



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

## **OECD Institutional Investors and Long-Term Investment Project Update – June 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 as official Partners and Sponsors on this Project, such as the Club of Long Term Investors (including Caisse des Depots, Cassa Depositi e Prestiti, the EIB and KfW), the Dutch pension fund APG, the Canadian pension fund CPPIB, and Guggenheim Partners and Oliver Wyman from the USA. Other major institutional investors across the world are also collaborating on the Project. In addition to OECD member countries, the LTI Project will work closely with 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 first year of the Project was marked by 2 major events: 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”](#) (28 May 2013) and the [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. Please find below an update on the Project and planned research and events for 2013.

Research published and events organized are available at: [www.oecd.org/finance/lti](http://www.oecd.org/finance/lti)

Contacts:

Juan Yermo ([juan.yermo@oecd.org](mailto:juan.yermo@oecd.org))

Raffaele Della Croce ([raffaele.dellacroce@oecd.org](mailto:raffaele.dellacroce@oecd.org))

Marta Rilling ([marta.rilling@oecd.org](mailto:marta.rilling@oecd.org))

## POLICY DISCUSSIONS

### G20-OECD Work on Long-Term Financing

The [OECD-G20 Mexican Presidency Seminar on Green Growth](#) held in Paris on 22 May 2012 included a session on institutional investment and infrastructure. This session led to the drafting of a short [G20/OECD Policy Note on Pension Fund Financing for Green Infrastructure and Initiatives](#), circulated at the G20 Los Cabos leaders summit in June 2012. This policy note was based on research related to the Institutional investors and Long-Term Investment Project and provides some initial recommendations to leaders of G20 countries.

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 (see OECD contribution on the [Role of Banks, Equity Markets and Institutional Investors in Long-Term Financing for Growth and Development](#)), assessing factors affecting long-term financing. 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. Also the need for further research and analysis was recognised.

At this meeting, G20 leaders agreed to establish a Study Group on Financing for Investment with the co-operation of international organizations (IOs). The Study Group will analyse obstacles and limitations delaying long-term financing and determine a work plan for the G20, making use of the findings of the diagnostic report. Some IOs have been mandated to **provide specific deliverables**. This includes for the OECD together with other relevant IOs, to provide analysis of different **government and market-based instruments and incentives used for stimulating the financing of long-term investment**, as well as a **survey report on pension funds' long-term investments**.

In addition, the G20 has encouraged the OECD to develop [High-Level Principles on Long-Term Investment Financing by Institutional Investors](#) for consideration at the G20 Summit in Saint Petersburg on 5-6 September 2013. The principles were developed by the new Task Force on Institutional Investors and Long-Term Financing recently launched by two OECD Committees (Committee on Financial Markets and Insurance and Private Pensions Committee).

To introduce the new Task Force and discuss the latest research produced by the OECD project on Institutional Investors and Long-Term Investment<sup>1</sup>, the OECD together with the G20 Russian Presidency organized 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"](#) held on 28 May 2013 at the OECD Conference Centre in Paris.

### Asian-Pacific Economic Cooperation (APEC)

The Asia-Pacific Economic Cooperation (APEC) has grown to become one of the world's most important regional forums. Its 21 member economies are home to more than 2.7 billion people and represent approximately 53% of world real GDP and 44% of world trade.

Infrastructure is one of the five priorities of the current Indonesian Presidency of APEC. In this context under the aegis of the APEC the OECD is organizing a [Seminar on Infrastructure Financing](#) in Indonesia on 29 August 2013. The seminar will be co-hosted by the Indonesian Ministry of Finance. Multilaterals such as the World Bank and the Asian Development Bank will be involved in the seminar and a background paper on infrastructure financing in Indonesia will be prepared.

---

<sup>1</sup> [www.oecd.org/finance/lti](http://www.oecd.org/finance/lti)

