ADDRESSING THE INFORMATION GAP AND DEVELOPING INFRASTRUCTURE AS AN ASSET CLASS

**Workshop on Data Collection for Long-term Investment
G20/OECD Task Force on Institutional Investors and
Long-term Financing - 14th Meeting
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Content

➢ About the OECD LTI project

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➢ Areas of Work, Actions and Next Steps
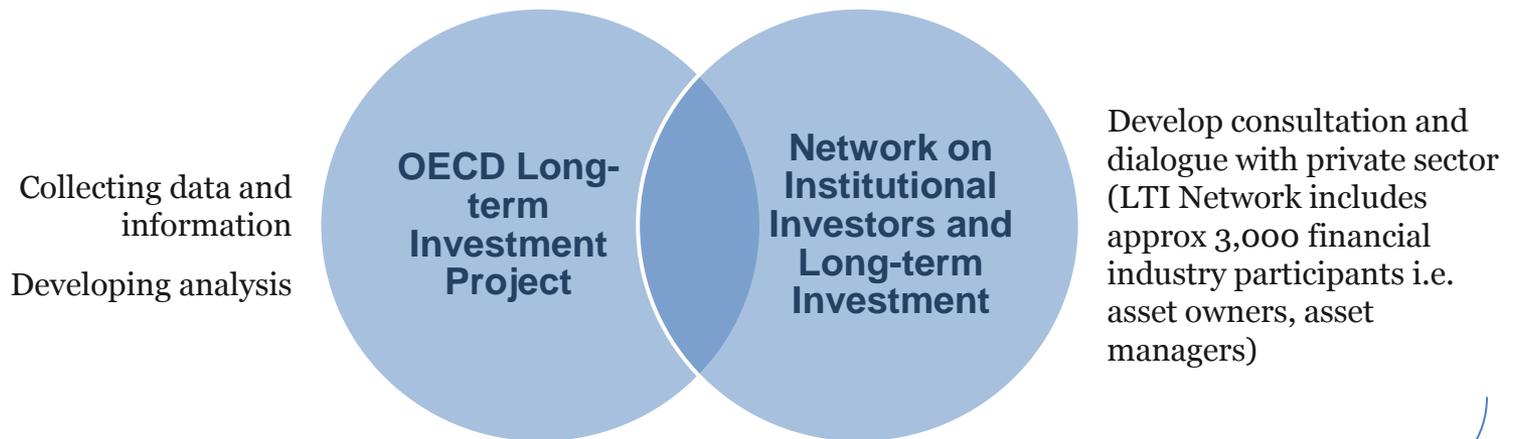
➢ Annex - OECD References

