

## COMMISSIONING LETTER

REDACTED.

Eunomia Research & Consulting Ltd  
37 Queen Square  
Bristol  
BS1 4QS.

05/03/2018

REDACTED.

### **Research and Evaluation Framework Agreement – Lot 02, Financial, Regulatory Economic and Econometric Forecasting Analysis.**

CCFI18A03: National and International Institutions Supporting Infrastructure Investment

Thank you for your response to the Specification for the above Commission by the National Infrastructure Commission (the Customer) through the Research and Evaluation Framework dated 20<sup>th</sup> February 2018 between (1) Secretary of State for Business, Innovation and Skills and (2) Eunomia Research & Consulting Ltd (the Framework Agreement).

The National Infrastructure Commission accepts your Supplemental Tender, submitted in response to the Specification.

The Call-off Terms and Conditions for this Contract are those set out in Schedule 5 to the Framework.

The agreed total Charges are £36,773.50 inclusive of all expenses but exclusive of VAT which should be added at the prevailing rate. Costs shall be submitted in line with the following rates:

REDACTED

The Charge for each task of the requirement shall be costed as below:

REDACTED.

Full details of all Charges can be found in the Supplemental Tender. The total Charge includes all travel and expenses costs.

Payment can only be made following satisfactory delivery of the pre-agreed certified products and deliverables. Payment will be made in monthly arrears, subject to invoice(s) being submitted for work carried out.

Before payment can be considered, invoice(s) shall include a detailed elemental breakdown of work completed and the associated costs. Invoice(s) shall include the Purchase Order provided to the Service Provider following their appointment and the Customers address REDACTED.

The Service Provider is reminded that any Customer Intellectual Property Rights provided in order to perform the Services shall remain the property of the Customer.

The Customer shall measure the quality of the delivery of the service through monitoring of the following SLAs:

KPI/SLA	Service Area	KPI/SLA description	Target
1	Reporting	Provision of weekly progress updates to the Customer contract manager via meetings or telephone.	100%
2	Contract Management	Dedicated point of contact response to an Customer.	<48 hours (Monday to Friday)
3	Service Delivery	Delivery in accordance with all milestones.	100% on time in full
4	Report quality	The extent to which the research objectives in section 6 are met	100%

Where the Customer identifies poor performance against the agreed KPIs, the Service Provider shall be required to attend a performance review meeting. The performance review meeting shall be at an agreed time no later than 10 working days from the date of notification at the Customers premises.

The Service Provider shall be required to provide a full incident report which describes the issues and identifies the causes. The Service Provider shall be required to prepare a full and robust 'Service Improvement Action Plan' which sets out its proposals to remedy the service failure. The Service Improvement Plan shall be subject to amendment following the performance review meeting and agreed by both parties prior to implementation.

The Customer agrees to work with the Service Provider to resolve service failure issues. However, it shall remain the Service Providers sole responsibility to resolve any service failure issues.

Where the Service Provider fails to provide a Service Improvement Plan or fails to deliver the agreed Service Improvement Plan to the required standard, the Customer

reserves the right to seek early termination of the Contract in accordance with the procedures in accordance with the Call-off Terms and Conditions.

The Services Commencement Date is 8<sup>th</sup> March 2018.

The Completion date is 7<sup>th</sup> June 2018.

The Contract may be terminated for convenience by giving one (1) month notice in accordance with clause 37 of the Call-off Terms and Conditions.

The Authorised Representative for this Commission will be:

REDACTED.

Key personnel for the Service Provider shall be:

REDACTED.

Congratulations on your success in being selected to undertake this Commission.

REDACTED

06/03/2018

BY SIGNING AND RETURNING THIS COMMISSIONING LETTER THE SERVICE PROVIDER AGREES to enter a legally binding Contract with the Customer to provide to the Customer the Services specified in this Commissioning Letter and Annexes incorporating the rights and obligations in the Call-off Terms and Conditions set out in the Framework Agreement.

Signed on behalf of Eunomia Research & Consulting Ltd

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Signed on behalf of the National Infrastructure Commission

REDACTED.

