complaint is not resolved to the complainant's satisfaction, escalation routes are available. In the case of the Group's FCA regulated subsidiaries, *eligible complainants* (as defined by the FCA, for example, individuals, micro and small enterprises and guarantors) have the option to escalate their complaint to the Financial Ombudsman Service (FOS). We advise eligible complainants of their rights in this regard as part of our response to their complaint. As regards other complaints, the escalation route is to a member of the Group's Investment Leadership Team.

The number of complaints received by the Group is comparatively small. In the 2023/24 year we received 1,765 applications for business funding and at the end of the financial year our portfolio comprised 3,764 businesses. Against this backdrop we received 11 complaints relating to our business lending and investment activity. There were a further 12 instances where customers provided feedback on our service but did not make a complaint. We are not aware of any of these complaints having been escalated to FOS.

Outside the formal complaints route, we take regular proactive steps to solicit feedback through a range of other mechanisms. As discussed earlier in this document, NPS is our standard KPI measure to track customer satisfaction. All customers receive a request for feedback following completion of a transaction, the returns from which are collated and reviewed corporately, by team managers and individual executives and are considered in performance reviews. Our senior team meet with stakeholders on a regional basis and our board hold biannual strategy sessions, most recently in Wrexham and Swansea which involve stakeholder engagement events. We also periodically undertake brand perceptions research with a broad range of stakeholders including customers, the wider SME population, business organisations and political audiences which informs our stakeholder engagement strategy.

Impact of the ONS reclassification

The Office for National Statistics (“ONS”) reclassified the Development Bank of Wales Group excluding FW Capital Limited as “Central Government” in their letter of August 2021, which was back dated to Sept 2017, when the Development Bank of Wales was formed from Finance Wales. FW Capital retained its classification as “Public Corporation”.

Historically, all the investing companies within the Group structure were classified as Public Corporation. When the Development Bank was created careful consideration was given, and external advice sought to this requirement, as well as State Aid and Teckal rule compliance.

This reclassification, which was not anticipated, means that the Development Bank of Wales Group, excluding FW Capital falls within the Welsh Government budgeting boundary and FW Capital lies outside the Welsh Government budgeting boundary.

The normal budgeting alignment process following a reclassification by the ONS is to reprofile the Arm Length Body (“ALB”)’s budgets so that the reclassification has “no financial detriment” to the ALB. This budgeting alignment process is held between the sponsor body (the Welsh Government) and HM Treasury (“HMT”), with the Development Bank providing historic and forecast budgeting information based on funding contracts between the Development Bank and the Welsh Government. At the time of writing this paper, the long-term budgetary treatment of the Group has not been agreed.

We understand that Welsh Government colleagues are considering various options for the budgeting treatment in this interim period whilst awaiting a settlement with HMT.

The reclassification and delayed budget reprofiling alignment with HMT is not currently impacting the activities agreed with the Welsh Government but remains a significant (government) budgetary risk in a circumstance where investment activity is constrained by budget cover as opposed to available funds.

Placing the Development Bank of Wales on a statutory footing

Across the UK other government owned investment bodies, including the Scottish National Investment Bank, the British Business Bank, and the UK Infrastructure Bank, have been created under specific legislation which puts them on a statutory footing.

Many of the benefits of a statutory footing have already been established for the Development Bank though existing frameworks and operating procedures. These include defining our objectives, powers and duties as well as ensuring policy alignment, which are all managed through the framework agreement with the Welsh Government and the term of Government remit letter.

In our view, one benefit of such a move would be longer term certainty which could open more opportunities to access private capital. A fund manager backed by a legal framework could seed

greater confidence from institutional investors such as pension funds who take a longer-term view. The same could be said for the business community who would have more confidence knowing the Development Bank will exist to provide future support and funding rounds.

Evidence from other Development Banks, suggest that such organisations, if delivered as part of a much longer strategy, have the capacity to diversify and grow to contribute to, or deliver, major economic and other government policy agendas. However, the timescales involved extend into decades rather than years and in all instances, feedback is that wording in any such legislation would need to be sufficiently specific so as to bring clarity and broad enough to allow sufficient flexibility to address a changing market.

Comparator organisations

Learning from other development banks and wider public finance institutions as well as best practice from the private sector has informed our strategy and practice.

Montreal Group

The Montreal Group is a not-for-profit association set up to facilitate collaboration between public banks. We have enjoyed a close relationship with the group for several years and have benefitted from attending their events, such as the CEO forum hosted in Amsterdam and a two-day event in London, where we presented our sustainability approach. The group gives us direct access to other development banks as well as research into relevant areas, such as impact reporting.

Relationships with other Development Banks

We have proactively built relationships with other banks such as the Business Development Bank of Canada (BDC), Scottish National Investment Bank, Scottish Enterprise, Finnvera, BPIFrance and KfW.

