


Invested

Information for investors in Securities, Insurance & Pensions

January 2020 Edition



The logo of the Financial Services Commission (FSC) is a large, light blue diamond shape. Inside the diamond, the words "FINANCIAL SERVICES COMMISSION" are written in a bold, dark blue, sans-serif font, stacked in three lines.

FINANCIAL SERVICES COMMISSION

Securities Market Conduct Guidelines

The Financial Services Commission (FSC) is seeking to enhance its existing regulatory framework on market conduct, which is central to Part V of The Securities (Amendment) Act 2013, and The Securities (Conduct of Business) Regulations, 1999. These enhancements will also aid in the Government of Jamaica's thrust to develop a more Financially Inclusive market.

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Decorative blue waves at the bottom of the page, consisting of several overlapping curved bands in shades of light blue and dark blue.

The logo of the Financial Services Commission is a stylized diamond shape composed of several overlapping light blue lines, creating a sense of depth and movement. The text "FINANCIAL SERVICES COMMISSION" is centered within this diamond.

***FINANCIAL
SERVICES
COMMISSION***

Private Pensions Industry Statistics September 2019

More info on the next page!

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Private Pension Industry Quarterly Statistics

September 2019



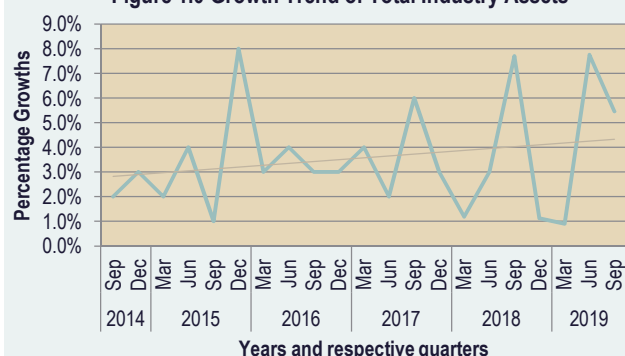
INSIDE THIS REPORT

1. Private Pension Industry Overview
2. Investment Mix
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Table 1 : Key Statistics

	September 2019	June 2019	March 2019
Number of Plans¹	809	808	807
Asset Values (\$' Millions)	689,980	654,278	607,235
Total Membership	126,601	126,560	119,514

Figure 1.0 Growth Trend of Total Industry Assets



Private Pension Industry Overview

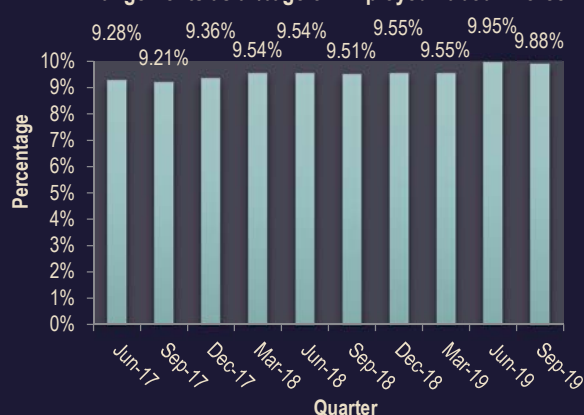
The Jamaican private pension industry continued its growth during the September 2019 quarter, with total industry value increasing by approximately 6%, resulting in an end of quarter asset value of \$690 billion. The five year review revealed that the private pension sector's average growth is 4%. (See: Table 1 & Figure 1.0)

The quarter in review saw the registration of one new pension plan, bringing the industry total to 809. Membership growth has been on a steady upward trajectory mirroring the growth of the Jamaican employed labour force². This resulted in a slight reduction in coverage for private pensions, as follows:

- 10.1% in terms of all plans
- 9.9% in terms of active plans

(See: Figures 1.1 & 1.2)

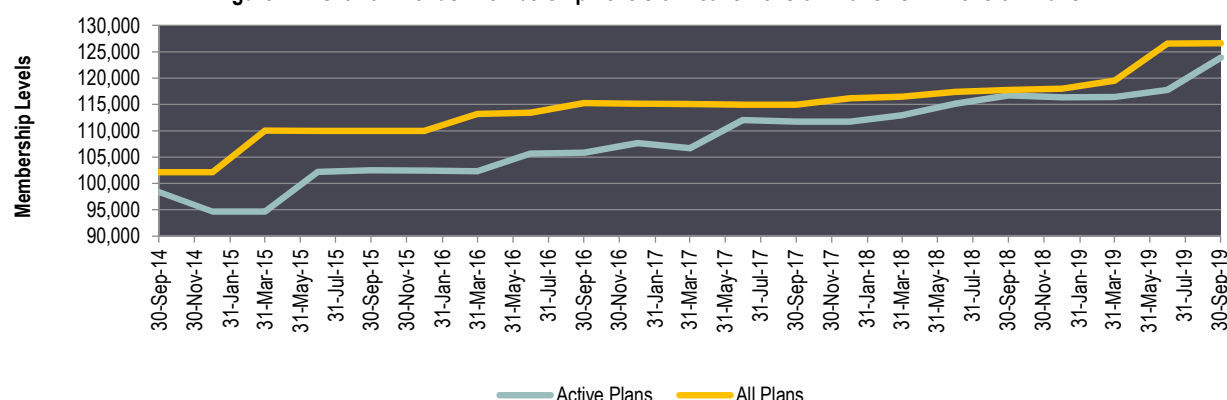
Figure 1.1: Active Membership in Private Pension Arrangements as a %age of Employed Labour Force