OECD WORK ON LONG TERM INVESTMENT

The OECD Project on Institutional Investors and Long-term Investment

The OECD is supporting the G20/APEC agenda on long-term investment through the **G20/OECD Taskforce on Institutional Investors and Long Term Investment**
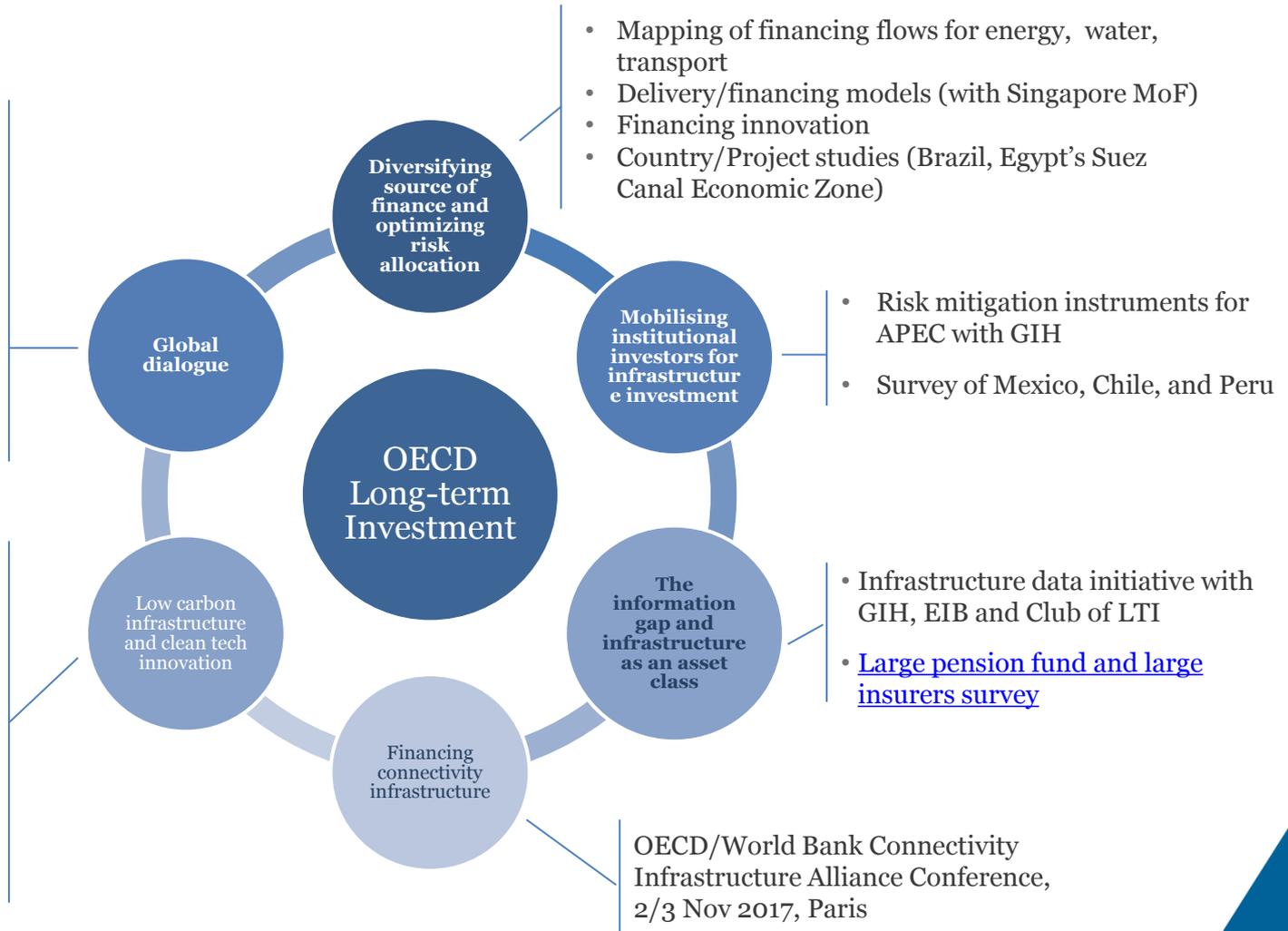
See www.oecd.org/finance/lti

Collecting data and information

Developing analysis

OECD Long-term Investment Project

Network on Institutional Investors and Long-term Investment

Develop consultation and dialogue with private sector (LTI Network includes approx 3,000 financial industry participants i.e. asset owners, asset managers)

Towards **a holistic approach to long-term investment analysis** addressing private sector participants across the value chain (corporations, banks, institutional investors), including a broader range of issues (investment and financing), using better data and analytical tools

G20/OECD Guidance Note on Diversification of Financial Instruments for Infrastructure and SMEs, endorsed by G20 Leaders, September 2016

Current and Expected Work on LTI

- [OCED/ ADBI Seminar on Financing High Quality Investment in Infrastructure](), December 2016, Hanoi, Vietnam
- OECD/Long Term Investor Club Conference on LTI, 18th of Oct, Paris
- G20/OECD Taskforce on LTI – Nov 2017, Paris

