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UK INFRASTRUCTURE BANK INVESTMENT PRINCIPLES

LAYING THE FOUNDATIONS FOR LONG TERM SUCCESS

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The new UK Infrastructure Bank must set the right investment principles now for long term success. Levelling up in the long term will not be possible without investment in green jobs and future-proofed infrastructure. The Bank must set out an investment strategy which implements net zero as an investment screen and sets the minimum standards and benchmarks required to deliver the patient capital to the right people, projects, and places and spark a sustainable and inclusive recovery across the whole of the UK.

Summary

The UK Infrastructure Bank's Spring framework is the critical landing point for further detail on how exactly the Bank will incorporate net zero into its investment strategy, whilst balancing its other objective of levelling up. The UK infrastructure bank must learn from the experience of the UK Green Investment Bank and develop the flexible, mission-led, and forward-looking investment strategy required to identify and crowd in capital to the investment opportunities of tomorrow.

This briefing identifies four key investment principles to guide the Bank's investment strategy and proposes underpinning benchmarks to ensure that the Bank can invest responsively and flexibly, evolving to meet changing market needs through the net zero transition. These principles will inform the Bank's mission and support its evolution over time to ensure that it is an effective institution, able to meet the coming challenges.

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Background

The UK Infrastructure Bank's launch comes at an opportune moment to support a sustainable, inclusive and resilient recovery from the pandemic. Investment in the infrastructure technologies of the future is key to promoting the UK's long-term economic productivity, replacing the funding provided by the European Investment Bank. There is a strong commercial and economic case for levering in sustainable finance for the transition. According to the CBI, for every £1 spent on construction activity, £2.92 is created in wider value to the economy.[2] Moreover, the IMF Fiscal Monitor for October 2020 suggests investing in 'job-rich, highly productive, and greener activities' would generate a multiplier of 2.7 in additional output.[3] These investments also have some very appealing characteristics for assisting economic recovery including substantial short-run and long-run multipliers,[4] and creating future-fit economic infrastructure which will not become stranded, obsolete or devalued. Moreover, resilient natural infrastructure is a 'low regret and low cost' solution which can create a multitude of social and environmental co-benefits, including health, biodiversity and climate outcomes.[5]

The Bank can also help grow knowledge clusters, supply lines, and skills that will allow the UK economy to thrive in the low-carbon, resource-constrained marketplace to come. Sustainable transitions are highly path-dependent where 'countries which successfully invest early in green capabilities have greater success in diversifying into future green product markets.'[6] New comparative advantages are being developed; if the UK neglects to seize this opportunity, other competitors will, leaving the UK at a disadvantage and leaving it to buy in from abroad. [7]

The opportunity is clear. The Bank must be designed to last if it is to be successful in leading the way for the transition, leveraging private finance and supporting

[2] Edie, 2020, 'Government set to unveil national infrastructure bank tied to net zero', Available at: **https://www.edie.net/news/11/Government-set-to-unveil-national-infrastructure-bank-tied-to-net-zero/**

[3] In the UK, €23m of ELENA Technical Assistance led to €859m in investment.

[4] See previous joint design briefing for more detail on the economic benefits of net-zero infrastructure investment. Available at: **https://www.e3g.org/publications/national-infrastructure-bank-design/**

[5] This is because Natural Infrastructure tends to already be in place, and tends to be flexible, adaptable and reversible. Investing in also it enhances its capacity, whereas the high costs associated with grey infrastructure tend to make that more irreversible'.
International Institute of Sustainable Development, 2019, 'Sustainable Asset Valuation Tool: Natural Infrastructure', Available here: **https://www.iisd.org/system/files/publications/sustainable-asset-valuation-tool-natural-infrastructure.pdf**

[6] Hidalgo et al. (2007), Mealy and Teytelboym (2021)

[7] Zenghelis (2020), 'Why sustainable, inclusive and resilient investment makes for efficacious post-Covid. Medicine', WIREs Climate Change

entrepreneurial opportunities to unleash economies of scale in production and discovery and generating a more efficient, innovative and productive UK economy. [8]

E3G worked together with a group of business, investors, trade unions, academia, and civil society to develop recommendations for the UK Infrastructure Bank's Design Phase – with a previous letter and design briefing[9] identifying four key design objectives to ensure the success of the institution, relating to governance, capitalisation, mission, and a future-fit definition of infrastructure.