¹ This number includes pension plans which are active, terminating and those that are inactive.

² The Jamaican employed labour force as at July 31, 2019 was 1,254,100 according to the Planning Institute of Jamaica (pioj.gov.jm).

Figure 1.2: Growth Trends: Membership Levels of Active Pension Plans vs All Pension Plans



Investment Mix

Private Pensions Investments

The quarter saw growth in the direct holdings of repurchase agreements ("Repos"), leases and stocks and shares of 20%, 17% and 10% respectively. Growth in the value of the majority of all other asset classes was recorded during the quarter with the notable exception of a 2% and 11% decline in the holdings of Government of Jamaica ("GOJ") securities and mortgages. There is notably a lower stock of GOJ securities for investment within the industry and the desire of industry stakeholders to seek higher yielding investment opportunities.

At the end of the quarter the value of direct holdings of stocks and shares within the aggregate investment portfolio stood at approximately \$181.4 billion and direct holdings of GOJ securities at \$142.2 billion. Stocks and shares continue to encompass the second largest portion of the aggregate investment portfolio at approximately 26%, while Investment Arrangements continue to account for the largest portion of total pension assets at 37% or \$258 billion. (See: Chart 1 & Table 2)

Chart 1

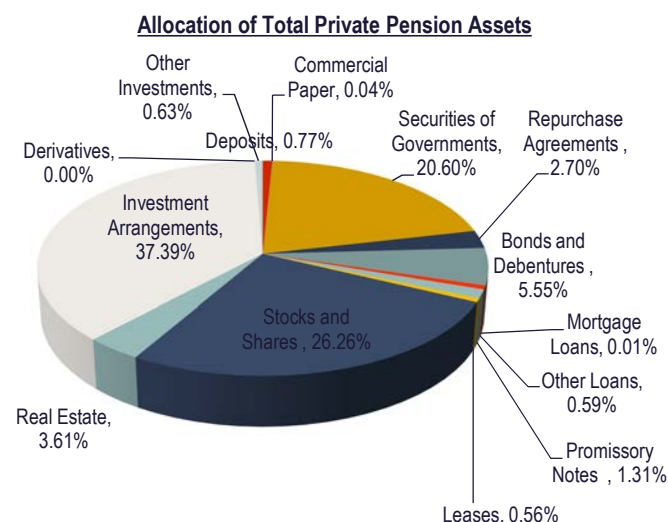


Table 2: Aggregate Investment Mix

Types of Investment	Amount Invested \$' Millions	% of Total Investments	Amount Invested \$' Millions	% of Total Investments	Amount Invested \$' Millions	% of Total Investments
	Sep-19		Jun-19		Mar-19	
Deposits	5,343.06	0.77%	5,017.47	0.77%	5,256.87	0.86%
Commercial Paper	289.40	0.04%	288.81	0.04%	291.42	0.05%
Securities of Governments	142,296.84	20.60%	145,558.31	22.20%	146,272.53	24.04%
Repurchase Agreements	18,651.74	2.70%	15,558.37	2.37%	12,952.27	2.13%
Bonds and Debentures	38,345.73	5.55%	36,121.53	5.51%	36,457.37	5.99%
Mortgage	73.53	0.01%	82.71	0.01%	88.31	0.01%
Other Loans	4,049.18	0.59%	4,008.97	0.61%	3,802.80	0.62%
Promissory Notes	9,031.30	1.31%	8,242.83	1.26%	8,250.63	1.36%
Leases	3,851.84	0.56%	3,300.79	0.50%	3,428.74	0.56%
Stocks and Shares	181,400.15	26.26%	165,231.42	25.20%	140,218.10	23.04%
Real Estate	24,910.08	3.61%	24,018.30	3.66%	23,527.58	3.87%
Investment Arrangements	258,286.25	37.39%	243,866.48	37.19%	224,245.07	36.85%
Derivatives	0.00	0.00%	0.00	0.00%	0.00	0.00%
Other Investments	4,327.47	0.63%	4,384.68	0.67%	3,753.45	0.62%
Total Investments	690,856.57	100.00%	655,680.69	100.00%	608,545.13	100.00%
Other Net Assets	-876.88		-1,402.96		-1,310.47	
Total Assets	689,979.69		654,277.73		607,234.67	

Note: Jun 2019 has been re-stated.

