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1. PURPOSE

- 1.1 The purpose of this requirement is to conduct an analysis of the economic infrastructure financing investments made by the European Investment Bank (EIB) and Green Investment Bank (GIB – now the Green Investment Group), over the past decade and since its founding in 2012 in the UK respectively.
- 1.2 This is expected to include reviewing published information by the two organisations and other relevant organisations (such as the OECD, the IMF and the World Bank), academic literature, grey literature and relevant databases. This analysis should inform an assessment of the value added by each institution to the projects they have been involved in and to the infrastructure finance landscape in the UK more generally. Within this should be a focus on the importance of the institutional features of both organisations and whether alternative approaches (such as funding without the institutional support) could have led to similar outcomes. The requirement also covers a future-looking component to assess the implications of this analysis for potential future areas of infrastructure spending in the UK.

2. BACKGROUND TO THE CONTRACTING AUTHORITY

- 2.1 The Authority, the National Infrastructure Commission (“NIC”), is an independent body (an Executive Agency of HM Treasury) which provides the government with impartial, expert advice on major long-term infrastructure challenges. All analysis and outputs in the requirement are commissioned by, and will be delivered by the Potential Provider exclusively to, the NIC. Analysis and outputs must not be shared or discussed with any party other than the NIC, without explicit NIC consent.

3. BACKGROUND TO REQUIREMENT/OVERVIEW OF REQUIREMENT

- 3.1 The Authority 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 (‘economic infrastructure’ - 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 NIC’s Commissioners, appointed by the Chancellor.
- 3.2 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.
- 3.3 In May 2016, the Authority published a [consultation](#) on the scope and methodology of the NIA. This consultation closed in August 2016 and the Authority published its [response](#) in October 2016.
- 3.4 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.

- 3.5 The NIC would like to understand what impact the potential loss of the current role these institutions play would have on the UK infrastructure finance market. Specifically, the NIC is interested in whether a UK Infrastructure Bank would be a desirable policy intervention from government in these circumstances. This requirement will help to inform the NIC’s work by providing an analysis of how beneficial these features, and both the EIB and GIB more generally, have been in terms of their role in the UK infrastructure finance market in recent years.
- 3.6 Potential Providers should read the above linked documents, particularly Chapter 7 of the interim report which provides the wider context to this requirement. The NIC also previously commissioned an in-depth [analysis](#) of the UK infrastructure finance market which would similarly provide useful background material. In addition, Potential Providers should also review the Authority’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 NIC as an organisation.

4. DEFINITIONS

Expression or Acronym	Definition
Institutional features	A feature derived or enhanced from being an institution, as opposed to a specific policy tool or set of policies tools. The NIC is interested in this distinction to help differentiate between the qualities that an institution can bring, such as the skills and experience of its staff, compared to that institution simply providing favourable lending rates to projects – a function for which a dedicated institution is not necessarily required. These are those features which may be referred to as ‘soft’ and are associated with ‘cornerstone investors’ (which the EIB and GIB may be considered).
Value	The tangible benefits brought about by a function or activity. This could include lowered transaction costs for other parties and greater efficiency in project management. However, the term ‘value’ should be considered in its broadest sense, even if it is not feasible nor desirable to try and capture this quantitatively.
The Authority	National Infrastructure Commission (“NIC”)

5. SCOPE OF REQUIREMENT

- 5.1 With Brexit negotiations ongoing, this requirement should not include an assessment of whether the UK is likely to lose or retain access to the European Investment Bank following the UK’s withdrawal from the European Union. Similarly, this project should not speculate on the likelihood of the Green Investment Group’s role in the market following its privatisation. Instead, this work should focus on identifying the value or



otherwise that the EIB and GIB have added to the UK infrastructure financing landscape, and the importance of their institutional features as part of that role.

- 5.2 This requirement includes the various components, funds and related initiatives of the European Investment Bank. For example, this requirement covers both the European Fund for Strategic Investments and the European Investment Advisory Hub.
- 5.3 This requirement excludes analysis of projects that financed exclusively social infrastructure. The NIC can provide further guidance on areas that are in and out of the scope of the requirement as the project develops.
- 5.4 The requirement excludes an analysis of the EIB and GIB's history, structure and institutional governance, except where this is of direct relevance to the requirement set out in Section 6.