HM Treasury's Policy Design document[10], announced at the Budget 2021, provided an initial outline for the Bank's operating principles and investment focus as below, reflecting many of the recommendations in E3G's original design briefing and setting out a broad direction of travel:

1. **Achieving policy objectives via sound banking:** The Bank will work towards achieving a double-bottom line, whereby investments help to achieve the core policy objectives to tackle climate change and support regional and local economic growth, whilst generating a positive financial return to ensure the financial sustainability of the institution and to reduce the burden on the taxpayer.
2. **Additionality**: The Bank will prioritise investments where there is an under-supply of private sector financing and, by reducing barriers to investment, crowd in private capital.
3. **Flexibility:** The Bank will have flexibility to address its mandate, adapting and responding to evolving markets.
4. **Operational Independence:** The Bank will operate within a strategic framework set out by government but will have operational independence in its day-to-day activity including investment decisions. This will develop in stages with the Bank's establishment.
5. **Impact and Credibility:** The Bank will take a long-term approach to its interventions to provide the market with confidence and clear direction.
6. **Partnership:** The Bank will operate in partnership with private and public sector institutions and other stakeholders to finance and support infrastructure investment.

[8] This will also have potential implications for industrial policy seeking to develop comparative advantages in fast growing new sectors.

[9] Ibid.

[10] HM Treasury, (2021), UK Infrastructure Bank Policy Design, Available at: **https://www.gov.uk/government/publications/policy-design-of-the-uk-infrastructure-bank**

The document also stated that the Bank will 'publish a set of investment principles later in the spring to help the Bank assess whether a project is in scope. The Bank will develop its metrics and decision-making framework for assessing projects. It will make independent decisions on investments.' It did not however articulate how the core policy objectives would be translated into the Bank's investment strategy.

The Spring Framework must expand upon this intention and set out an investment strategy for the Bank which is aligned with net zero and commits to creating a broad range of social and environmental impacts, including levelling up. **The framework should signal the intention for the Bank to be set up in legislation**, as well as a commitment from HM Treasury to increase capitalisation over time to match the needs of the transition. It should also outline how the Bank will work with a range of stakeholders to crowd in capital for the future-fit infrastructure needed to spur a sustainable industrial revolution. A strong commitment to stakeholder engagement will help the Bank be inclusive in its investment delivery and lasting in its impact.

Achieving Policy Objectives via Sound Banking

The Budget announcement stated that one of the Bank's core operating principles was achieving policy objectives via sound banking, implying that financial, social and environmental impacts will be accounted for when evaluating the Bank's performance. This briefing proposes four investment principles which will operationalise this intention and recommends benchmarks for their success. These principles need to be established in the Bank's articles of agreement as soon as is possible to ensure they send correct and clear long-term signals to the market:

1. Mission Driven Institution
2. Future Fit Definition of Infrastructure
3. Clear and Firm Investment Criteria
4. Commitment to Transparent and Robust Impact Assessment

Investment Principles

1. Mission Driven Institution

There is a growing consensus that National Investment Banks which are 'mission driven' tend to be more effective than those which are focused on more neutral economic objectives such as promoting 'growth' or 'competitiveness'.[11] Early-stage, mission driven public investment can help to create and shape new markets, nurturing new landscapes

[11] E3G (2020), 'How to design a green bank', Available at: **https://www.e3g.org/news/how-to-design-a-green-bank/**

which the private sector can develop further. Smart, innovation-led growth also requires patient strategic capital, as financial returns from innovative infrastructure may take longer to materialize.[12] Mission driven public institutions have been shown to be effective in delivering their goals[13] and can also help break down the structural barriers which suppress green investment and the creation of good quality green jobs, both of which will be required to rebuild national economies and meet policy goals.[14]

The UK Infrastructure Bank is well-placed to build on this and position itself as a cutting-edge institution. However, its two central objectives have not yet been translated into its mission and the Policy Design document lacks detail as to how they will be integrated into the Bank's approach to investment. These objectives are as follows[15]:

> Help tackle climate change, particularly meeting our net zero emissions target by 2050.

