

OECD Financial Affairs Division
Directorate for Financial and Enterprise Affairs

OECD Institutional Investors and Long-Term Investment Project Update – December 2013

The OECD Institutional Investors and Long-Term Investment Project (hereinafter referred to as the “Project”) aims to facilitate long-term investment (LTI) by institutional investors such as pension funds, insurance companies, and sovereign wealth funds, addressing both potential regulatory obstacles and market failures. Engaging institutional investors and policy makers allows the OECD to provide effective policy recommendations at the highest political level.

The OECD has a number of Participants and Partners of this Project: the Canadian pension fund CPPIB, the Club of Long Term Investors, the Dutch pension fund APG, Guggenheim Partners and Oliver Wyman. Other major institutional investors across the world are also collaborating on the Project. In addition to OECD member countries, the LTI Project also involves key partner-countries (i.e. Brazil, China, India, Indonesia and South Africa).

The LTI Project was launched in February 2012 with a conference in Paris, gathering over 140 investors, pension funds and sovereign wealth funds from 30 countries, including some of the largest institutional investors in the world. The second year of the Project was marked by 3 major events:

- [APEC/OECD Seminar on Infrastructure Financing](#) (29 August 2013);
- [G20/OECD High-Level Roundtable on Institutional Investors and Long-Term Investment “From problems to solutions: policy measures to address constraints in long-term investment”](#) (28 May 2013); and
- [OECD/Euromoney Infrastructure Summit](#) (29 May 2013).

The main deliverables of the LTI Project are data collection, policy research and the organization of events attracting policy makers and investors. An update on the LTI Project work follows below.

Research published and events organized are available at: www.oecd.org/finance/lti

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POLICY DISCUSSIONS

G20-OECD Work on Long-Term Financing

At the G20 Finance Ministers and Central Bank Governors meeting held on 15-16 February 2013 in Moscow the G20 leaders welcomed, the diagnostic report provided by international organizations (IOs)¹ assessing factors affecting long-term financing (see OECD contribution on the [Role of Banks, Equity Markets and Institutional Investors in Long-Term Financing for Growth and Development](#)). The report finds that there is scope for some sources of long-term financing, including local currency bond markets, domestic capital markets, and institutional investors to play a larger role for investment in infrastructure.

At this meeting, G20 leaders agreed to establish a Study Group on Financing for Investment (to become the Working Group Investment and Infrastructure) to analyse obstacles and limitations delaying long-term financing. Making use of the findings of the diagnostic report and proposals from international organizations, a work plan was presented to the G20.

At the same time some organizations have been mandated to **provide specific deliverables**. This includes for the OECD to provide:

1. [G20/OECD High-Level Principles on Long-Term Investment Financing by Institutional Investors](#), endorsed by G20 Leaders in September 2013. The principles were developed by the new G20/OECD Taskforce on Institutional Investors and Long Term Financing. The Taskforce will follow up on the G20 Leaders' call to identify approaches to the implementation of the principles by the next Leaders summit in November 2014, in Brisbane, Australia.
2. a [Report on pension funds' long-term investments](#), circulated at the G20 Finance Ministers and Central Bank Governors' meeting in Washington on 10-11 October 2013.
3. an analysis of different **government and market-based instruments and incentives used for stimulating the financing of long-term investment** (together with other relevant IOs), to be delivered by the next Leaders summit in November 2014 .

Latest research produced by the OECD project on Institutional Investors and Long-Term Investment were presented at the [G20/OECD High-Level Roundtable on Institutional Investors and Long-Term Investment "From problems to solutions: policy measures to address constraints in long-term investment"](#) organized by the OECD together with the G20 Russian Presidency and held on 28 May 2013 at the OECD Conference Centre in Paris.

Asian-Pacific Economic Cooperation (APEC)

Long-term investment and, in particular, infrastructure investment has been one of the main priorities of the current APEC Indonesian presidency and will be of high importance for the next Chinese presidency in 2014.

APEC Finance Ministers welcoming the G20/OECD High-Level Principles at their September 2013 meeting in Bali also asked the OECD to join the new APEC PPP Experts Advisory Panel, one of the main initiatives of the Indonesian presidency.

In this context, under the aegis of the APEC, the OECD organized the [APEC/OECD Seminar on Infrastructure Financing](#) in Palembang, Indonesia, on 29 August 2013. The seminar was co-hosted by the Indonesian Ministry of Finance. Multilaterals such as the World Bank and the Asian Development Bank were involved in the seminar and a background paper on infrastructure financing in Indonesia was prepared.

¹ International organizations involved in addition to the OECD: World Bank Group, International Monetary Fund, United Nations and Financial Stability Board.