6. THE REQUIREMENT

- 6.1 As part of the National Infrastructure Assessment, the NIC is considering what barriers there may be – now and in the future - to the market efficiently financing infrastructure projects. Understanding the implications of a change in the role of two key organisations that have operated in this landscape for many years will be crucial to this. The UK may lose access to the European Investment Bank following Brexit, or the scale of its involvement may decrease. The Green Investment Bank has recently been privatised and there is the potential for its role to change.
- 6.2 The requirement is to understand the role that both the EIB and GIB have played in financing infrastructure in recent years in the UK, and to use this to inform analysis of what arrangements may be desirable in the future. The NIC therefore considers it useful to obtain a thorough understanding of recent EIB and GIB projects, their relative success and the extent to which each body's institutional features can be considered important to this. The latter will be important context for the NIC when considering whether there is a case for a new institution to replicate this function under certain circumstances.
- 6.3 The NIC is keen for Potential Providers to set out a robust approach for how they would address these issues through their bids, including the literature and data which could be used to inform this. The NIC expects the work to be arranged as follows, but alternatives will also be considered:
- Section 1a: Data on economic infrastructure projects which the EIB have financed in the past decade and the GIB have funded since their inception in 2012. For each project, this should include:
 - The exact nature of the product offered and details of involvement – for example, EIB/GIB lending rates offered compared to those of other parties including commercial lenders, and the proportion of overall financing provided; and
 - The timing of EIB/GIB involvement relative to other parties and expertise provided/analysis undertaken
 - Section 1b: Analysis of the projects identified in section 1a. This should include:



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- An assessment of how important institutional features were to the project – including an assessment of whether the project would have likely gone ahead anyway, and under what different circumstances (for example, with less technical expertise or higher project expense)
 - How ‘risky’ was the investment in each case (for example, where technologies were involved, what kind of track record did these already have)?
 - What analytical frameworks did the institutions themselves use to measure the success of these projects (for example, ‘additionality’ for the EIB)?
 - Was there an attempt to measure the social return of these projects? If so, how?
 - Is there evidence of a competitive impact that both institutions had in keeping lending rates down?
 - The NIC will also discuss with the successful bidder the feasibility of comparing these projects with other potentially viable projects which did not receive EIB or GIB support.
- Section 2: Analysis of Section 1 findings focused on:
 - The implications of these findings on the extent to which both institutions have been able to ‘crowd in’ private capital into projects – or the opposite
 - Types of projects and sectors/sub-sectors which have seen disproportionate benefit or otherwise from the involvement of these institutions
 - Section 3: Forward look of the UK’s infrastructure financing needs. This will comprise a high-level analysis of the UK’s likely priority infrastructure financing needs over the medium-term with an assessment (based on Sections 1 and 2) of the likelihood that these would need (rather than simply benefit from) institutional support to receive sufficient private finance. The focus of this section will be clarified with the NIC during the project.
- 6.4 The Authority recommends that academic and grey literature, and existing publicly available data should provide the necessary raw material for this requirement. The Authority would also like the successful bidder 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 Authority will support the successful bidder in organising these meetings where it can provide specific help e.g. by using existing contacts
- 6.5 The final report must be written up into a Word document, supported by graphs, charts and tables as appropriate to evidence findings. The final report should comprise the three sections outlined above. Providing that the Authority judges these areas to have been sufficiently covered, there is no pre-set word or page count required for this report, although Potential Providers should note that the final report will be subject to scrutiny from the NIC’s Commissioners and [expert panels](#), and will eventually be published.



7. KEY MILESTONES

7.1 The Potential Provider should note the following project milestones that the Authority will measure the quality of delivery against:

Milestone	Description	Timeframe
1	Project inception meeting	Within one week of contract commencement
2	Project plan outlining approach	Within two weeks of contract commencement
3	Section 1 complete	Within four weeks of contract commencement
4	Interim report including sections 1, 2 and 3 complete	Within six weeks of contract commencement
5	Final report complete	Within seven weeks of contract commencement
6	Delivery of final report following NIC QA process	Within nine weeks of contract commencement

7.2 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. AUTHORITY'S RESPONSIBILITIES

8.1 The NIC will share relevant information and expertise, as needed and deemed appropriate by the NIC, with the Potential Provider. Specifically, the NIC will aim to help support and facilitate stakeholder meetings and data requests, where possible and appropriate.

