



PROMOTING QUALITY INFRASTRUCTURE INVESTMENT IN ASIA

Session 1 - Responding to globally growing infrastructure demands:
establishing global standards to promote quality infrastructure
investment and new finance

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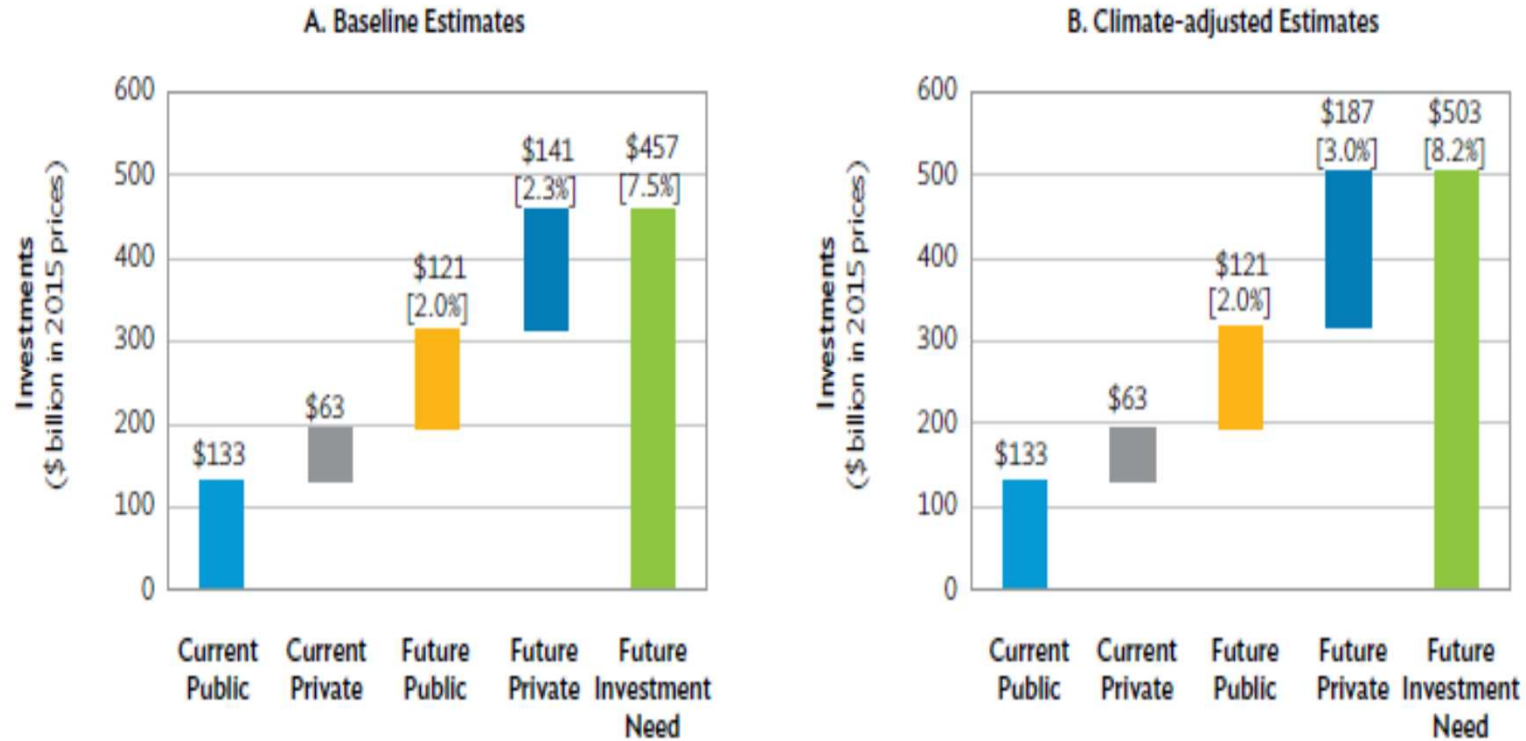


Summary

1. Infrastructure Investment Trends and Needs
2. Attracting Private Sector Investors
3. Promoting Quality Infrastructure Investment



Infrastructure Investment Trends: Meeting the Investment Gaps in Asia, How much Private Sector financing in Infrastructure is required?

