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OPENING REMARKS BY DEPUTY SECRETARY (POLICY) OF MINISTRY OF FINANCE, MR YEE PING YI, AT THE G20/OECD SINGAPORE HIGH-LEVEL ROUNDTABLE ON INSTITUTIONAL INVESTORS AND LONG-TERM INVESTMENT ON 25 APRIL 2016, 1PM, AT HOTEL INTERCONTINENTAL.

Madam Zheng Quan, Chair, G20 Investment & Infrastructure Working Group

Mr André Laboul, Deputy Director, Directorate For Financial and Enterprise Affairs, OECD

Distinguished Guests, Ladies and Gentlemen

1. Good afternoon.

2. It is my pleasure to open this High-Level Roundtable on Institutional Investors and Long Term Investment. I would like to welcome our international guests from G20 countries, experts from the international organisations, and private sector professionals from investment banks, institutional investors, and sovereign wealth funds.

3. There is a sense of familiarity as Singapore hosts this Roundtable for the third consecutive year. The benefits of increasing infrastructure investment are now well recognised – from both demand and supply perspectives, as well as in promoting greater economic growth and social development. There is clear acknowledgement that governments and multilateral agencies need to work together, to do more in promoting private sector investments to close the infrastructure gap.

Challenges to Infrastructure Investment

4. Infrastructure is an attractive investment option. Nonetheless, institutional investors face significant challenges in making investment decisions, and funds have yet to flow sufficiently or efficiently into productive infrastructure assets.

5. For example, the OECD estimates that institutional investors, who manage an estimated US$80 trillion worth of assets in major economies alone, currently allocate an average of only 1% of their assets to infrastructure.

    a. However, a recent survey of institutional investors showed that more than half of the respondents intend to increase their allocation to infrastructure assets over the long term.

    b. This increase in appetite for infrastructure assets is certainly good news, given the US$1 trillion gap in infrastructure investments recorded annually.

6. To realise the full potential of institutional investment in closing the global infrastructure gap, we need to better understand and address the possible reasons for the current investment levels, despite the attractiveness of infrastructure as an asset class.

    a. Such factors could include the absence of sound legal and regulatory frameworks, varying standards of project preparation across countries, and a lack of effective performance benchmarks to facilitate proper pricing and appropriate risk-adjusted returns.

    b. These are areas where the G20 and other institutions such as the World Bank Group, EDHEC and OECD have been working on, to develop robust solutions that can help facilitate greater investment.

7. This morning, the Global Infrastructure Hub, the Monetary Authority of Singapore, and the OECD co-organised a workshop to discuss appropriate allocation of risks between the public and private sectors for Public-Private Partnership transactions. Such continuing discussions are vital to help key stakeholders, including governments, better understand the underlying risk allocation principles, and design more bankable and commercially viable partnerships that will draw in more private financing.

Developing Innovative Financing Approaches to Infrastructure Investment

8. We also need to develop more innovative financing approaches to cater to different types of infrastructure projects, as well as to the range of different mandates of various investors.

9. Fixed income instruments are typically preferred by institutional investors. Understandably, the potential of stable and long-term cash flows from such instruments provide the best fit to the investment mandate of many institutional investors, such as pension and insurance funds.

10. Nonetheless, there can be a variety of equity instruments through which institutional investors can participate in infrastructure financing. These include direct investment, as well as indirect investment via infrastructure funds or infrastructure trusts.

    a. To this end, enhancing capital market development in emerging economies remains key.

    b. More can be done to enhance the frameworks for such instruments, particularly in emerging economies, to promote greater infrastructure financing flows.

11. It is equally important that we continue to develop standardised project documentation and contractual clauses, and strengthen institutional capacity among governments, so as to develop infrastructure into a more established asset class to attract more institutional investors.

12. I hope the exchange of ideas and expertise today, and later this week, will contribute to the development of diverse and innovative financing approaches to facilitate long-term infrastructure investments. It is critical that we continue our collective efforts to mobilise new ideas to fully harness the potential of private investments in closing the infrastructure gap.

13. Thank you.

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