9. REPORTING

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

10. VOLUMES

10.1 Sections 6 and 7 above indicate the type and number of research activities the Authority expects to be carried out as part of this requirement.

10.2 This is a time-pressured piece of work and Potential Providers should demonstrate their capacity and expertise to deliver it to a high standard as part of their bid.

11. CONTINUOUS IMPROVEMENT

11.1 The Potential Provider will 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.



11.2 Changes to the way in which the Services are to be delivered must be brought to the NIC’s attention and agreed prior to any changes being implemented.

12. SUSTAINABILITY

12.1 In accordance with Appendix C, Terms and Conditions.

13. QUALITY

13.1 The Authority 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 must be able to stand up to scrutiny and both internal and external challenge from experts in the field of infrastructure finance.

14. PRICE

14.1 Prices should be submitted by Potential Providers’ in the Appendix E.

14.2 Bids for the full requirement are expected to be in the range of £20,000 to £40,000 (excl. VAT).

14.3 Prices should be inclusive of all expenses and exclusive of VAT.

15. STAFF AND CUSTOMER SERVICE

15.1 The NIC requires the Potential 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.

15.2 Potential Provider’s staff assigned to the Contract shall have the relevant qualifications, experience and expertise to deliver the Contract.

15.3 The Potential Provider should not replace staff members in the team which was assembled and presented in the bidding process without informing and getting consent from the NIC.

15.4 The Potential Provider shall ensure that staff understand the NIC’s vision and objectives and will provide excellent customer service to the NIC throughout the duration of the Contract.

16. SERVICE LEVELS AND PERFORMANCE

16.1 The Authority will measure the quality of the Supplier’s delivery by:

KPI/SLA	Service Area	KPI/SLA description	Target
1	Reporting	Provision of weekly progress updates to the Authority contract manager via meetings or telephone	98%
2	Contract Management	Dedicated point of contact response to an Authority communication within 48 working hours.	99%
3	Service Delivery	Adherence to all milestones	100%



17. SECURITY REQUIREMENTS

- 17.1 Due care must be taken by the Potential 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 NIC's placement of the final report or any information about the work into the public domain.

18. INTELLECTUAL PROPERTY RIGHTS (IPR)

- 18.1 All analysis (including in development, draft and interim phases) used to generate the outputs should be provided to the NIC for future use. This includes raw datasets. The analysis and final report will be the property of the NIC. The Potential Provider must not disclose the analysis or the final report (either in part or in full) to any third parties prior to publication by the NIC, unless the NIC gives express consent to do so.

19. PAYMENT

- 19.1 Payment can only be made following satisfactory delivery of the pre-agreed certified products and deliverables. Payment will be made in arrears, subject to invoice(s) being submitted for work carried out.
- 19.2 Before payment can be considered, invoice(s) must include a detailed elemental breakdown of work completed and the associated costs.
- 19.3 Invoices must contain a valid Purchase Order number.
- 19.4 Invoices should be submitted for the attention of Siddharth Varma, Senior Policy Adviser, National Infrastructure Commission, 5th Floor, 11 Philpot Lane, London EC3M 8UD.

20. ADDITIONAL INFORMATION

- 20.1 The Authority considers previous experience of infrastructure finance projects relevant and Potential Providers should outline any such experience and its relevance to this Requirement in their bid. Potential providers should also set out any previous experience of either researching or collaborating with either the EIB or GIB, or other state-backed financial institutions. More widely, the Potential Providers could outline their experience of delivering other infrastructure or finance-related research tasks, particularly those which were subsequently used to inform policy-making.
- 20.2 The Potential Provider should demonstrate that they are open to working collaboratively with other suppliers, contracted by the Authority to deliver other pieces of analysis.
- 20.3 This contract is a one off piece of work for a 3 month period.

21. LOCATION

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