> Support regional and local economic growth through better connectivity, opportunities for new jobs and higher levels of productivity.

Translating these into a mission requires the Bank's leadership to clearly define both Net Zero and Levelling Up targets whilst enshrining these in legislation to safeguard the Bank's impact; doing so signals commitment and that HMG is putting some skin in the game. These goals must be drafted unambiguously and with underpinning descriptions, definitions, and limitations to avoid uncertainty and mission creep, and to ensure and that performance can be effectively measured and scrutinised. Managing the interplay between mitigation and adaptation is a critical element of the net zero transition, which is why the definitions of these goals should articulate the UK's climate change mitigation and resilience goals, as well as fairness and just transition principles.

The Bank should fold Resilience and Nature Based Solutions into its mission, seizing the opportunity to be world leading, and potentially the first ever climate-positive institution. After all, it is through supporting good quality green jobs and sustainable infrastructure that levelling up and a sustainable, resilient and inclusive UK recovery will be achieved. Moreover, the co-benefits from investing in resilient natural infrastructure will return numerous real dividends such as improved air quality and biodiversity protection.

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[12] Mazzucato, M. (2017). 'Mission-Oriented Innovation Policy: Challenges and Opportunities'. Working Paper IIPP WP 2017-01. Available at: https://www.ucl.ac.uk/bartlett/public-purpose/sites/public-purpose/files/ moip-challenges-and-opportunities-working-paper-2017-1.pdf

[13] Mazzucato, M., Macfarlane, L., (2019)., A mission-oriented framework for the Scottish National Investment Bank. UCL Institute for Innovation and Public Purpose, Policy Paper (IIPP WP 2019-02)., Available at: **https://www.ucl.ac.uk/bartlett/publicpurpose/wp2019-02**

[14] Available at: **https://coalitionforgreencapital.com/what-is-a-green-bank/**

[15] Ibid.

2. Future Fit Definition of Infrastructure

The UK Infrastructure Bank will be a key player in delivering capital for the Net Zero Transition. The Bank's primary focus will be on projects which fall within the limited definition of economic infrastructure outlined by the Infrastructure Finance Assistance Act [16] until the Bank is set up in legislation. This is at odds with the broader definitions for future-fit infrastructure set out in the Green Finance Institute's insights paper[17] and is insufficient for the challenge at hand.

The Bank should be set up in legislation as soon as possible using an expanded definition of infrastructure which includes essential projects such as natural infrastructure and support for innovation. The Bank should not limit itself to a sectoral focus, but rather should employ mission-driven guidance to ensure that it remains relevant to the needs of the market. Initial sectors for investment should include the built environment, decarbonising transport and heat, energy efficiency and nature-based solutions.[18] This must go together with investment in complementary areas and asset classes, such as skills and SME finance.

3. Establish Clear and Firm Investment Criteria

Once a mission driven approach is manifest in the Bank's strategy, and the objectives have been clearly defined, the next step is to ensure that clear and firm investment criteria are established. These should be applied in line with a future-fit definition of infrastructure as above.

The Bank can take inspiration from the experience of the previous Green Investment Bank's investment principles when developing its criteria. The GIB's investment principles were distilled from the objectives as outlined by the statutory role given to the Green Investment Bank. The UK Infrastructure Bank is in a slightly different starting position, given that neither the institution nor the objectives are set up in legislation yet. This means that in the Bank's start-up phase, it should establish investment principles and set out performance criteria for the development and growth of the financial intermediation services it provides, which support its mission driven mandate and the Bank becoming economically sustainable. In particular, the Bank's founding documents should lay out its function in terms of credit intermediation, other financial and technical services it may provide, and growth criteria for its ability to access the open financial market.

[16] This definition includes a) water, electricity, gas, telecommunications, sewerage, or other services; b) railway facilities (including rolling stock); roads or other transport facilities; c) health or educational facilities; d) court or prison facilities; and e) housing.