## SPECIFICATION

### 1. BACKGROUND TO REQUIREMENT/OVERVIEW OF REQUIREMENT

- 1.1 The Customer has committed to delivering a National Infrastructure Assessment (“NIA”) once in every Parliament, which will assess the UK’s long-term infrastructure needs (across a 10-30-year horizon) with recommendations to the government. The NIA covers six infrastructure sectors (transport, energy, water and wastewater, digital communications, solid waste and flood risk management), also considering their interdependencies and wider cross-cutting issues, including infrastructure finance. The delivery of the NIA is being overseen by the Customer’s Commissioners, appointed by the Chancellor.
- 1.2 The NIA comprises two phases. An interim report for the Assessment, [Congestion, Capacity, Carbon](#), was recently published and identifies long-term infrastructure needs and consults on options to address these. The second phase is the preparation and publication of the final National Infrastructure Assessment, which will make recommendations to the government, and will be published in summer 2018.
- 1.3 In May 2016, the Customer published a [consultation](#) on the scope and methodology of the NIA. This consultation closed in August 2016 and the Customer published its [response](#) in October 2016.
- 1.4 The interim report (Chapter 7) states that the European Investment Bank (EIB) and the Green Investment Bank (GIB) have been significant investors in UK infrastructure in recent years. It sets out that the role of both institutions has gone beyond providing lower cost finance, and includes a key due diligence and market signalling role, helping to ‘crowd in’ private investors. The future role of both institutions in the UK is currently in question following the UK’s decision to leave the European Union and the privatisation of the Green Investment Bank, which could consequently shift its risk profile towards more established sectors with a track record of stronger returns.
- 1.5 The Customer seeks to understand what impact the potential loss of the current role these institutions play would have on the UK infrastructure market. The Customer is specifically interested in whether a UK Infrastructure Bank would be desirable in these circumstances. This requirement will help to inform the Customer’s work by providing an analysis of how the existence or otherwise of national financial institutions elsewhere to support infrastructure projects have been beneficial or not, and what other interventions may be desirable instead/in addition.
- 1.6 Potential Providers should read the above linked documents, particularly Chapter 7 of the interim report which provides the wider context to this requirement. The Customer also previously commissioned an in-depth [analysis](#) of the UK infrastructure finance market which may also be of interest. In addition, Potential Providers should also review the Customer’s [framework document](#) which sets out the organisation’s purpose and objectives, as well as its governance and accountability mechanisms, in order to better understand the Customer as an organisation.

## 2. DEFINITIONS

Expression or Acronym	Definition
National financial institution	Means a largely state-owned and public policy-oriented financial institution which provides any level of support for infrastructure projects in that country. These institutions are often called 'banks' (and can include those referred to as 'national development banks'), even though they may take equity stakes in projects as well as/instead of providing loans. An example would be KfW Bank in Germany.
Infrastructure	Means economic infrastructure in the Customer's remit (digital communications, energy, transport, water and wastewater, flood risk and solid waste). The Customer is only interested in the financing of social infrastructure projects (schools, prisons, hospitals etc.) where these methods could also be used to finance economic infrastructure.
International financial institutions	Means financial institutions, which are generally established, funded (at least initially) and governed with the input of several countries, and provide finance to national governments for the purposes of development, including for infrastructure projects. Examples include the World Bank and the European Investment Bank.

## 3. SCOPE OF REQUIREMENT

- 3.1 The requirement is focused on national and international financial institutions and the other policy tools used by national governments to attract investment into infrastructure projects. The 'value' of these policy tools is their ability to increase levels of infrastructure investment into priority areas and/or drive efficiency in projects (including by providing analysis and structure for the project).
- 3.2 This requirement focuses on leveraging investment to finance infrastructure projects. The Customer can advise on which mechanisms to finance infrastructure are within or outside the scope of this requirement.

## 4. THE REQUIREMENT

- 4.1 As outlined in Section 3, the UK may see the role of two significant financial institutions involved in infrastructure financing (the EIB and GIB) change in the coming years.
- 4.2 National and international financial institutions may be able to play a useful role beyond just providing favourable lending rates to infrastructure projects.

For example, these institutions can provide a useful market signal about the viability of new or risky technologies, or its expertise can help projects run more efficiently.