## NEW RESEARCH PAPERS PROPOSED FOR 2013

- **Investment Models for Financing Infrastructure:** This paper aims to contribute to the current discussion on the perspectives of new infrastructure models and the potential role of institutional investors.
- **Investment in Real Estate: Lessons for Other Real Asset Classes:** This paper will look at the ways of investing/financial instruments used by institutional investors to access the real estate sector and will examine if these models could potentially also be applied to other real assets such as infrastructure.
- **Insurers as Long-Term Investors: Approach to Infrastructure Investment:** This paper will be a first analysis on the insurance sector and long-term investment, which will serve the diagnostic exercise requested by the G20 for January 2013 and will represent the basis for the in depth report on insurers to be undertaken in 2013 (see next section).
- **Regulation and Long-Term Investment:** To address the changes in accounting and prudential rules that may be necessary in order to promote more long-term investment strategies, which allow for illiquid asset classes (such as infrastructure) and avoid procyclicality.
- **Pension Deals, Solvency Regulations and Investment Strategies:** This report assesses how investment strategies are affected by the pension deal and the solvency rules. An ALM model is used to determine suitable investment strategies (including allocation to illiquid assets) given the constraints present. The impact of regulations is measured in terms of the solvency capital required by different investment strategies.
- **Large Pension Funds Survey 2013:** Building on the 2011 survey, this survey will be extended to more funds and countries, providing insights and detailed investment information which complement the administrative data gathered at the national level using data for 2011 and 2012.
- **Infrastructure Financing in Indonesia:** This paper, drawing comparisons with other ASEAN countries, would look at current state of infrastructure financing in Indonesia and the potential role of domestic and foreign institutional investors.
- **Sovereign Wealth Funds and Infrastructure Investment:** This paper would look at the involvement of some of the largest SWFs in infrastructure.
- **Promoting Debt Capital Markets Solutions for Infrastructure Financing:** This paper would look at debt capital market initiatives, instruments and appetite from institutional investors in relation to infrastructure investment in developed and developing countries.
- **The Role of Institutional Investors in Corporate Governance and Value Creation:** This report will address the governance and institutional links between institutional investors and corporations, focusing on how market practices such as asset management delegation, performance benchmarking and different investment strategies affect the ability of asset owners to be effective monitors as shareholders.
- **Insurer Portfolio Investment: Opportunities and Constraints for Long-Term Investing:** Based on the initial analysis undertaken for the LTI Project and new industry data collection survey, aim of the report will be to clearly identify key issues and challenges and provide initial recommendations.

## LONG-TERM INVESTMENT PROJECT EVENTS Q1/Q2 2013

<p><b>6 February 2013, Amsterdam, Netherlands</b> <b>OECD Seminar on Regulation and Long-Term Investment</b></p> <p><b>Topic:</b> 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)</p> <p><b>Participants:</b> international investors, technical experts, regulatory bodies</p>
<p><b>7-8 February 2013, Paris, France</b> <b>From Good Ideas to Bankable Projects: Turning Environmental Infrastructure Proposals into Reality Workshop organized by International Chamber of Commerce/OECD/ Asian Development Bank</b></p> <p><b>Topic:</b> focus on the identification of good practices in enhancing the soundness and bankability of infrastructure projects</p> <p><b>Participants:</b> multilaterals, developers, international investors, technical experts</p>
<p><b>25 April 2013, OECD Conference Centre, Paris, France</b> <b>OECD Financial Roundtable: Financing investment for the long-term: challenges, players, instruments</b></p> <p><b>Topic:</b> off-the-record discussion on financing for investment between OECD Committee members and selected representatives of the financial services sector (banks and rating agencies)</p> <p><b>Participants:</b> 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.</p>
<p><b>28 May 2013, OECD Conference Centre, Paris, France</b> <b>G20 Russian Presidency/OECD High-level roundtable on long-term investment: from problems to solutions</b></p> <p><b>Topic:</b> focus on different areas of research of the LTI Project, regulation, governance, infrastructure investment, G20 deliverables</p> <p><b>Participants:</b> senior representatives of pension funds, insurers and SWFs and policy makers</p>
<p><b>29 May 2013, Intercontinental Hotel, Paris, France</b> <b>OECD/Euromoney Infrastructure Summit</b></p> <p><b>Topic:</b> 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</p> <p><b>Participants:</b> institutional investors, financial industry representatives (banks, asset managers, rating agencies), policy makers</p>
<p><b>6 June 2013, OECD Conference Centre, Paris, France</b> <b>OECD Roundtable on the Investment Strategies of Insurers and Long-term Investment</b></p> <p><b>Topic:</b> off-the-record discussion on insurers as long term investors between OECD Committee members and selected representatives from the insurance sector</p> <p><b>Participants:</b> 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.</p>
<p><b>29 August 2013, Palembang, Indonesia</b> <b>APEC/OECD Seminar on Institutional Investors and Infrastructure Financing in Indonesia (co-hosted by the Indonesian Ministry of Finance)</b></p> <p><b>Topic:</b> focus on infrastructure financing in Indonesia</p> <p><b>Participants:</b> representative from Indonesian government/central bank, local and international investors</p>