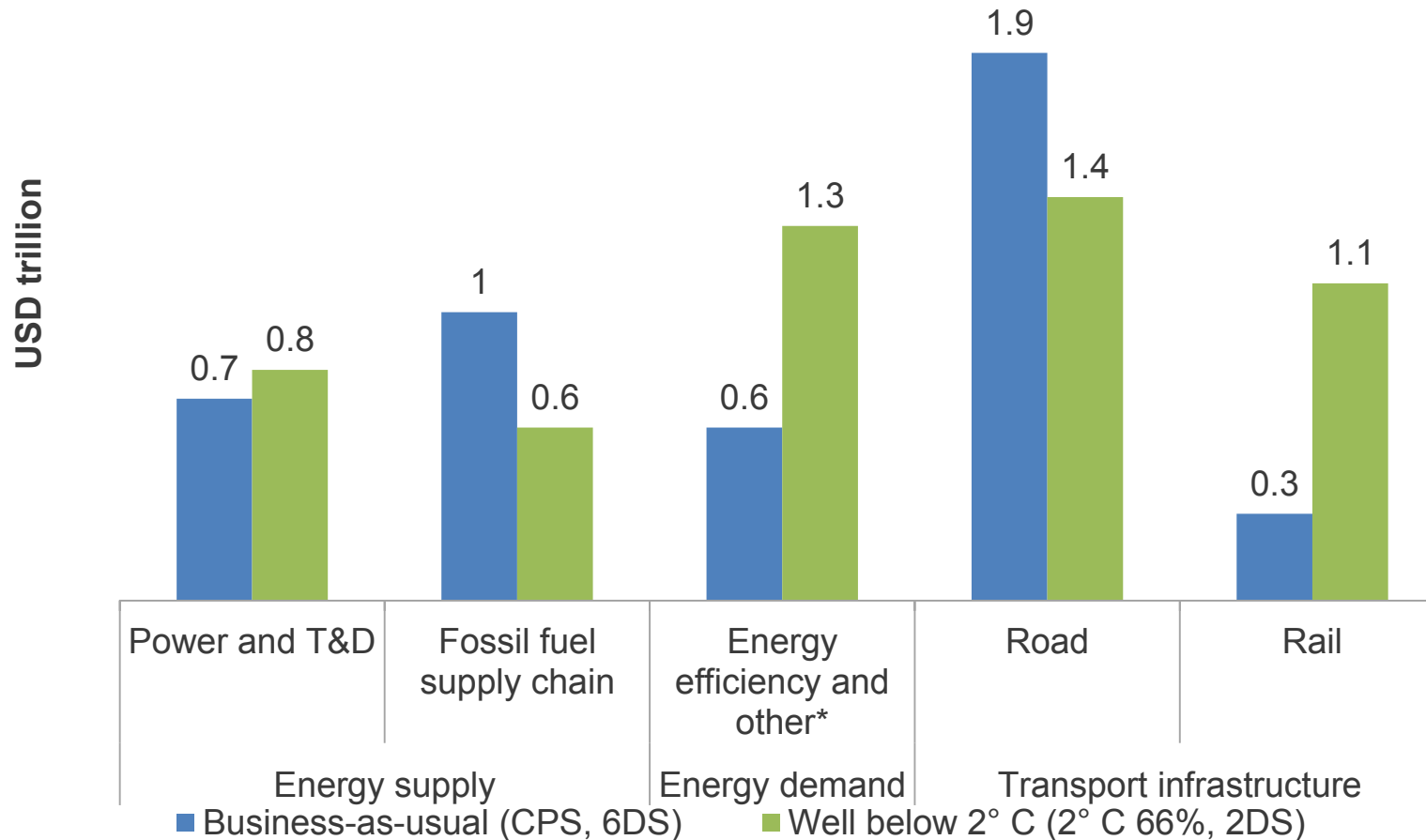


Source: ADB (2016) : Selected ADB Developing Member Countries excluding China, 2016–2020 (annual averages, \$ billion in 2015 prices)

Given that the private sector has only invested around \$63 billion in recent years (the second bar on the left), the sums required are quite large.



Infrastructure Investment Trends: Low-carbon infrastructure investment needs in energy and transport globally



Source: OECD/IEA and IRENA, 2017.

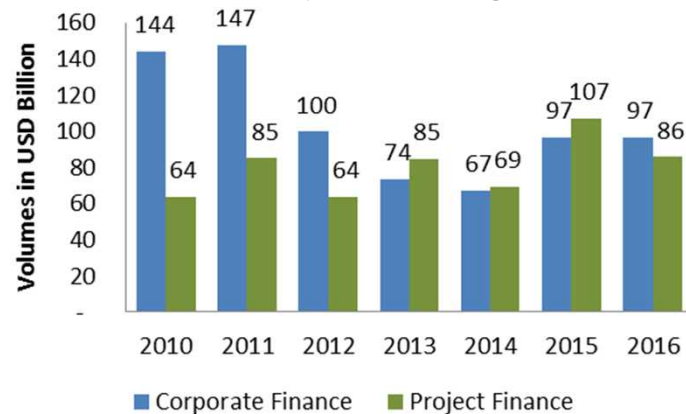
The cost of going low-carbon *could* be relatively low, but a massive reallocation of capital is needed.