- 4.3 The Customer is therefore keen to understand the experience of other countries which do and do not have access to either national and/or international institutions to finance infrastructure projects. The aim of the requirement is to assess how the experience of these countries relate to the UK, and the circumstances under which these institutions can help support infrastructure investment.
- 4.4 The requirement focuses on detailed case studies of six countries. Three of these countries shall have a national financial institution ('Set 1') and potentially access to international financial institutions too. The other three shall focus on countries which do not have a national financial institution, although they may have access to an international financial institution ('Set 2').
- 4.5 Analysis of Set 1 countries shall explore the remit and operations of the national financial institution, including the exact nature of its involvement in infrastructure investment such as:
  - (a) whether the institution funds economic or social infrastructure, or both;
  - (b) the lending rates provided to projects and how they compare with market rates;
  - (c) how the institution is funded (including any taxpayer-funded start-up capital), its ability to borrow from capital markets and balance sheet treatment;
  - (d) the exact nature of its involvement in projects beyond providing finance i.e. the extent to which it provides advice and expertise (and to what extent a 'demonstrator effects' can be observed because of this activity);
  - (e) the extent to which international financial institutions have been involved in leveraging its capital deployment;
  - (f) the extent to which the institution has been able to 'crowd in' private finance, based on robust quantitative studies where possible, with both qualitative and quantitative assessments of its role;
    - (i) This shall include assessments by the institutions themselves, along with the analytical frameworks used. External assessments from government agencies, academics and legislatures (e.g. Parliaments) would also be useful to consider as part of this section.
  - (g) is there an attempt to measure the social return of the projects that are financed (and if so how); and
  - (h) any new stimulus that such institutions have or had to aid infrastructure development in their country.

- 4.6 Analysis of Set 1 countries shall also include any other policy tools which the relevant national government has used to support infrastructure investment, specifying where these have been used alongside the institution or independently.
- 4.7 Analysis of Set 2 countries shall focus on the infrastructure finance market of those countries and assess where these countries have and have not been able to meet their infrastructure financing needs. The other policy tools available and used by the relevant national government shall be detailed. This assessment shall also include any relevant quantitative and qualitative analysis of the state's role in these markets, particularly as related to whether a national financial institution would be a useful addition.
- 4.8 The requirement also includes a section detailing the governance arrangements of the national and international institutions referenced (and to be agreed with the Customer before work commences). This shall include:
- the objectives and principles guiding these institutions and how these are reflected in operations and the composition of staff and senior management;
  - measures taken to ensure that the institution operates independently from political interference; and
  - a summary of what lessons can be learnt from this analysis for a potential UK institution.
- 4.9 The Service Provider shall agree with the Customer the Set 1 and Set 2 countries to focus on early in the requirement (see timescales in Section 7). The Customer suggests focusing on Organisation for Economic Co-operation and Development (OECD) countries with comparable economies and infrastructure requirements, including Germany's KfW Bank.
- 4.10 The outputs for this requirement are an interim report, a draft report and final report. These are to be delivered to the timescales set out in Section 7.
- 4.11 The reports shall draw contrasts within and between the different sets of countries. It shall also underline the importance of the national/regional context where this is important, and assess the extent to which access to international financial institutions has limited or enhanced the attractiveness of having a national financial institution.
- 4.12 The Customer requires the Service Provider to engage regularly throughout the requirement to ensure that analysis, draft and final outputs focus on the areas of most interest to the Customer. The Customer recognises that this is a broad area to analyse given the timescales for the requirement, so it will provide direction on which issues to focus on as the work develops.
- 4.13 The Customer recommends that academic and grey literature, and existing publicly available data shall provide the necessary raw material for this requirement. However, the Customer also requires the Service Provider to organise interviews (via telephone if necessary) to follow-up with relevant stakeholders on key points to be referenced where this is likely to significantly enhance the quality and detail of the report. The Service provider shall develop the question set for the interviews in line with the data enhancement requirement. The Customer will support the Service Provider in organising these meetings where it can provide specific help e.g. by using existing contacts.

4.14 The final report shall be written in MS Word format, supported by graphs, charts and tables as appropriate to evidence findings. The final report shall capture the detailed analysis of Set 1 and Set 2 countries and the detailed governance arrangements of the national and international financial institutions, as set out above. Providing that the Customer judges these areas to have been sufficiently covered, there is no pre-set word or page count required for this report, although Potential Providers shall note that the final report will be subject to scrutiny from the Customer's Commissioners and [expert panels](#), and will eventually be published.

## 5. CUSTOMER'S RESPONSIBILITIES

5.1 The Customer will share relevant information and expertise, as needed and deemed appropriate by the Customer, with the Service Provider.