- [OECD workshop on Financing Green Infrastructure](), November 2016, Paris

- ["Mobilising financing for the transition"]() Chapter 7 of the report "Investing in Climate, Investing in Growth" launched 23rd May 2017 , Berlin

OECD Long-term Investment (center)

Diagram nodes:
- **Diversifying source of finance and optimizing risk allocation**
- **Mobilising institutional investors for infrastructure investment**
- **The information gap and infrastructure as an asset class**
- Financing connectivity infrastructure
- Low carbon infrastructure and clean tech innovation
- **Global dialogue**

- Mapping of financing flows for energy, water, transport
- Delivery/financing models (with Singapore MoF)
- Financing innovation
- Country/Project studies (Brazil, Egypt's Suez Canal Economic Zone)

- Risk mitigation instruments for APEC with GIH
- Survey of Mexico, Chile, and Peru

- Infrastructure data initiative with GIH, EIB and Club of LTI
- [Large pension fund and large insurers survey]()

OECD/World Bank Connectivity Infrastructure Alliance Conference, 2/3 Nov 2017, Paris

IMPORTANCE OF DATA FOR LONG TERM INVESTMENT

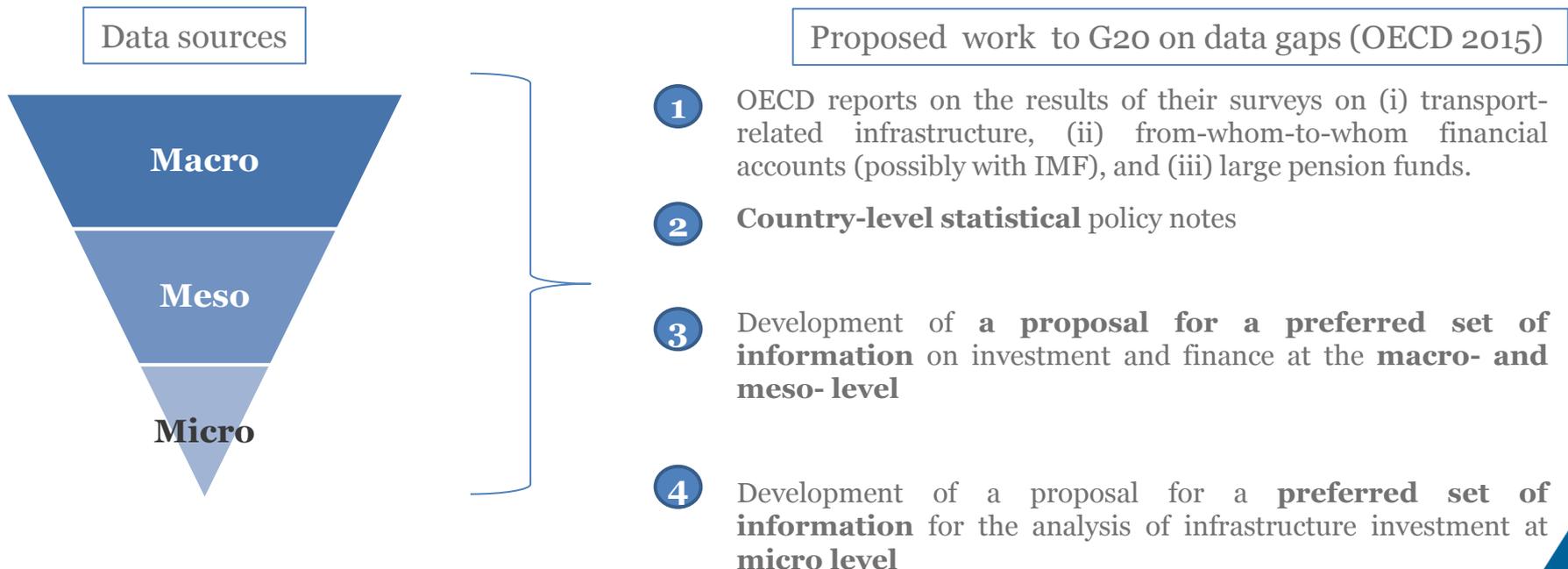# Innovation in data analysis, data gaps and OECD Role

- Issues re data gaps in LTI are not new...