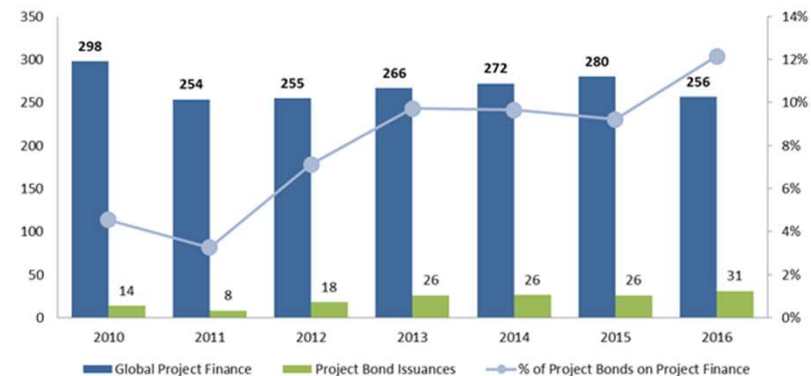
Attracting Private Sector Investors: Securing Private Finances (Diversifying sources, designing suitable structures and instruments)

Crowding private sectors investors in infrastructure is about designing **suitable finance structures and instruments that match the preferences, profile, and capabilities of investors...**

Renewable Energy Project Finance vs Corporate Finance, 2010 to 2015



Global Project Finance vs. Project Bond Issuances – 2010 to 2016



... as illustrated by the trends in the infrastructure debt, **the sources of financing are broadening**: project and corporate finance as well as bond market. **New models and partnerships are emerging** to scale up financing in low carbon infrastructure (corporates, banks, institutional investors)

How to address the risks in the design of the financing structures?

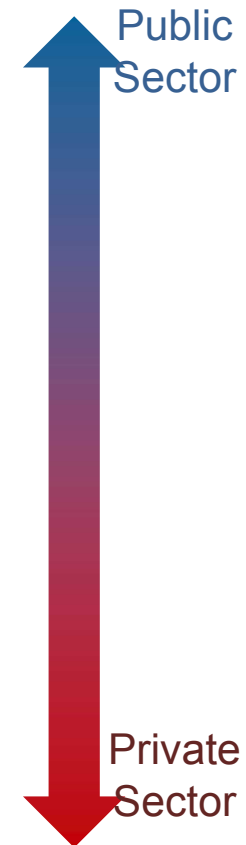


Attracting Private Sector Investors: Securing Private Finances (Understanding risks)

Real and perceived risks continue to hamper private investment flows. Diversifying financing sources is first **understanding the risks associated** with each phase of an infrastructure project's lifecycle...

... and addressing those risk through an optimal allocation between public and private actors...

Risk Categories	Development Phase	Construction Phase	Operation Phase	Termination Phase
Political and regulatory	Environmental review	Cancellation of permits	Change in tariff regulation	Contract duration
	Rise in pre-construction costs (longer permitting process)	Contract renegotiation		Decommission
				Asset transfer
		Currency convertibility		
		Change in taxation		
		Social acceptance		
		Change in regulatory or legal environment		
Macroeconomic and business	Prefunding	Default of counterparty		
	Financing availability	Refinancing risk		
		Liquidity		
		Volatility of demand/market risk		
	Inflation			
	Real interest rates			
	Exchange rate fluctuation			
Technical	Governance and management of the project			Termination value different from expected
	Environmental			
	Project feasibility	Reliability of forecasts for construction costs and delivery time	Qualitative deficit of the physical structure/ service	
	Archaeological			
	Technology and obsolescence			
	Force Majeure			



Risk Mitigation Instruments and blended finance (guarantee/currency hedging/ loan syndication)



Attracting Private Sector Investors: Improving the investment environment

Improving the investment environment: Policies for scaling up low carbon investment

- **Strong and coherent climate policy as the basis for the transition** (carbon pricing, reforming fossil fuel subsidies; interaction with other incentives and regulations)
- **Tuning broader investment conditions for low emission and resilient infrastructure** (Policy framework for low carbon investment: investment policy, competition, land use planning, trade, tax and responsible business conduct, e.g. disclosure)
- **Making public infrastructure choices aligned with low carbon and resilient pathways** (role of public government, reflecting climate factors in public infrastructure decisions)



Promoting Quality Infrastructure Investment: Using **OECD Standards**

- OECD Recommendation on Common Approaches for Officially supported **Export Credits** and Environmental and Social Due Diligence (“Common Approaches”);
 - Integrity Framework for Public Investment;
 - Recommendation on Fighting Bid Rigging in Public Procurements;
 - Principles of Public Governance for Public-Private Partnerships
 - Principles for Private Sector Participation in Infrastructure
 - Responsible Business Conduct Standards
- Important role not only for the public sector but also for the private sector to ensure increase of quality infrastructure



Future OECD Events on Quality Investment and Financing of Infrastructure

- G20/OECD Taskforce on Long Term Investment – 9/10th May Paris
- APEC Long term investment in quality infrastructure – 16 May 2017, Vietnam
- OECD Southeast Asia Regional Forum, 18 July in Bangkok, Session on Quality Infrastructure for ASEAN
- Green Forum October 2017, Paris
- OECD/World Bank Connectivity Infrastructure Forum 2/3 Nov 2017, Paris

More info see www.oecd.org/finance/lti



THANK YOU

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