LONG TERM INVESTMENT RESEARCH 2012/2013

- Government and Market based instruments and incentives to attract long term investment in infrastructure (Forthcoming December 2013) - Report for G20 Leaders
- Insurers and Pension Funds as Long-Term Investors: An Approach to Infrastructure Investment (Forthcoming December 2013) - Report for G20 Leaders
- Long Term Finance for Investment: Institutional Investment and Infrastructure Finance in Indonesia (Forthcoming December 2013)
- [Institutional Investors and infrastructure financing](#)
- [Annual Survey of Large Pension Funds and Public Pension Reserve Funds – Report on pension funds’ long-term investments](#) – Report for G20 Leaders
- [Pension Fund Investment in Infrastructure: A Comparison between Australia and Canada](#)
- [G20/OECD High-Level Principles on Long-Term Investment Financing by Institutional Investors](#)
- [The Role of Banks, Equity Markets and Institutional Investors in Long-Term Financing for Growth and Development](#) – Report for G20 Leaders
- [The effect of solvency regulations and accounting standards on long-term investing: Implications for insurers and pension funds](#)
- [Trends in large pension fund investment in infrastructure](#)
- [Global imbalances and the development of capital flows among Asian countries](#)
- [Infrastructure investment in new markets: Challenges and opportunities for pension funds](#)
- [The role of institutional investors in financing clean energy](#)
- [Defining and measuring green investment](#)
- [G20/OECD policy note on pension fund financing for green infrastructure and initiatives](#)

LONG-TERM INVESTMENT PROJECT EVENTS IN 2013

6 February 2013, Amsterdam, Netherlands

OECD/Allianz AM/RiskLab/APG Seminar on Regulation and Long-Term Investment ([agenda](#))

Topic: focus on the definition of long-term investment and long-term investors, evidence available, impact on investment strategies of current regulatory changes (in particular Solvency)

Participants: international investors, technical experts, regulatory bodies

7-8 February 2013, Paris, France

From Good Ideas to Bankable Projects: Turning Environmental Infrastructure Proposals into Reality Workshop organized by International Chamber of Commerce/OECD (Dev)/ Asian Development Bank ([agenda](#))

Topic: focus on the identification of good practices in enhancing the soundness and bankability of infrastructure projects

Participants: multilaterals, developers, international investors, technical experts

25 April 2013, OECD Conference Centre, Paris, France

OECD Financial Roundtable: Financing investment for the long-term: challenges, players, instruments ([agenda](#))

Topic: off-the-record discussion on financing for investment between OECD Committee members and selected representatives of the financial services sector (banks and rating agencies)

Participants: OECD Committee on Financial Markets (CMF) comprises officials from OECD central banks, finance ministries and other financial authorities, who meet biannually to review structural, institutional, regulatory, and market developments in financial services in OECD countries and emerging economies.

28 May 2013, OECD Conference Centre, Paris, France

G20/OECD High-level roundtable on long-term investment: from problems to solutions (*under the aegis of the G20 Russian Presidency and the OECD*)

Topic: focus on different areas of research of the LTI Project, regulation, governance, infrastructure investment, G20 deliverables

Participants: senior representatives of pension funds, insurers and SWFs and policy makers

29 May 2013, Intercontinental Hotel, Paris, France

OECD/Euromoney Infrastructure Summit

Topic: focus different areas of research of the LTI Project related to infrastructure financing, infrastructure as an asset class, project bonds and debt, new models for infrastructure financing, opportunities in renewable and emerging markets

Participants: institutional investors, financial industry representatives (banks, asset managers, rating agencies), policy makers

6 June 2013, OECD Conference Centre, Paris, France

OECD Roundtable on the Investment Strategies of Insurers and Long-term Investment ([agenda](#))

Topic: off-the-record discussion on insurers as long term investors between OECD Committee members and selected representatives from the insurance sector

Participants: OECD Insurance and Private Pension Committee (ICPP) comprises officials from OECD national regulators, finance ministries and other financial authorities, who meet biannually to review insurance sector related issues in OECD countries and emerging economies.

29 August 2013, Palembang, Indonesia

APEC/OECD Seminar on Institutional Investors and Infrastructure Financing in Indonesia (*co-hosted by the Indonesian Ministry of Finance*)

Topic: focus on infrastructure financing in Indonesia

Participants: representative from Indonesian government/central bank, local and international investors

4 December 2013, OECD Conference Centre, Paris, France

Workshop on Infrastructure Investment and Credit Risk

Topic: focus on the reliance of the pension fund sector on credit rating agencies

Participants: pensions funds and credit rating agencies