- ... but new tools and datasets are available

- Use of micro sources of data (firm/project level) for academic work

- Several OECD Directorates already involved (STD, DAF, ENV,DCD) with ITF and IEA

- Private/public sector interest

- Role of G20/G7/APEC

G20/ OECD work on Data Gaps for LTI

- Improving the availability and quality of data and information on long-term investment, is recognised as a major G20 priority (i.e. G20 Data Gaps Initiative)

- The OECD (Statistics and Finance Directorates) has been leading with other IOs, this work at the G20

  – FSB/IMF/OECD/WBG (2014) Development of quantitative indicators of long-term investment finance.

  – OECD (2015) *Addressing Data Gaps in LTI: An Agenda for Research* 2015, with BIS, Canada, Italy

| Data sources | Proposed work to G20 on data gaps (OECD 2015) |

Macro

Meso

Micro

1 OECD reports on the results of their surveys on (i) transport-related infrastructure, (ii) from-whom-to-whom financial accounts (possibly with IMF), and (iii) large pension funds.

2 **Country-level statistical** policy notes

3 Development of **a proposal for a preferred set of information** on investment and finance at the **macro- and meso- level**

4 Development of a proposal for a **preferred set of information** for the analysis of infrastructure investment at **micro level**

Aim of today's workshop: further discuss proposals, take stock of relevant initiatives, propose role for G20

Use of Micro Data for Infrastructure Analysis

There is a lack of comparable cross-country information on infrastructure investment as often comprehensive data by the government, SOEs and the private sector are not readily available.

The creation and maintenance of **databases gathering project and firm-level information** across a wide range of countries will allow more comprehensive analysis of infrastructure investment, complementing national account data

Available data and their respective sources

Measurement	Sources	Description	Items covered
1. Budget Spending on Infrastructure	Country Budget Offices	Capex in Transp, Comm, Energy, water made by GOVERNMENT Infra Investment by SOE using budget transfers	Capex by GENERAL GOVERNMENT in chosen infra sectors
2. Gross Fixed Capital Formation for General Government- GFCF (GG)	National Accounts	Public Investment by general government - national/subnational gov	Government investments in fixed assets (infra and non infra)
3. Private participation in infrastructure (project/firm)	Commercial databases	Investment in Transp, ICT, energy, water projects owned or managed by private companies	Updated and disaggregated figures by sector and region. Data on project and firm level. Some private investment with info from publicly available sources
4. Financial performance - Cash flows	Public Authorities, Investors, banks, investment funds	Investment and financing across sectors	cashflow at project level, investment and balance sheet data collected from infrastructure investors and creditors.
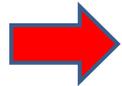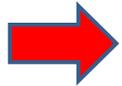
Source: Adapted from ADB 2017 and OECD 2015

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ADDRESSING DATA GAPS FOR LTI: AREAS OF WORK AND ACTIONS

Addressing Data Gaps for LTI: *The Research Agenda*

– Proposed work is focusing on data gaps/analytical work on private sector financing of infrastructure (but data gathered could be used for economic impact, sustainability, additionality etc)

– Aim is to improve the efficiency of the use of resources and partner with the private sector to meet infrastructure investment needs, given constraints on government budget and considerable current and future needs.

