

DRAFT AGENDA of the Workshop of the G20/OECD Task Force on LTI Financing on innovation, standardisation, and benchmarks for developing infrastructure as an asset class

In support of the G20 Infrastructure Working Group

Thursday 22nd of February 14:30 – 18:00

London, United Kingdom

<p>14:30 – 14:35</p>	<p>Introduction</p> <ul style="list-style-type: none"> • Damien Dunn, Chair G20/OECD Task Force on LTI Financing and Australian Treasury • André Laboul Special Advisor to the OECD G20 Sherpa and Senior Counsellor, OECD Directorate for Financial and Enterprise Affairs
<p>14:35 – 15:45</p>	<p>SESSION I: Exploring blockchain technologies for infrastructure – standardisation and application of the digital ledger for infrastructure assets</p> <p>Standardisation in infrastructure finance and procurement, not necessarily the standardisation of projects themselves, refers to the transactional and contractual framework, templates for information, cost reduction, and finance structures that can facilitate investment through improved transparency, security, administration and due diligence. Setting a strong governance framework surrounding the procurement of infrastructure and the various parties involved: public authorities, regulators, and increasingly the private sector, can be improved through digitalisation, including exploring the potential application of digital distributed ledgers. This session will explore the standardisation of infrastructure assets in the context of blockchain technologies by examining how this emerging technology could be applied to infrastructure procurement and investment.</p> <p>Moderator: Raffaele Della Croce – Lead Manager, Long Term Investment Project , OECD</p> <p>Lead discussants:</p> <ul style="list-style-type: none"> • Jason Kelley – General Manager, IBM Blockchain Services • Adam Matthews – International Director, Centre for Digital Built Britain, University of Cambridge • Richard Hay – UK Head of Fintech, Linklaters • Hidde Terpoorten – Blockchain Lead, APG
<p>15:45 – 16:45</p>	<p>SESSION II: Standardisation, prioritisation frameworks, and infrastructure modelling: Policy implications for quality investment in infrastructure</p> <p>Quality infrastructure is both a G20 and OECD priority. The OECD received in this respect a mandate from the OECD Ministerial Council Meeting in 2017 to further develop policy work related to quality infrastructure. This session will explore how the standardisation of infrastructure finance and procurement can support quality investment, along with prioritisation frameworks such as National Infrastructure Plans, which some countries have developed (notably the United Kingdom). The modelling of infrastructure projects is an important input into these initiatives and is a critical part of developing standardisation frameworks that feed into infrastructure planning and policies for quality investment, maximising the overall benefits of infrastructure investment.</p> <p>Moderator: Joel Paula – Economist/Policy Analyst, Long Term Investment Project, OECD</p>

	<p>Lead discussants:</p> <ul style="list-style-type: none"> • Keith Waller – Senior Advisor, Infrastructure Projects Authority, United Kingdom • Alexander Jan – Director, Arup • Yasuhisa Nakao – Deputy Vice Minister of Finance for International Affairs, Ministry of Finance, Japan • Mitchell Silk, Deputy Assistant Secretary, United States Treasury • Andrew Davies – Senior Counsellor, OECD Governance Directorate
16:45 - 17:00	Coffee Break
17:00 – 18:00	<p>SESSION III: Blended finance – Innovative financing models to mobilise private sector investment for infrastructure</p> <p>Blended finance is described by the OECD as the strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries. For example, guarantees or subordination in project finance provided by public actors can adjust the risk-return relationship of a project in a way that commercial investors are attracted to invest. In this way, blended finance can be viewed as a mobilisation approach, incentivising the higher amounts of capital needed to meet the United Nations Sustainable Development Goals and the Addis Ababa Action Agenda.</p> <p>In this session, the effectiveness of blended finance in addressing key risks facing infrastructure investment will be addressed. It will be discussed what blended finance approaches work in mitigating these risks, and how such approaches are implemented. The session will reveal the mobilisation effect of blended finance in unlocking commercial investments for infrastructure sector.</p> <p>Moderator: Haje Schuette – Head of Division, OECD Development Co-operation Directorate, Financing for Sustainable Development</p> <p>Lead discussants:</p> <ul style="list-style-type: none"> • Matthew Jordan Tank – Head of Infrastructure Policy and and Project Preparation, European Bank for Reconstruction and Development (EBRD) • Michael Hillary – Group Executive, Development Bank of Southern Africa (DBSA) • Nadia Nikolova – Vice President, Project and Infrastructure Finance, Allianz Global Investors