[17] GFI (2020), 'The Role of a UK National Infrastructure Bank in a Green Recovery', Available at: **https://www.greenfinanceinstitute.co.uk/wp-content/uploads/2020/12/GREEN-FINANCE-INSIGHTS-PAPER-1.pdf**

[18] Ibid.

Net zero should be applied as an investment screening criterium in combination with a 'do-no-significant-harm' principle[19] which sets out minimum thresholds for social (e.g., employment quality) and environmental impacts. Levelling up and social infrastructure[20] should be at the core of the Bank's investment strategy and manifested through the KPIs. Minimum standards will help ensure that these objectives are not detrimental to each other, as will a strong commitment to impact management and reporting. These criteria can shift over time as the Bank evolves to meet different needs. An experienced staff base will also support in balancing these objectives. It is advisable that the institution reviews this in line with the Climate Change Committee evidence.

4. Commitment to transparent and robust impact assessment

The UK Infrastructure Bank team should develop a range of Key Performance Indicators (KPIs) in line with its mission to make sure that the broad range of impacts from its investment activities can be captured. Public banks worldwide have been leaders in developing a range of KPIs to address social and environmental investment challenges.

Impact management and reporting should ensure that the Bank's performance can be evaluated against the clear criteria set out in the investment strategy and it learns and evolves to meet the changing needs of the market. The Bank should develop interim targets and dynamic monitoring frameworks to ensure it can react to changes in the market responsively and with flexibility. The Bank should ensure that its investment strategy and criteria are transparent. This will provide certainty and send clear signals to the market on the Bank's role in crowding-in private finance.

Overemphasis on returns in the early stages may hinder the Bank's success and prevent it from creating the new markets necessary. The Bank should take a measured attitude to risk and return, prioritising delivering social impact alongside the recycling and preservation of capital.

[19] **The EU Taxonomy contains a helpful definition of this principle**

[20] Social Infrastructure covers a range of services and facilities that meet. local and strategic needs and contribute towards a good quality of. life. It includes health provision, education, community, youth, and skills.

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Investment Strategy Benchmarks

Principle	Benchmark	Notes
Mission-Driven Institution	**Commitment to be mission-driven with a clearly specified long-term mandate set up in legislation to have an enduring impact.**	> The Bank should be set up with strong and specific legislation which backs up and supports its mandate to support the achievement of both the UK's levelling up agenda and the UK's Net zero and Resilience targets. The Bank should be set up for the long term in legislation with articles of agreement which stipulate its mission and objectives. > The Spring Framework should clearly define the Bank's mission. The goals must be drafted unambiguously and with underpinning descriptions, definitions, and limitations to avoid ambiguity and mission creep, and to ensure and that performance can be effectively measured and scrutinised. These definitions should articulate the benefits of mitigation and adaptation to the transition. > The Bank should ensure that its investment strategy is resilient, both in terms of creating long lasting impact but also in promoting a resilient system. Long term impact should be supported by a commitment from HMT to increasing capitalisation over time commensurate with investment needs.
	Inclusion of Resilience and Nature Based Solutions as a mission with a clear underpinning description.	> Including Resilience and Nature Based Solutions as a mission from the outset will ensure that the Bank is set up to deliver long term sustainable impact. A broader definition of infrastructure should be established to reflect the UK's investment needs for a sustainable recovery.
	Clear definitions of the Bank's Missions in the Spring Framework including: **Net Zero** **Levelling Up** **Resilience and Nature Restoration**	> **Net Zero:** Projects which contribute positively to a green outcome such as the UK Government's Net Zero target by 2050. This can be done by displacing unsustainable technologies, by supporting carbon sinks such as natural solutions or CCUS, and by energy efficiency improvements to name a few such investments. > **Levelling up:** Projects which help address the geographic inequalities in productivity and wealth across the UK, which can be achieved by supporting a program of infrastructure development and financing social infrastructure such as research, education and skills development, and the creation of good quality green jobs. > **Resilience and Nature Restoration:** Projects which contribute positively to a green outcome such as the UK Government's Resilience target by 2050 and are in alignment with the findings of the Dasgupta review and upcoming legislative moments such as the targets set out under the Environment Bill.

