KEY RECOMMENDATIONS

1. **Build a transparent and tradable infrastructure market, with a spectrum of investment vehicles comprising a defined asset class**
2. **Increase access to information on infrastructure investments to facilitate data collection and promote harmonization and standardization**
3. **Provide a supportive regulatory framework that avoids disincentives to long-term investment (e.g. capital charges disproportionate to risk)**

TOP 10 IMPEDIMENTS TO LONG-TERM INFRASTRUCTURE FINANCING AND INVESTMENT

IMPEDIMENTS	*POTENTIAL SOLUTIONS*
OVERALL BUSINESS ENVIRONMENT AND INFRASTRUCTURE MARKET NEEDS	
1. **An underdeveloped infrastructure asset class.** While recognizing the need for a full spectrum of investment vehicles, a lack of appropriate instruments, standardization and efficient secondary markets creates significant barriers to long-term investors. Other concerns include high costs—e.g. for indirect fund investment and pooled vehicles—and lack of longer-duration instruments.	**A transparent, harmonized and accessible infrastructure asset class, with longer-duration instruments,** would link demand for such investments with large available pools of capital. **Harmonized legislation** for infrastructure is crucial, as is the development of **best practices** for bond documentation and due diligence (by international financial institutions – "IFIs" and multilateral development banks – "MDBs").
2. **Lack of transparency and information flow.** The heterogeneity and complexity of infrastructure projects and the lack of accessible data is not conducive to a significant expansion of infrastructure investment. Fragmentation of project planning among different levels of government also impedes infrastructure investing.	**Improve information-sharing and disclosure** as part of developing a more efficient and liquid market. Better data collection and benchmarking for projects would improve access to information e.g. an infrastructure database housed within a multilateral institution, accessible to investors. For emerging markets, capacity building can help development of infrastructure pipelines.
3. **Mismatch between available infrastructure investment options and investors' risk profile.** Lower risk tolerance post-crisis can steer investors towards 'brownfield' projects, discouraging new 'greenfield' investment. Deals are often complex and carry relatively low credit ratings. As a result, allocations to infrastructure and other long-term investment are generally below investors' capacity and desired allocation.	**Public-private partnerships and co-investment**, e.g. MDBs, can better catalyze and channel private capital. Credit enhancements alongside expanded capacity to MDBs (facilitated by the insurance sector) would also make infrastructure debt more attractive.
4. **Policy uncertainty.** Concerns about investor/creditor rights, as well as potential changes to the regulatory and policy framework over time can discourage long-term investment.	**Policy frameworks** should be made more conducive to long-term investment. Governments and multilaterals should have 'skin in the game' alongside private investors. A set of principles surrounding investor/creditor rights should be established and maintained. Use of an arbitration and dispute resolution mechanism could be helpful.

5. **Banking sector adjustments.** Both regulatory factors (including changes under Basel III), and industry developments including ongoing deleveraging efforts, have reduced the ability of banks to provide long-term financing to infrastructure, notably in Europe (though banks' capacity in the construction phase remains vital).	**Provide means for institutional investors to help mitigate the infrastructure financing gap.** Possible avenues include: further development of an infrastructure market/asset class; financing vehicles such as private or unlisted investments in infrastructure debt or equity; delineating infrastructure phases for targeted investment; and building capacity among domestic private-sector emerging market institutional investors.
6. **Lack of alignment between long-term investors' risk profile and policy measures designed to encourage investment.** Limited understanding of the risk appetite and liability constraints of different types of long-term investors impedes the ability to mobilize them as providers of infrastructure financing.	**Enhance understanding of institutional investors' risk profile and investment capacity,** building on work already completed by institutions such as the G30, as well as the G20, OECD, European Commission, FSB, World Bank and IMF. This would facilitate the design of appropriate policy incentives for long-term investment.
FINANCIAL MARKET AND REGULATORY CHALLENGES	
7. **High capital charges on infrastructure investment.** These charges are seen by many investors as not commensurate with actual risk and fail to take into account market realities such as default statistics.	**Review relevant risk-weighting of regulatory capital charges**, notably under Solvency II, and the potential interaction of such charges with other regulatory measures and initiatives. **Mitigate the pro-cyclicality of regulatory changes** currently underway.
8. **Short-term focus.** While institutional investors have the capacity to hold assets for long periods of time without being required to sell, certain regulatory policies and initiatives can prompt a more short-term focus, discouraging from involvement in long-term financing.	**Continue the establishment of appropriate regulatory and supervisory frameworks** within and across jurisdictions to reduce policy uncertainty and promote stable regulatory conditions most conducive to long-term investment. In particular, the G20 push to finalize major regulatory reforms in 2014 should help mitigate regulatory uncertainty.
9. **Lack of standardization in debt instruments.** Non-standard instruments can impede the flow of capital across borders and prevent full understanding and implementation of international standards.	**International standardization of infrastructure investment instruments is key.** Establishing common national legal and operational requirements as well as standardized bond documentation and due diligence processes would help to create the desired asset class characteristics.
10. **Underdeveloped capital markets.** Notably in the Euro Area and emerging markets, this lack of development remains an important impediment to an efficient infrastructure market.	**A more supportive policy framework,** including transparent and reliable market indices, reviving securitization markets, improving depth and liquidity (including project / infrastructure bonds) would help facilitate participation of institutional investors.