



PACIFIC ISLANDS FORUM SECRETARIAT

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FORUM ECONOMIC OFFICIALS MEETING

6 – 7 July 2021

FORUM ECONOMIC MINISTERS MEETING

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Virtual

INFORMATION PAPER 11: CO-INVESTMENT: UPDATE FROM THE PACIFIC ISLANDS INVESTMENT FORUM (PIIF) AND INTERNATIONAL FINANCE CORPORATION (IFC)

Purpose and Summary

Purpose

This paper provides FEMM with an update on progress by the Pacific Island Investment Forum (PIIF) to develop a co-investment function for financing of infrastructure investment opportunities across the Pacific, since the 2019 FEMM.

Summary

PIIF members' social protection role during COVID-19 was and remains a significant part of Pacific islands economic resilience. PIIF members consider a co-investment platform for its members as a key pillar of a resilient recovery of the region.

Building on the initial body of work under this initiative, progress since the 2019 FEMM include:

- Formation and staffing of a PIIF Secretariat and relevant working groups.
- Formal engagement of International Finance Corporation (IFC) to assist with design and implementation of the co-investment platform.
- Development and approval by the PIIF Board and membership on a set of guiding co-investment principles and values.
- Detailed assessment of COVID impact on PIIF members operations and co-investment priorities through a member survey.
- Detailed analysis on best practice global co-investment platforms and identification by PIIF of a suitable structure for the Pacific.
- Ongoing identification of potential regulatory and policy constraints to cross border regional co-investment at the sovereign or jurisdiction levels and individual fund level.

A. Overview/Summary

The PIIF co-investment proposal offers an opportunity to bridge the financing gap on infrastructure and private sector development via the pooling part of the investible funds available through the PIIF membership, noting that the combined assets and portfolios of PIIF members are currently estimated at USD8.6 billion.

2. Contrasting this investment pool, there are estimates by the Asian Development Bank that the funding shortfall on Pacific infrastructure investment to be in the vicinity of USD45 billion over the next 10 years.

B. Discussion

3. Progress since updates tabled at the 2019 and 2020 FEMM has continued, despite the onset of COVID and as PIIF members were at the center of the national response to deal with the economic and social impact of the pandemic. PIIF responded with a survey assessing PIIF members' COVID responses and future investment plans. The impact of COVID and the recovery period that will follow, reinforced the PIIF objective to develop an effective and well managed mechanism for regional infrastructure investment.

4. Progress by the PIIF has been made on a number of fronts:

- i) A formal Secretariat role commenced in late 2019 with financial support from committed donor funding for three years. This role brings a co-ordination function between the PIIF Board, PIIF member funds and external stakeholders;
- ii) Recognising the technical challenges to develop a suitable platform, technical expertise through International Finance Corporation (IFC) was engaged in June 2020 to identify co-investment structure options to facilitate investment by PIIF members across the Pacific;
- iii) In November 2019, PIIF representatives presented the co-investment initiative at the South Pacific Reserve Bank Governors Forum where prospective impacts for central banks were flagged, including capital transfers on foreign currency reserves, foreign ownership / investment limits and capital transfer efficiency. Governors fully endorsed the initiative and encouraged the PIIF to proceed and report back on the progress;
- iv) A report outlining a global analysis of the co-investment platform concept has been presented by IFC for PIIF consideration. In February 2021, the PIIF Board selected the preferred platform structure. This decision now enables a number of subsequent workstreams to commence to realise the co-investment capability;
- v) PIIF acknowledged the diverse spread of investment appetite among its member funds and the need to align their fundamental approach to co-investment. As a result, a set of guiding principles and values were drafted and formally endorsed with member's commitment in June 2020. The PIIF Principles and Values for Co-Investment are included in **Annex 1**.

C. Next Steps

5. Further progress on this project in 2021 will involve:

- i) A review of individual fund legislative and regulatory documents together with internal policies and procedures to identify any constraints on a fund's potential to participate in the co-investment platform. A report is to be submitted to PIIF for consideration mid 2021;
- ii) Analysis of potential host jurisdictions of the co-investment platform accounting for the legislative environment, taxation considerations, limitations to the efficient transfers of capital, foreign investment restrictions and foreign currency constraints. A report is to be submitted to PIIF for consideration in the second half of 2021.
- iii) PIIF to directly engage with suitable regional government bodies and donors/agencies to construct a pipeline of commercially viable investment opportunities for financing/funding through the PIIF co-investment platform. Dialogue with relevant bodies is scheduled for quarter four, 2021.
- iv) Another update on the progress of PIIF activities in 2021 would be presented to the Forum Economic Ministers meeting in 2022.

Pacific Islands Investment Forum
10 June 2021



Principles and Values for Co-Investment

Background

The Pacific Islands Investment Forum (PIIF) is an association of investment funds (PIIF Members) across the Pacific region including provident, superannuation, sovereign and trust funds, coming together to aggregate and deploy capital to investment opportunities in Pacific countries, with the ultimate responsibility of growing the retirement savings and wealth of their members.

Collectively, PIIF Member Funds hold approximately USD 8 billion of investment capital in the region, and globally. Members recognise the importance of future commercial investments to supporting growth across the Pacific region, the management of public finances, and their contribution to macroeconomic stability.

These PIIF Principles and Values for Co-investment (the ‘Principles’) set the foundation for PIIF members’ cooperation and participation in a co-investment platform. The Principles provide a basis for decision making around the expected governance, accountability and operations under which investments will be entered, managed and exited. These Principles are supported by PIIF Members participating in the co-investment platform and provides transparency to stakeholders of its governance standards.

PIIF Co-Investment Principles and Values

1. The interests of all PIIF Members participating in co-investment are considered with fairness and equity, regardless of size and influence;
2. Members agree to bring co-investment opportunities to the PIIF at an early stage to facilitate participation by other Members and enable robust assessment and due diligence processes;
3. Members recognise the strong link between successful investment decisions with best practices in governance, transparency and staff capability;
4. PIIF Members prioritise investments on a commercial risk / return basis, consistent with their fiduciary responsibilities, to create benefits to their own members;

5. PIIF Members are committed long-term investors and investments considered will have a long-term time horizon;
6. Pacific nations are at the forefront of climate change and PIIF members recognise environmental, social and governance factors impact investment over the long-term. Investments will take into account any such risks and impacts, including those related to climate change, biodiversity and Human Rights;
7. A sustainable investment focus is extended to ensure PIIF Members operate ethically, comply with all applicable regulatory and disclosure requirements and strive to maintain a stable financial environment for all Pacific countries where investments are made;
8. A co-investment platform invests in assets benefiting Pacific nations and its people including public or private infrastructure, debt investments, and public and private equity; and
9. Investments are primarily focused on, but are not limited to the following sectors:
 - Telecoms and communications,
 - Power and water,
 - Banking, insurance and finance,
 - Transport and logistics, including airports and seaports,
 - Social infrastructure, such as hospitals, and
 - Tourism.