– Benefits for public and private sector:

  • Opening new channels of funds for Investors and asset managers;

  • More effective and efficient regulation allowing intermediation of long term capital;

  • Improving bankability of projects through better risk sharing in public infrastructure procurement and avoiding crowding out of private sector

– Three main streams of work have been identified:

  1. Mapping the financing of infrastructure

  2. Investment Characteristics of Infrastructure as an asset class and Role of Institutional Investors

  3. Mobilising private sector financing

See OECD (2017) "Addressing the Information Gap and Developing Infrastructure as An Asset Class" , 2017 Forthcoming

1. Measuring private sector investment and mapping financing channels for infrastructure

Areas of Work

- **What are the trends in financing infrastructure across regions and sectors (i.e. energy, transport, ICT and water)**

- **How much private investment goes into infrastructure? What is the level of foreign participation?**

- **Trends in private sector (i.e. corporates, banks and institutional investors) and public sector (i.e. development banks and finance institutions)**

- **What are the delivery and Financing models for Infrastructure?**

Actions

- Mapping investment and financing channels for infrastructure

- Creation of a database of stock and flow of infrastructure projects

- Development of measures of information on investment and finance at the macro- and meso-level and micro level

- Listing instruments and levels of public financial support

2. Investment Characteristics of Infrastructure as an Asset Class

Areas of Work

- **How are Institutional Investors approaching infrastructure investment? How much is invested by pension funds, insurers and SWFs?**

- **How to align investors to long term assets? What are the products needed?**

- **What is the performance and risk of infrastructure assets?**

- **How to incorporate sustainability criteria in infrastructure investment? What is the impact of the transition to a low carbon economy?**

Actions

- Defining sustainable and quality infrastructure investment, improving the pipeline of projects (i.e. GIH project pipelines, Source initiative)

- Standardizing and harmonizing project documentation and approaches to infrastructure valuation and analysis (i.e. China Guidelines for PPPs)

- Promoting international infrastructure data collection (i.e. Infrastructure Data Initiative EIB/GIH/OECD, Club of LTI)

- Support initiatives to create infrastructure benchmarks (i.e. EDHEC)

3. Mobilizing private sector financing

Areas of Work

- **What is the role of Private Sector and the Financial markets in financing infrastructure?**

- **What are the risks in Infrastructure Investment and financing? What is the optimal allocation of Risks and alignment of financial market policies?**

- **What are the instruments available to mobilize private sector financing?**

- **How to ensuring additionality and avoiding crowding out the market?**

Actions

- Measuring private sector mobilisation for infrastructure/ sustainability/development by government/ODFs/ DFIs/MDBs (i.e. OECD/DAC)

- Measuring governments /DFIs instruments and techniques to attract private sector financing in infrastructure

- Building a framework on qualitative and quantitative factors to help governments

- Promoting the setting of objectives for using NDBs (and MDBs through countries participation in their governance) balance sheets to catalyze private investment

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Next Steps on Data Collection for LTI

- Receive Feedback on the Research Agenda and Actions suggested (see Background Note)

- Gather interest from public/private stakeholders to participate in the initiative

- Draft a specific proposal creating a preferred template of information (i.e. "Infrastructure Data Initiative" by OECD, EIB, GIH and Club of Long Term Investors)

- Present the proposal at the next G20/OECD Taskforce meeting, in November 2017.

ANNEX

References

- OECD "Addressing the Information Gap and Developing Infrastructure as An Asset Class" OECD (2017 Forthcoming)

- OECD 2015 Addressing Data Gaps in LTI: An Agenda for Research 2015, with BIS, Canada, Italy

- FSB/IMF/OECD/WBG (2014) *Development of quantitative indicators of long term investment finance*

- **G20/OECD Guidance Note on Diversification of Financial Instruments for Infrastructure and SMEs**, *endorsed by G20 Leaders, September 2016*

- "Mobilising financing for the transition" Chapter 7 of the report "*Investing in Climate, Investing in Growth*" launched 23rd May 2017 , Berlin www.oecd.org/environment/cc/g20-climate/)

- Annual Survey of Large Pension Funds and Public Pension Reserve Funds (last published 2016)

- Infrastructure Financing Instruments and Incentives – A Taxonomy (2015)

- High Level Principles for Institutional Investors and LTI (2013)