Annotations

Session I: Exploring blockchain technologies for infrastructure – standardisation and application of the digital ledger for infrastructure assets

The application of new technologies and innovation in the procurement, financing, and delivery of infrastructure services is of growing importance for policymakers. Technology can help to improve the efficiency of infrastructure, and also support the quality of services. In fact, technology has the potential to vastly impact how future infrastructure services are utilised. For example, driverless cars and trucks would dramatically impact road networks, which in turn could impact investors and how they create their assumptions for investing in assets based on forecasts of usage patterns and prices. It's not difficult to imagine the many ways that technology can enhance the performance of infrastructure, in areas such as construction, modelling, governance, efficiency, usage, financing, and resiliency. But uncertainties about the impact of technology can make it difficult to forecast future cash flows for infrastructure assets where significant disruption could alter the investment environment, particularly due to the long-life of some assets. It is therefore imperative to fully understand the implications of technology in the infrastructure project life cycle.

The application of blockchain technologies for infrastructure procurement, administration, usage, and financing is one such emerging area which could have vast implications. This session will explore the possible applications of blockchain and the distributed ledger to the procurement, administration, and financing of infrastructure assets and services.

In the press, blockchain is perhaps best known as the underlying technology that powers cryptocurrency markets, but there are many other applications for this technology. The use of blockchain could provide a common platform to execute the administration of infrastructure assets, such as through “smart contracts”, improved documentation, collection of usage fees, or to automate the execution of transactions. In this way, blockchain could be a way to more broadly standardise the way that infrastructure assets and services are delivered and managed, which would help support investment by creating a more standardised class of investments. A number of blockchain start-up companies have been launched in various segments of industry and society, reflecting the relatively early stage and development of blockchain applications – much is still to be seen about testing various blockchain business models and use cases.

One area that has seen growing interest has been in the distributed solar segment, where the use of distributed ledgers could have vast implications by linking small-scale solar assets, for instance, to regional or super-regional markets (peer-to-peer). In this way, the value of solar generation can be unlocked by the asset's owners through automatic trading of surplus electricity and execution of transactions over a secure and anonymous market powered through blockchain. Utilities are also exploring blockchain for energy trading. Distributed ledgers applied to global trade, logistics, and ICT networks could also have far reaching impact. One such use case is being explored through a joint venture between IBM and Maersk to build a blockchain global supply chain platform (see reference from the recent GICA annual meeting).

The “tokenisation” of infrastructure assets refers to the transformative effect that blockchain can have by turning a previously uninvestable asset into an investable one that is tradeable, or even divisible into smaller units (such as shares). In this way, new investment channels for infrastructure could be opened across debt or equity instruments. Many of these potential applications are again in their early stages of development, with the policy and regulatory environment evolving.

Knowing that this is the first time that we have addressed this topic to the Task Force, speakers for this session have been briefed to keep the discussion focused on the infrastructure-related implications of

blockchain. We encourage participants to share more references in addition to the ones provided in order to enrich the body of knowledge on this growing area of work.

References:

Basden, James and Michael Cottrell (2017), "[How Utilities are Using Blockchain to Modernize the Grid](#)" *Harvard Business Review*, March 23, 2017

GICA (2018), Summary, Global Infrastructure Connectivity Alliance First Annual Meeting, organised jointly by the WBG and OECD, January 25-26 2018

J. Kogure et al. (2017), "[Blockchain Technologies for Next Generation ICT](#)", *Fujitsu Science and Technology Journal*, Vol. 53, No. 5, Fujitsu Laboratories, September 2017

PWC (2017), "[Use Cases for Blockchain Technology in Energy and Commodity Trading](#)" PWC, July 2017

Session II: Standardisation, prioritisation frameworks, and infrastructure modelling – Policy implications for quality investment in infrastructure

The standardisation of infrastructure finance and procurement is a growing area of policy work led by international fora such as the G20 and G7, with inputs from IOs, MDBs, and the private sector on this increasingly important topic. In November 2017, the OECD hosted another workshop for the Task Force on infrastructure as an asset class which featured interventions on standardisation (see references for the summary record of this event). The topic is again being addressed in this workshop event for the Task Force, where ideas on this topic and points-of-view from the private sector and various stakeholders will help form the future agenda, as it is expected that the Infrastructure Working Group of the G20 will continue to make standardisation and quality investment an area of focus.

