

<b>Committee(s):</b> Policy & Resources – For Information	<b>Dated:</b> 15/09/2023
<b>Subject:</b> UK-India Infrastructure Financing Bridge (UKIIFB)	<b>Public</b>
<b>Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?</b>	5
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>No</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	<b>N/A</b>
<b>Report of:</b> Damian Nussbaum, Executive Director Innovation and Growth, Innovation and Growth (IG)	<b>For Information</b>
<b>Report author:</b> Simi Shah, Trade and Investment Director, Innovation and Growth (IG)	

### Summary

Creating opportunities for finance to flow from and through the UK to international markets in a way that accelerates net zero is a key strand of the City of London Corporation’s Competitiveness Strategy. Increasing investment channels for sustainable finance was identified as a priority for engagement with the Indian and policymakers in the Market Prioritisation exercise adopted by this Committee in October 2020 and the High Growth Markets (HGM) Strategy presented to the Competitiveness Advisory Board (CAB) in April 2022.

These goals shape our international engagement, including the programme for the Lord Mayor’s visit in March 2023, they underpin our thought-leadership demonstrated by events such as the UK-India Infrastructure Summit held in June 2023 at Mansion House, and drove the outcomes for the Policy Chairman’s visit to Delhi, Mumbai, and Ahmedabad in July 2023.

Following initial discussions with NITI Aayog (National Institution for Transforming India), the official think-tank of the Government of India, the Innovation and Growth Directorate has further developed a proposal to establish a two-year collaborative venture that will harness collective expertise in planning and implementing major infrastructure projects. The initiative will be known as the UK-India Infrastructure Financing Bridge (UKIIFB). It seeks to set the framework to secure long-term investment, particularly through debt financing, for vital infrastructure sectors in India.

The UKIIFB has been formally announced as part of the 12<sup>th</sup> UK-India Economic Financial Dialogue (EFD) joint statement between the HM Treasury (HMT) and MoF on 11 September 2023.

## Recommendation(s)

P&R Members are asked to:

- Note the UK-India Infrastructure Financing Bridge as a new initiative, which aligns to the Corporation's Competitiveness Strategy.

## Main Report

### Background

1. India's infrastructure sector will need to grow at a rapid pace to support the country's ambitions to develop into a global economic powerhouse. Prime Minister Modi regularly emphasises this need, and the sector received a big boost through a Rs.10 trillion (£10bn) commitment in the 2023-24 budget, combined with several other government initiatives to drive progress. Despite the announcement, India's infrastructure funding deficit is still conservatively estimated at five per cent of GDP per annum.
2. Given this substantial financing gap, it will be essential for India to leverage public resources and bring in private players, especially global capital seeking long-term returns and net-zero aligned investments. In parallel, the decarbonisation of the country's infrastructure sector is a crucial imperative to the Prime Minister's commitments made at COP26, which outline India's journey towards net-zero by 2070.
3. The challenges and requirements for significant amounts of public and private capital to meet the needs of governments to finance net zero projects was a key topic of the UK-India Infrastructure Summit held at Mansion House in June 2023. The Summit brought together Indian political leaders, regulators and business with potential City partners from investment and advisory firms, with the aim of:
  - Addressing obstacles to attracting global investment, mobilising finance, and making policy recommendations for creating an enabling environment
  - Focussing on particularly promising sectors/projects for partnership
  - Platforming the City's capabilities/offer, especially in thought leadership and advisory
4. The Summit identified the desire to explore a collaborative initiative between the UK and India which could support India's need for better structuring of projects to accelerate global investment in infrastructure. A key driver of the initiative is NITI Aayog, the former Indian Planning Ministry, now positioned as Prime Minister Modi's economic and social development think tank.
5. The initiative was discussed during the summit and again during the Policy Chairman's visit to Delhi, where the Chairman and NITI Aayog CEO BVR Subrahmanyam reviewed a potential framework to guide our collaboration. Several UK and Indian firms have agreed to join the initiatives Steering Group, which will be chaired jointly. In addition, HMT and the FCDO lent their support for a forward looking, outcome-oriented collaboration. The initiative was discussed at the Economic and Financial Dialogue held in Delhi on 11 September.

## Current Position

6. The UKIIFB has been announced as part of the wider Economic and Financial Dialogue (EFD) joint statement between the HMT and Ministry of Finance (MoF) on Sept 11. The joint declaration of intent can be found in Appendix 1. A more formal and holistic launch will be planned in the coming weeks.
7. UK Membership of the Bridge Steering Board as of writing:
  - a. Co-Chair: **Christopher Hayward**, Policy Chairman, City of London
  - b. **Richard Abel** – Managing Director, Green Investment Group, Macquarie
  - c. **Lord Udney-Lister** – Senior Advisor to the Group Chair, HSBC
  - d. **David Cox** – Regional Managing Director, International Development (South Asia, Middle East and Africa), Mott MacDonald
  - e. **Sowmya Parthasarathy** – Director, Urban Design and Masterplanning, Arup
  - f. **Rob Ward**, Deputy Director, HM Treasury

## Proposal(s)

8. Members are asked to:

- Note the UK-India Infrastructure Financing Bridge as a new Innovation and Growth initiative, which aligns to our goals and outcomes as articulated through the Corporation's Competitiveness Strategy.

## Key Data

9. N/A

## Strategic implications

10. This approach reflects section 5 of the Corporate Plan under the objective 'To Support a Thriving Economy'.

## Financial implications

11. UKIIFB will be funded locally by current IG departmental budget, reprioritising the resources for engagement with India for this opportunity.

## Resource implications

12. The core project team required to plan and support the UKIIFB's joint secretariat, and deliver associated events, are resourced from the existing IG departmental budget.

## Legal implications:

13. None identified at this time. The Steering Committee is advisory in nature only. The partnership agreement outlines no financial or legal obligations for either party.

## Risk implications

- a) **Reputational** - Infrastructure Bridge could be perceived as direct source of capital, rather than a source of informed private sector advice on tolerance levels for investment ready projects, potential reforms and initiatives to unlock capital.

- b) **Commitment** – requires consistent senior level engagement to ensure both parties remain committed throughout the project
- c) **Membership** – ideally membership and areas of expertise should align to projects pipeline.

### **Equalities implications**

14. The project team will ensure periodic assessment of Board membership, associated events and guest lists to ensure balance.

### **Climate implications**

15. Travel for events as part of the UKIIFB will be reviewed for carbon emissions and included in annual carbon footprint. Meetings will be held virtually where possible. Partnership agreement to be clear that focus on demonstrator projects is solely on those which are sustainable accordingly to global standards and norms and/or accelerating the achievement of net zero.

### **Security implications:**

16. None noted at this time.

### **Conclusion**

17. The UKIIFB is a collaborative two-year venture, aimed at harnessing collective expertise in planning and implementing major sustainable infrastructure projects. It seeks to set the framework to secure long-term investment, particularly through debt financing, for vital sustainable infrastructure sectors in India.

### **Appendices**

- Appendix 1 – UKIIFB Draft Joint Declaration of Intent (TO FOLLOW)

### **Background Papers**

None

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