5.2 The Customer will provide a nominated project manager who will be responsible for the day-to-day management of the Contract and will be the main point of contact for the Service Provider.

## 6. REPORTING

6.1 As set out in Section 7 (Key Milestones). Additionally, the Service Provider shall be expected to update the Customer on project progress on at least a weekly basis via a meeting or phone call, including to flag any issues or early findings.

6.2 Sections 3 and 4 above indicate the type and number of research activities the Customer expects to be carried out as part of this requirement.

6.3 This is a time-pressured piece of work and the Service Provider shall provide capacity and expertise to deliver it on time and to a high standard.

## 7. KEY MILESTONES

Milestone	Description	Timeframe
1	Project inception meeting at the Customers premises in London	Within first week of Contract commencement
2	Submission of Project plan outlining approach	Within 2 weeks of Contract commencement
3	Proposal of Set 1 and Set 2 countries	Within 3 weeks of Contract commencement
4	Submission Interim report including analysis of Set 1 and Set 2 countries	Within 5 weeks of Contract commencement
5	Submission of First draft of final report including governance arrangements of the different institutions	Within 6 weeks of Contract commencement
6	Final report complete	Within 8 weeks of Contract commencement
7	Delivery of final report following the Customers QA process	Within 10 weeks of Contract commencement

7.1 The above timetable is subject to change and is dependent upon key gateway points being met in terms of receiving information from the customer and obtaining all required approvals.

## **8. CONTINUOUS IMPROVEMENT**

- 8.1 The Service Provider shall be expected to give due consideration to the way in which the required Services are to be delivered throughout the Contract duration and can be continually improved.
- 8.2 Changes to the way in which the Services are to be delivered shall be brought to the Customer's attention and agreed prior to any changes being implemented.

## **9. QUALITY**

- 9.1 The Customer expects to publish the final report and will be looking to cite the findings in its publications and the final National Infrastructure Assessment. The report shall be able to stand up to scrutiny and both internal and external challenge from experts in the field of infrastructure finance.

## **10. STAFF AND CUSTOMER SERVICE**

- 10.1 The Customer requires the Service Provider to provide a sufficient level of resource, with sufficient but not excessive senior involvement and oversight throughout the duration of the Contract to consistently deliver a quality service to all Parties at value for money.
- 10.2 Service Provider's staff assigned to the Contract shall have the relevant qualifications, experience and expertise to deliver the Contract.
- 10.3 The Service Provider shall not replace staff members in the team which was assembled and presented in the bidding process without informing and getting consent from the Customer.
- 10.4 The Service Provider shall ensure that staff understand the Customer's vision and objectives and shall provide excellent customer service to the Customer throughout the duration of the Contract.

## **11. SECURITY REQUIREMENTS**

- 11.1 Due care shall be taken by the Service Provider to protect the confidentiality of all analysis and outputs (including in development, draft and interim phases) relating to this requirement, to avoid pre-empting the Customer's placement of the final report or any information about the work into the public domain.

## **12. INTELLECTUAL PROPERTY RIGHTS (IPR)**

- 12.1 All analysis and outputs in the requirement are commissioned by, and shall be delivered by the Service Provider exclusively to, the Customer. Analysis and outputs shall not be shared or discussed with any party other than the Customer, without its explicit consent.
- 12.2 All analysis (including in development, draft and interim phases) used to generate the outputs shall be provided to the Customer for future use. This includes raw datasets. The analysis and final report shall be the property of the Customer. The Service Provider shall not disclose the analysis or the final report (either in part or in full) to any third parties prior to publication by the Customer, unless the Customer gives express consent to do so.

## **13. ADDITIONAL INFORMATION**

- 13.1 The Potential Provider shall be open to working collaboratively with other Suppliers, contracted by the Customer to deliver other pieces of analysis.

#### **14. LOCATION**

The location of the Services shall be carried out at the offices of the Potential Provider. However frequent meetings shall take place with the Customer at the Potential Provider's offices, at the Customer's offices in Eastcheap Court, 11 Philpot Lane, London, EC3M 8UD, or other central London (zones 1-2) locations as appropriate.

**SUPPLEMENTAL TENDER DATED 20<sup>TH</sup> FEBRUARY 2018**

**Question 4.1: Service Provider Response**

REDACTED.

**Question 5.1: The Service Provider's Response**

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**Question 6.1: The Service Provider's Response**

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**Question 6.2: The Service Provider's Response**

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