Future Fit Definition of Infrastructure	**Extension of the current definition of Infrastructure referenced by the Bank's policy framework to include future-fit infrastructure projects such as:** **Built Environment** **Clean Energy Infrastructure** **Decarbonizing UK Transportation** **Nature Based Solutions**	> **The Built Environment:** This is one of the areas of greatest need for intervention with around £360bn[21] of investment required. Potential areas for funding include technical assistance and lending to aggregate building retrofit and heat decarbonisation projects, concessional loans to households and SMEs, and a New National District Heat Fund potentially managed and owned by the Bank. > **Clean Energy Infrastructure:** Potential areas for funding include Energy Storage technologies, Infrastructure for both green hydrogen production and Carbon Capture and Storage, and Smart Grid infrastructure. > **Decarbonising UK Transportation:** Transport networks account for nearly one-third of UK emissions.[22] Potential areas for funding include EV charging infrastructure, depots and hubs, the development of a battery supply chain, scaling the construction of such battery production facilities in the UK, and upgrading public transport. > **Nature Based Solutions:** Nature Based Solutions (NBS) have an important role to play in achieving the UK's Net zero and Resilience goals. NBS have not yet been mainstreamed by a public financial institution at the international level and could be an area for UK leadership.[23] Potential areas for funding include[24] flood protection, lending to Local Authorities to develop guarantees for new markets in sustainable drainage and stormwater retention and acting as a co-investor or providing first loss guarantees particularly within sustainable and regenerative agriculture[25] and sustainable forestry.[26]
	Commitment to invest in complementary areas and asset classes, such as smart and integrated solutions, innovation, skills and SME finance.	> The Bank should be able to support projects across the development pipeline including support for innovation, skills, and nascent technologies. This can be supported by early-stage investing, flexible funding arrangements and developing relevant KPIs. > The Bank should support the development of a pipeline of investable projects. This should be embedded in the Senior Management's mandate. > The Bank should work with other organisations in the Research and Innovation space to ensure that it is aligned with the wider ecosystem of activities. The Bank should upskill Local Authorities in supporting these asset classes.

[21] CCC's 6th Carbon Budget calculates the additional capital cost to 2050 for all buildings' full decarbonisation as £360bn (in the Balanced Pathway scenario). Available at: https://www.theccc.org.uk/wp-content/uploads/2020/12/The-Sixth-Carbon-BudgetDataset.xlsx

[22] **See the National Infrastructure Strategy 2020 for more detail.**

[23] **E3G's public bank matrix includes some project examples where Nature Based Solutions (NBS) have been integrated well by public banks**./.

[24] More ADB case studies on the potential of Nature Based Solutions can be found here: **Nature-Based Solutions for Building Resilience in Towns and Cities: Case Studies from the Greater Mekong Subregion | Asian Development Bank (adb.org)**

[25] Given the well-establish forestry carbon verification process.

[26] **The Dasgupta Review outlines the economic costs/benefits of biodiversity protection.**