Given that the universe of infrastructure assets is heterogeneous in nature, with many projects operating in specific environments or using differing business models, the concept of standardisation is not about making these assets "the same", but rather standardising aspects of data reporting, financial instruments, documentation, contracts, or approaches to modelling infrastructure performance, for instance, that can make different assets comparable and investable. The ultimate goal would be to reduce the costs and complexity for investors and the public sector. Indeed, when talking about developing "infrastructure as an asset class" it is implied that infrastructure assets have some underlying similarities. Efforts already underway in the private sector on developing benchmarks for infrastructure performance measurement and comparison, and at the G20, including the Infrastructure Data Initiative, are making progress on these fronts.

Financing instruments themselves, such as project bonds or listed vehicles, applied to many different types of infrastructure projects, could collectively introduce a more standardised approach to investing in infrastructure, and facilitate investment through the capital markets. At November's workshop event, SwissRe advocated for a universally accepted template to standardise debt documentation and disclosure, facilitating the issuance of tradeable securities.

Also at the past workshop, the Terrawatt Initiative was presented as an effort to standardise solar power contracts, particularly for smaller projects. Solar projects themselves are highly modularised and similar, regardless of location - the key objective is to simplify and streamline the existing practices by redesigning and rethinking how to deliver a more balanced approach to risk allocation that could contribute to reduced industry costs and an increased deployment of solar around the globe.

Standardisation of project documentation and evaluation can also assist countries in formulating their national investment strategies, as well as performing economic impact studies and completing value-for-money analysis. The '5 case model' developed in the United Kingdom has standardised the criteria, rationale, and objectives for prioritising infrastructure projects. The UK has also developed methodologies and techniques to assess system-wide infrastructure performance across the lifecycle, moving beyond the capital efficiency of individual projects.

Tying all of these themes together is the need to promote quality investment in infrastructure, the significance of which is confirmed by the recently adopted *G7 Ise-Shima Principles for Promoting Quality Investment in Infrastructure*, which are closely related to promoting definitions of sustainability and linking investments with contributions to the Sustainable Development Goals. In this way assessing economic, social, and environmental impact become standardised aspects of infrastructure development.

References:

G7 (2016), [G7 Ise-Shima Principles for Promoting Quality Infrastructure Investment](#)

IADB (2017), *Infrastructure as an Asset Class: Towards a Tradeable Standardised Security*, December 2017, Inter-American Development Bank

IPA (2016), [National Infrastructure Delivery Plan 2016-2021](#), Infrastructure Projects Authority, United Kingdom. Document on [methods](#) for the NIP. [Finance Update](#) of the NIP

IPA (2017), [Transforming Infrastructure Performance](#), Infrastructure Projects Authority, United Kingdom

OECD (2013), [G20/OECD High-level Principles of Long-term Investment Financing by Institutional Investors](#), endorsed by G20 leaders in 2013

OECD (2015), [Policy Framework for Investment](#)

OECD (2016), [G20/OECD Guidance Note on Diversification of Financial Instruments for Infrastructure and SMEs](#), endorsed by G20 leaders in 2016

OECD (2017), [Breaking Silos: Actions to Develop Infrastructure as an Asset Class and Address the Information Gap](#)

OECD (2017), [Summary Record - Workshop on Infrastructure as an Asset Class and Data Collection for Long-term Investment](#), 2 November, 2017. Also see [presentations and agenda](#)

Session III: Blended finance – Innovative financing models to mobilise private sector investment for infrastructure

The 2030 Agenda for Sustainable Development and the Paris Agreement aspire for a better future for all, which calls for an innovative and sophisticated financing strategy. The global community needs to move well beyond the USD 145 billion provided as official development assistance (ODA) in 2016. The investment gap for delivering the Sustainable Development Goals (SDGs) in developing countries is estimated at USD 2.5 trillion per year.

