



**OECD Financial Affairs Division
Directorate for Financial and Enterprise Affairs**

**OECD Institutional Investors and Long-Term Investment
Future Research and Events**

MAIN DIRECTIONS FOR FUTURE WORK

Long term investment is a key contributor to growth, job creation and stability. It clearly contributes to several OECD priorities, including “fostering economic growth”, “economic growth and environmental sustainability”, “inclusive growth initiative” and is a key element of G20, and APEC workstreams and priorities.

The OECD is the leading organisation in the international analysis of issues related to private long term investment financing. This applies in particular to the role of banks, corporate financing, FDI and institutional investors (see the report provided by the OECD on these issues for the G20, beginning of 2013¹).

The scope for institutional investors to contribute to the real economy and the financial system in the post-crisis environment, promoting growth and sustainable development, helps to explain the policy priority attached this work stream. Continued involvement in this area is expected due to the OECD expertise fully recognised by G20 leaders on these issues. In addition, further work is expected due to the development, by the OECD, of effective approaches to the implementation of the *G20/OECD High-Level Principles for Long-Term Investment Financing by Institutional Investors*, which has started and will extend into 2015 and 2016. This work will be conducted in collaboration with the newly established G20/OECD Task Force on Institutional Investors and will lead to further contributions to the G20 and APEC.

Based on work already developed for the LTI project, new research will address the role of financial markets in promoting instruments and vehicles for infrastructure investment by institutional investors that are efficient and sustainable and contribute both to delivering good performance to investors and to a positive economic impact to the society. There is further interest to analyse the impact of regulation and valuation standards on institutional investors' investment strategies and to better understand the importance of internal governance at institutional investors level. One of the priorities for emerging countries is to create a financial system that can provide the finance needed for its development, and especially for infrastructure development. New analysis will look at challenges, weaknesses and strengths of different mechanisms to mobilize local and foreign financing from institutional investors in developing and developed countries. In 2015/16, we plan to develop benchmarking instruments for infrastructure

¹ see OECD contribution on the Role of Banks, Equity Markets and Institutional Investors in Long-Term Financing for Growth and Development February 2013 www.oecd.org/finance/lti.

financing by institutional investors. The OECD will conduct a large overview of regulatory issues related to institutional investors and provide related policy recommendations.

This work on LTI will be developed in close cooperation with other parts of the organization and will be supported by a robust data collection and related top evidence analysis. The current micro data collection on LTI by pension funds will be enlarged to insurance companies and banks in order to provide a unique set of information.

The work will also benefit from large consultation with relevant stakeholders from business and trade unions communities, including through an OECD new international network of investors.

Future G20 Work on LTI

Long Term investment and more in particular infrastructure investment is one of the main priorities for the current Australian G20 presidency. The **new G20/OECD Task Force on Institutional Investors and Long-Term Financing** launched by two OECD Committees (Committee on Financial Markets and Insurance and Private Pensions Committee) will assist the newly created G20 Working Group Investment and Infrastructure to deliver on Leader-like outcomes in 2014. The Task Force is open to governmental experts from OECD and selected non-OECD countries, including all G20, FSB and APEC governmental members and International Organizations including World Bank, IMF, FSB and the UN.

G20 Leaders endorsing the High Level Principles called on the OECD and other interested participants to identify approaches to their implementation by the next Summit. In order to develop implementation approaches for the Principles, the Task Force was requested to prioritise work on the Principles to allow the Task Force, the OECD and G20 membership and other interested participants to utilize their resources effectively.

In addition to the implementation of the Principles, over the next 12 months, the OECD is due to lead on, and deliver, **six further reports** to the G20 on various aspects of the investment agenda, and provide contributions to five reports led by other international organizations. Here below the reports where the OECD is leading:

1. Analysis of Government and Market-Based Instruments and Incentives to Stimulate Long-Term Investment Finance (together with other relevant IOs)
2. Insurers and Pension Funds as Long-Term Investors: An Approach to Infrastructure Investment
3. Regulations and Incentives Affecting Long-Term Institutional Investors
4. Trends in Global Asset Allocation of Institutional Investors
5. What are the Risk-Return Characteristics of Private Infrastructure as an Asset Class?
6. Improved methodology for measuring FDI, including green FDI

The report “analysis of different government and market-based instruments and incentives used for stimulating the financing of long-term investment” will be a major deliverable for the Australian presidency of the G20. The final report to be delivered in 2014 will be based on a new survey which will make an inventory of relevant initiatives to attract long-term investment in OECD and G20 countries. The report will address three main areas of long-term investment financing: infrastructure investment by institutional investors, corporate financing (including issues related to corporate governance) and bank lending (and related business models issues).