	Market Mapping of investor preferences and market barriers for both private investors and local authorities	> Identification of what types of infrastructure projects private sector investors are currently prepared to invest in. > Identification of where there are market barriers that a Bank could help to break down. Local Authorities in particular will need clear guidance on potential projects and how they can prepare their investment programmes and overcome market failures.[27]
Clear and Firm Investment Criteria	**Identification of a clear mission and objectives, together with developing clear and firm investment criteria**	> The Bank's investment strategy should be based on its mission and applied to a future-fit definition of infrastructure projects. > Concrete targets and objectives should be developed to ensure that progress against its mission can be measured. > Net Zero should be an investment screen and different objectives should be managed using KPIs, minimum standards and using expert advice to manage trade-offs. > Introduce 'ex ante' social KPIs to the Bank's project's selection process, rather than using as an 'ex post' impact evaluation tool.
	Establishing clear green investment guidance, with a robust net zero screen for all investments. This should be aligned with external policy mechanisms.	> A comprehensive net zero investment screen should be implemented. Net zero decision making should be based on the best-available scientific evidence – Climate Change Committee - and avoid undue influence by incumbent or vested interests. > Decarbonisation should be the priority, with carbon offsetting a measure of last resort. > The Spring Framework should signal that the UKIB will eventually align with an ambitious UK Green Taxonomy and seek to support projects that will deliver its mission. HMG should also commit to aligning this with the Green Gilts and Green Retail Savings product frameworks across the whole economy to send clear signals to the market. > External policy mechanisms which can support the Bank include further reforming the investment guidance set out in the Green Book to better reflect the net zero target in the government's project appraisals and assessments; and elevating emission reduction impacts in government procurement criteria to be prioritised at the same level as financial return, and health and safety.
	An investment exclusion list should be developed	> An exclusion list for investments should also be developed which sets clear boundaries and signals to the market about which projects the Bank will and will not support. This should exclude projects that will increase emissions, such as roads and airports. The UKIB should build on best practices at the international level, such as the EIB.
	Establish minimum standards/ safeguards	> The Bank should set minimum standards for performance. These can be supported by implementing a Do No Significant Harm (DNSH) principle to set a minimum standard of acceptability for any negative

[27] For example, reforming PWLB rules.

		social or environmental impacts from the Bank's investments.[28] This should be considered in project selection and impact assessment.
	Crowd-in private finance including setting out a clear exit strategy and using a preservation of capital principle to avoid crowding out.	> To crowd-in, the Bank must be forward looking and identify markets that are not being addressed by private investors. The Bank should be flexible to adapt to the evolving challenges of the transition, including its funding options and have the option to be an early-stage investor. The Bank will play a key role in re-pricing 'not in the market' risks to support a managed policy led transition. > The Bank should develop a clear exit strategy for when markets mature. A preservation/recycling of capital principle will support this. > The Bank should have an advisory function and share learnings on barriers/market failures with the government, creating a virtuous feedback loop between the market and policy. The Spring Framework should provide more detail about the project development function and technical assistance function. This could also inform best practices internationally.
	Balanced Attitude to Risk and return including: **Range of KPIs elevated to same level as financial return** **Flexible approach to risk**	> The Bank should learn lessons from the GIB and avoid over-focus on return in its early years. The Policy Design document contained a commitment to 'generating a positive financial return to ensure the financial sustainability of the institution and to reduce the burden on the taxpayer'. Return must not be the only KPI, as this would limit the Bank's investment scope and ability to support innovation and early-stage investment. > Sound risk management will require the right leadership and staff, equipped with the necessary skillsets (i.e., experience of leadership in public as well as private finance) to be able to understand and manage the overall risk portfolio of the institution.[29] This should be supported by taking a portfolio approach and through developing an appropriate risk weighting for innovative/early-stage projects
Commitment to transparent and robust impact assessment	**A range of relevant KPIs to the Bank's Mission[30], developed using expert advice, including:**	> **Financial Return:** ○ Rate of return ○ Leverage ratio (ratio of private capital crowded in as a multiplier of public capital deployed) ○ Number of co-investors ○ Number of projects > **Net Zero**

[28] The EU Taxonomy contains a helpful definition of this principle as 'how the plan ensures that no measure for the implementation of reforms and investments included in the plan inflicts significant harm on environmental objectives.' This can be applied to social objectives too. Available here: **https://ec.europa.eu/info/sites/default/files/c2021_1054_en.pdf**

[29] See previous joint design briefing for more detail on the economic benefits of net zero infrastructure investment. Available at: **https://www.e3g.org/publications/national-infrastructure-bank-design/**

[30] OECD (2015), 'Green Investment Banks: Policy Perspectives', Available at: **https://www.oecd.org/environment/cc/Green-Investment-Banks-POLICY-PERSPECTIVES-web.pdf**