Examples of collaboration include:

- Knowledge sharing on products and services
 - Discussions with BPI France on their climate plan, including their transition loan and Coq Vert community. This helped shape our Green Business Loan Scheme.
 - Discussions with KfW on their support for retrofitting houses, this is informing our own retrofit scheme.
 - An understanding of the BDC Growth Driver programme, a paid for advisory service for high growth businesses.
- Sharing expertise on technical issues

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- For example, the National Security and Investment Act and the Subsidy Control Regime with Scottish Enterprise.
- Research
 - We commissioned Edinburgh University to review best practices approaches to measuring impact, which included other development banks.

We also link to other organisations such as the OECD (Organisation for Economic Co-operation and Development) who commission relevant research and individuals such as leading economist specialising in international finance and development, Stephany Griffith Jones.

UK Public Finance Institutions—sustainability forum

We are members of a UK wide group that shares intelligence on developing common approaches to sustainability and green finance. Members include the UK Infrastructure Bank, UK Export Finance, The British Business Bank, Innovate UK, Scottish Enterprise and the Scottish National Investment Bank. A similar group is forming focused on the accounting treatment of Development Banks, something we initiated with the UK Infrastructure Bank.

Appendix 1–2021 remit letter – progress on key themes

- I. **Economic recovery and growth-** Undertaking a full agile and adapting role to recovery, extending the patient capital offer, help businesses understand equity, financial inclusion for protected characteristics and socio-economic disadvantage and promotion of the Welsh language.
 - Expanding loan terms through the Wales Flexible Investment Fund to 15 years
 - Increasing our use of patient capital
 - Establishing and delivering an equity strategy including business development workshops, streamlining processes, blogs, and webinars and recruitment
 - Undertaking focused projects to consider actions required for women entrepreneurs and ethnic minority business owners - including launch of the first Women’s Angel Network
 - Regionally focused delivery–2023-24 investment spread 25% in North Wales, 26% in Mid and Southwest Wales and 49% Southeast Wales, which reflects the distribution of businesses across each region.
 - Continued work with the Welsh Government to proactively address needs in difficult market conditions- increased investment, incentivised ‘invest to save’ green lending.

- II. **Net Zero** - Support the changes needed to business behaviours to meet Net Zero goals, embed net zero credentials in existing funds working with third parties and consider new fund solutions.
 - Established our Green Growth Pledge and embedded it within our 5-year objectives.
 - Net zero/environmental considerations embedded into investment decision making.
 - Recruitment of a dedicated sustainability manager and development of a sustainability strategy.
 - £10m Green Business Loan Scheme.
 - Green Homes Incentive to support green methods of housing construction.
 - Green investment champions appointed within the delivery teams.
 - Ongoing working relationships with Energy Savings Trust and Carbon Trust

- III. **Fund management-** Consider options for the Wales Flexible Investment Fund to be evergreen, cross government working to support policy solutions, support Employee Buy Outs, deliver on our Key Performance Indicators.
 - Key Performance Indicators achievement is mainly tracking against target for the period to date.
 - Engagement across multiple Welsh Government department including tourism, creative, housing, economy, and energy.
 - Ongoing liaison with Business Wales and Cwmpas to promote Employee Buy Outs.
 - Adaption of the new Subsidy Control Regime including registration of the Rescue and Restructuring Scheme.
 - Full investment of the £216m Wales Business Fund, investing an additional £12m in 2023-2024 to secure future legacy EU funding for reuse in Wales.

- IV. Value, efficiency, and customer service** - Pursue efficiency gains and value for money, strengthen brand recognition, listen to customers experience and satisfaction, embed reputation as trusted expert and authoritative voice.
- Digital Transformation programme - new customer portal to go live in summer 2024.
 - Introduction of customer Net Promoter Score to measure customer satisfaction levels.
 - Economies of scale for each new scheme launched for the Welsh Government.
 - Efficiency KPI reporting including comparator organisation benchmarks.
 - Compliance with the Welsh Language Standards for service delivery across all activity.
- V. New funds and services**- Explore new product development, continued delivery of Mutual Investment Model, Angels Invest Wales and Help to Buy Wales, replacement ERDF funding, increase flow of funds, develop relationship with UKIB and BBB, continue to strengthen the Business Wales relationship.
- Launch of four new schemes, two green focused and two housing focused.
 - Wales Angel Co-Investment Fund tracking ahead of target with £6m invested.
 - Award of contract to run the £30m Debt Fund by British Business Bank as part of the £130m Investment Fund for Wales.
 - Investment Director membership on the Business Wales Advisory Board and ongoing customer referral mechanism in place.
 - Three new proposals to be submitted in 2024 for new and replacement funding solutions.
- VI. Intelligence and research**- Maximise Economic Intelligence Wales contribution.
- Regular joint events with FSB established for Senedd members.
 - Economic Resilience Fund longitudinal study undertaken.
 - Bespoke report on R&D intensive businesses published in March 2024.
 - Two new research partners added - ERC and Bangor University.
- VII. Budget and funding management**- Work with the Welsh Government to adapt to new budget management arrangements.
- Joint working with Welsh Government to establish new post-classification budget and reporting arrangements.