Asian-Pacific Economic Cooperation (APEC)

Long-term investment and, in particular, infrastructure investment has been one of the main priorities of the APEC Indonesian presidency in 2013 and is of high importance for the current 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, to meet for the first time in early 2014.

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.

An APEC Seminar on long term and stable financing for infrastructure development co-hosted by the Chinese Ministry of Finance, will be organized in June 26/27 June, Dalian, Liaoning China

LONG-TERM INVESTMENT PROJECT EVENTS END 2014

17-18th February, Paris, France.

7th Annual Meeting of Senior PPP Officials

Topic: As part of the two days annual meeting of the Government Directorate of the OECD, a session will be organized on Instruments to attract Institutional investors to infrastructure and PPPs projects.

Participants: OECD network of Senior PPP officials and investors/asset managers

7th April 2014, Amsterdam, Netherlands

OECD/APG/RiskLab technical workshop on Pension Fund Regulation and Long-Term Investment

Topic: focus on the definition of long-term investment and long-term investors, evidence available, impact on investment strategies of current regulatory changes, challenges with illiquid assets

Participants: representatives of pension funds, academics technical experts, regulatory bodies

4 June 2014, Singapore.

G20/OECD High-Level Roundtable on Institutional Investors Investor and long-term investment - From solutions to actions: implementing measures to encourage institutional long term investment financing

Topic: co organized with the G20 Australian Presidency and Singapore Ministry of Finance this event will be back to back with several meetings in Singapore including the World Bank Infrastructure Summit (on the 3rd of June) and G20 meetings of the Investment and Infrastructure Working Group and of the G20/OECD Taskforce on Institutional Investors and Long Term Investment. Focus of the Roundtable will be on the different areas of research of the LTI Project, regulation, governance and accounting for LTI. The event will build on the G20/OECD roundtable hosted in 2013 in Paris.

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

4 June 2014, OECD, Paris, France.

OECD/ICPM Long Term Investment seminar

Topic: event organized jointly by the OECD with the canadian Rotman University International Centre for Pension Management (ICPM). Topics of discussion will be Long-Horizon Investing in Infrastructure, A Long-Term Focus in the Corporate Investment Decision Process, Defined Ambition: What does it Mean?

Participants: Rotman -Research Partners including some of the largest investors from around the globe with OECD and IOPS delegates

26/27 June, Dalian, Liaoning China.

APEC/OECD Seminar on long term and stable financing for infrastructure development

Topic: This event co-hosted by the Chinese Ministry of Finance with the support of Australia and Indonesia will focus on infrastructure financing in China and the APEC region. The event will build on the APEC/OECD event hosted in 2013 in Palembang, Indonesia

Participants: representative from APEC government/central banks, local and international investors

October 2014, Paris, France. (date to be confirmed)

OECD/Sovereign Investor Institute/Euromoney

Long Term Investment Policy day (one day) and Infrastructure Summit (one day)

Topic: focus different areas of research of the LTI Project and on infrastructure work. The event will build on the OECD/Euromoney event hosted in May 2013 in Paris

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

OECD MEETINGS WHERE THE LTI WILL BE ALSO DISCUSSED

2-4 April 2014: Committee on Financial Markets meeting: Roundtable on long-term term investment and non-bank debt financing for SMEs

May 2014: B20 Meetings at the OECD in Paris

5 June 2014: OECD Insurance and Private Pensions Committee meeting: Roundtable on Regulatory Factors Affecting Insurer Long-term Investment

July 2014: OECD-African Development Bank roundtable on investment in infrastructure in Africa

July 2014: OECD Investment Forum, Lima - Peru

November 2014: Committee on Financial Markets meeting

December 2014: Insurance and Private Pensions Committee meeting

www.oecd.org/finance/lti