	Financial Metrics **Net Zero** **Levelling Up** **Resilience and Biodiversity**	○ Emissions saved. ○ Number of projects where net zero was an investment screen (ideally 100%) ○ New technologies supported. > **Levelling Up** ○ Job creation ○ Employment quality (supported by the creation of good quality jobs plans) ○ Skills creation ○ Gender and race equity impact ○ Geographic distribution of projects ○ Accessibility > **Resilience and Biodiversity** ○ Alignment with the UK's 2050 Resilience target and the Environment Bill targets ○ Number of projects which support resilience and biodiversity. ○ Pollutant reduction criteria
	All impact evaluation undertaken using the following principles: **Consistency** **Proportionality** **Completeness** **Accuracy** **Engagement** **Accessibility**	The following principles should be applied to all investment evaluations[31]: > **Consistency**: To apply consistent evaluation methods and procedures across all investments. > **Proportionality**: To take a proportionate approach, focusing on those components of green and social impact that are material to the outcome. > **Completeness**: To assess all relevant information, including the likely green impact of an investment over its lifetime. > **Transparency**: To require clear information to be provided so that a robust evaluation can be made. > **Accuracy**: To rely, so far as practicable, on accurate information which avoids bias and reduces uncertainty, but acknowledging that precise measurement is often not possible. > **Engagement**: to engage fully with relevant stakeholders, e.g., by creating an expert advisory committee to ensure that the full range of impacts is being considered. > **Accessibility**: to ensure that stakeholders are aware of and able to access funding from the UK Infrastructure Bank when applicable.
	Interim milestones and dynamic monitoring frameworks should be developed	> As both the levelling up agenda and net zero are long term goals, intermediate milestones should be developed to track progress, and allow for informed and flexible decisions to intervene if the portfolio of investments is off track. > Frameworks should be developed to ensure that interim progress can be evaluated against the broader mission. These frameworks must be

[31] Green Investment Group (2020), 'Green Investment Principles', Available at: https://www.greeninvestmentgroup.com/assets/gig/who-we-are/our-impact-and-measurement/Green%20Investment%20Principles.pdf

		dynamic, recognising that 'static cost-benefit analysis and net-present value calculations may stop any bold mission from the outset'.[32]
	Effective Covenants, Monitoring and Engagement of partners	> The Bank should seek to impose clearly documented requirements for securing the green impacts expected from each of its loans and investments and should monitor those impacts continuingly over the life of that loan or investment. Performance against KPIs can be linked to funding options e.g., preferential loan rates. Independent verification, monitoring and accountability is required to ensure that efficacy, efficiency, consistency across the country and value for money on projects is delivered by local authorities and private investors.
	Transparent reporting	> The Bank should ensure that its investment strategy and criteria are transparent and performance against KPIs are reported on regularly. Transparent and real-time data reporting on progress will also enable stakeholders to remain engaged and motivated
	A commitment to enduring impact, with an investment strategy which prioritises resilience.	> The Bank should ensure that its investment strategy is resilient, both in terms of creating long lasting impact but also in promoting a broader resilient system. Long term impact would be supported by including Resilience in the Bank's mission and a commitment from HMT to increasing capitalisation over time commensurate with investment needs. Due to the lead time, work on scoping and defining success in terms of the Bank's scale should begin now. > The Bank should employ sound banking principles – investing and managing risk based on principles of sound finance and responsible investment.

Conclusion

The Spring Framework for the UK Infrastructure Bank must set out an ambitious, mission driven set of investment principles which will help the institution deliver capital to the people, projects, and places most in need of support and guidance for the transition. The Bank must also implement this investment strategy while also being additional in its delivery, bringing in the right expertise and engaging relevant stakeholders and responding flexibly and adaptively to their needs. By doing so, the Bank will be able to crowd-in capital at scale for projects in support of both net zero, levelling up, and resilience – essential to spark a fair, just, and green industrial revolution across the whole of the UK.

About E3G

E3G is an independent climate change think tank accelerating the transition to a climate-safe world. E3G builds cross-sectoral coalitions to achieve carefully defined outcomes,

[32] Ibid.

chosen for their capacity to leverage change. E3G works closely with like-minded partners in government, politics, business, civil society, science, the media, public interest foundations and elsewhere.

More information is available at **www.e3g.org**

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