

# Scottish Government Bonds and Investing in Ourselves

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WORKING PAPER

# EXECUTIVE SUMMARY

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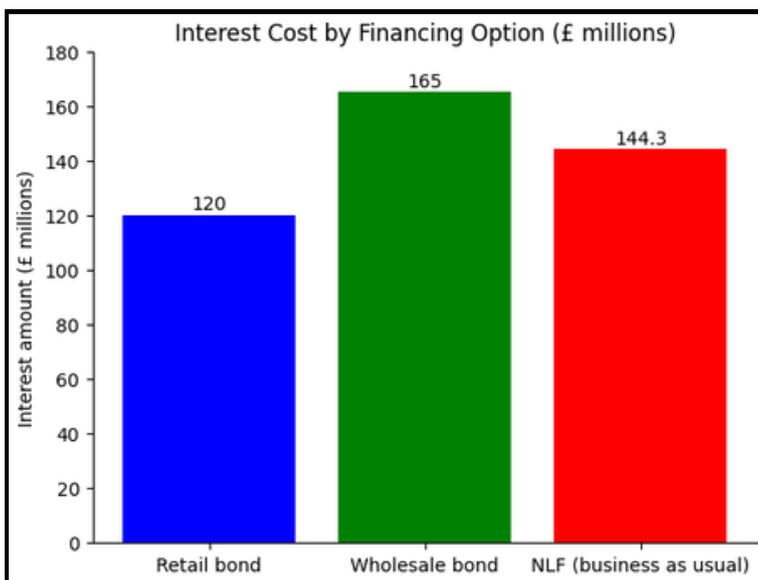
- The focus of the proposed bond programme, as currently drafted, is to encourage the foreign ownership of Scotland's assets.
- The wholesale programme will result in approximately £170 million leaking out of the Scottish economy.
- This decision to issue wholesale bonds is inconsistent with the Scottish Government's commitment to Community Wealth Building (CWB) and directly conflicts with the principles of CWB upon which the Community Wealth Building Act 2026 is based.
- An alternative retail bond programme would add £120 million to Scottish businesses and households.
- If the Scottish Government is serious about CWB, it must consider how to retain wealth in Scotland's economy and reduce its heavy reliance on foreign direct investment (FDI) and capital investment from overseas.
- The wholesale programme further weakens the resilience of both the Scottish Government and the domestic non-government sector, which comprises households and businesses.
- Issuing government bonds is unlikely to demonstrate that Scotland is a more desirable place for international investment. 'Crowding in' is highly uncertain.
- The credit rating Scotland received to support the bond programme was based on subnational calculations by rating agencies. It has no bearing on Scotland's credit rating as an independent nation and is based primarily on HM Treasury's backstop. Scottish Ministers have been disingenuous, linking this to Scotland's independent economy.
- Scotland's immediate and long-term interests will be better served by issuing bonds as retail bonds or, if offering them to institutional investors, to do so exclusively to Scotland's Local Government Pension Funds.
- No planning, consideration, or scenarios assuming Scotland becomes an independent country were included in a process that will likely see the Scottish Government repay a 10-year bond issued in 2026 through 2036.
- The Scottish Government must pause the wholesale bond programme and reevaluate the issuance to consider funding investment from within Scotland.

# KEY TABLE AND CHART

Table 1. Wider economic objectives and additional public issuance option

Objectives	Business as usual via the NLF	Wholesale bonds	Green bonds issued to Scottish Public/Institutions
Access to diverse sources of capital funding*	0	3	3
Enhance Scotland's fiscal sustainability *	1	2	2
To raise Scotland's profile among financial investors*	0	1	0
To raise Scotland's profile in the Scottish private sector	0	1	3
To develop Scotland's institutions*	0	1	3
Likely value for money*	2	1	3
Supplier capacity and capability*	3	2	2
Achievability*	3	2	2
Alignment with Net Zero	1	1	3
Interest repayment to the Scottish private sector	0	0	3
Redenomination of debt into Scottish pounds	0	3	3
Strengthening democratic discipline	1	1	3
Comply with the spirit of the CWB Bill	1	0	3
<b>SCORE</b>	<b>12</b>	<b>18</b>	<b>33</b>

Chart 1. Interest cost and destination of interest payments by financing option



Key:  
 Blue Interest payments flow to Scotland's households and businesses  
 Green Interest payments flow to the foreign sector  
 Red Interest payments flow to HM Treasury

## SCOTONOMICS AND THE SCOTTISH CURRENCY GROUP

[www.scotonomics.org](http://www.scotonomics.org)  
[www.scg.scot.org](http://www.scg.scot.org)

William Thomson is a political economist. He worked for almost a decade in the financial services sector in London, holding positions in the Commercial Departments at the British Bankers' Association and the Council of Mortgage Lenders. William has an MA (Hons.) in European Studies, an MSc in The Green Economy, and an MEcon in the Economics of Sustainability. Based in Dunblane, William writes articles on economics in various publications, including The National, Brave New Europe, and the Scottish Left Review. He hosts the Scotonomics Podcast and curates Scotland's Economics Festival.

Jim Osborne graduated in 1978 with a BA Honours Degree in Economics at Manchester University. He had a 28 years career in the Claims Division of Allianz UK during which time he was also the Senior Trade Union Representative for 3000 office staff, for 20 years and a UK delegate to the Allianz European Works Council for 8 years. He also served as a member nominated pension trustee of the Allianz UK pension scheme for 7 years. He has had an active interest in the role of pension funds in the economy for over 25 years and has been a campaigner for pension reform since 2013. He has been a member of the Scottish Currency Group since 2020 and is a regular contributor to The National and Bylines Scotland.

# SCOTTISH GOVERNMENT BONDS AND INVESTING IN OURSELVES