Blended finance is emerging as an important solution to help raise resources for the Sustainable Development Goals in developing countries, in particular in the infrastructure sector. The OECD defines blended finance as the *strategic use of development finance for the mobilisation of additional finance*

towards sustainable development in developing countries. Additional finance, in this definition, refers primarily to commercial finance that is not currently deployed to support development outcomes.

Blended finance has gained a lot of momentum over the last twelve months, cumulating in three seminal contributions by major blended finance initiatives. The *OECD Blended Finance Principles*, the *DFI Working Group Enhanced Principles on Blended Concessional Finance for Private Sector Projects*, and recommendations from the *Blended Finance Taskforce* of the *Business Commission for Sustainable Development* drive the blended finance sector from the policy, development finance institution (DFI), and the private sector perspective, respectively. The mobilisation of commercial finance has assumed centre stage in infrastructure investments, which is also a top priority of the Argentinean G20 leadership, striving at mobilising private investment toward infrastructure.

Blended finance holds particular potential in the infrastructure sector. Deals closed in the last years have shown how both non-concessional and concessional development finance can be used to unlock private infrastructure financing. The Elazig Integrated Health Campus project deployed MIGA political risk insurance and EBRD's unfunded liquidity facilities, resulting in the issuance of bonds with an investment rating two notches above Turkey's sovereign rating. Another example is the European Commission's concessional equity investment in the Kenyan Lake Turkana Wind Power project. The European Commission engagement re-balanced the risk-return relationship needed to close the project.

Blended finance also plays a major role in the green investment spectrum. The OECD has been commissioned under the German G20 presidency to look into investments in modern, smart and clean infrastructure in order to achieve resilient, inclusive and sustainable growth paths. Blended finance approaches were highlighted as an effective tool to de-risk and mobilise private investment in infrastructure, while optimising public investment. This work also highlighted the strategic role that development banks, be they multilateral, sub-regional and national as well as private-sector focused development finance institutions (DFIs), play in mobilising additional capital in support of the 2030 agenda.

There is also an opportunity to link the principles of blended finance with trends in institutional investment such as the integration of Environmental, Social, and Governance (ESG) strategies in investment processes. Pension funds that, for instance, seek to measure their portfolio's economic impact or environmental footprint may be partners for future collaboration between development finance institutions.

A unique opportunity presents itself: to sustain global growth by investing in the infrastructure needed to support development while minimising adverse environmental and social impacts. Designing, developing, and financing sustainable infrastructure is therefore key to achieving long-term goals for sustainable economic growth and development and is high on the agenda of international fora such as the G20, G7, and APEC, supported through recent contributions by the OECD. Investment in sustainable infrastructure thus helps in achieving long-term growth targets, job creation, and goals for inclusive economic prosperity, helping to also meet the SDGs and country contributions to the Paris Agreement on climate change.

References:

DFI Working Group (2017), [Blended Concessional Finance for Private Sector Projects, Summary Report](#)

MDBs (2015), [Partnering to Build a Better World: MDBs' Common Approaches to Supporting Infrastructure Development](#)

MDBs (2017), [Principles of MDBs' Strategy for Crowding-in Private Sector Finance for Growth and Sustainable Development](#)

OECD (2018), [Making Blended Finance work for the Sustainable Development Goals](#), OECD Publishing

OECD (2017), [OECD DAC Blended Finance Principles for Unlocking Commercial Finance for the Sustainable Development Goals](#), OECD Publishing

OECD (2017), Investing in Climate, Investing in Growth, OECD Publishing, Paris.
<http://dx.doi.org/10.1787/9789264273528-en>

The Blended Finance Taskforce (2018), [Better Finance, Better World](#)

WBG/OECD (2015), [WBG/IMF/OECD Capital Market Instruments to Mobilise Institutional Investors to Infrastructure and SME Financing in Emerging Market Countries](#)

UN (2015), [United Nations Sustainable Development Goals](#)