Pooled Investment Arrangements

The assets in pooled investment arrangements closed out the September 2019 quarter at \$258 billion³, a 5.9% growth when compared to the previous quarter. This increase in asset value was due to significant capital gains in interest bearing securities over the period. Indirect investments in repos and promissory notes recorded growth of 25% and 13%, respectively.

Stocks and shares (40%) declined by less than 1% and continue to represent the largest asset class within this portfolio. The second largest portion of the portfolio is encompassed by GOJ securities which grew by 10%. (See: Chart 2 & Table 3).

Chart 2

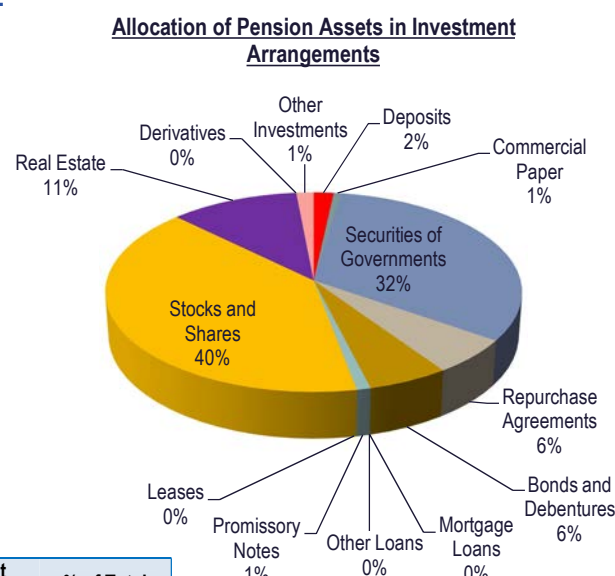


Table 3: Pooled Investment Arrangements Portfolio Mix

Types of Investment	Amount Invested (\$' Millions)	% of Total Investments	Amount Invested (\$' Millions)	% of Total Investments	Amount Invested (\$' Millions)	% of Total Investments
	Sep-19		Jun-19		Mar-19	
Deposits	4,329.91	1.73%	4,228.05	1.78%	4,388.77	2.01%
Commercial Paper	1,621.08	0.65%	1,441.95	0.61%	1,254.82	0.57%
Securities of Governments	80,571.70	32.28%	73,563.11	30.96%	67,261.10	30.80%
Repurchase Agreements	14,429.67	5.78%	11,520.31	4.85%	15,049.77	6.89%
Bonds and Debentures	14,049.93	5.63%	12,611.50	5.31%	9,324.39	4.27%
Mortgage	0.07	0.00%	0.07	0.00%	0.07	0.00%
Other Loans	0.26	0.00%	38.76	0.02%	0.00	0.00%
Promissory Notes	2,408.60	0.96%	2,128.03	0.90%	2,107.52	0.96%
Leases	668.61	0.27%	643.67	0.27%	700.61	0.32%
Stocks and Shares	99,805.70	39.98%	100,417.47	42.27%	86,484.18	39.60%
Real Estate	27,971.49	11.21%	27,370.91	11.52%	28,747.64	13.16%
Derivatives	0.00	0.00%	0.00	0.00%	0.00	0.00%
Other Investments	3,752.79	1.50%	3,625.23	1.53%	3,092.32	1.42%
Total Pooled Investments	249,609.81	100.00%	237,589.07	100.00%	218,411.18	100.00%
Other Net Assets	1,957.57		1,116.84		1,205.96	
Deposit Administration	6,718.87		5,160.58		4,627.93	
Total Assets	258,286.25		243,866.48		224,245.07	

Note: June 2019 has been re-stated.

Operating Statistics

Active Pension Plans

Approximately 47% of the pension plans in the Jamaican private pension sector are active. One new pension plan entered the sector during the September 2019 quarter, while one fund initiated winding-up proceedings, resulting in 381 active pension plans, the same as the previous quarter. (See: Table 4).

As at the end of the third quarter of 2019, at \$674 billion, the asset value of active plans accounted for about 98% of total private pension assets. Defined contribution pension plans ("DC") outweighed defined benefit pension plans ("DB") in terms of number of plans and membership. Table 4, compares the growth trends between DB and DC plans for the last three quarters.

³ In Jamaica, pooled investment arrangements consists of a combination of Type I Pooled Funds and Deposit Administration contracts

Active Plans by Type

The industry currently now has. Of the approximately 123,916 active members, 48% are enrolled in retirement schemes and 52% are participating in superannuation funds.

There were no changes in the number of retirement schemes in the pension market, notwithstanding, asset values increased by 7%, marginally outperforming the 5% growth in the asset value of superannuation funds. Nevertheless, active funds still account for approximately 98% or \$674 billion of total asset value. (See illustration in Table 5 - Parts A & Charts 3 - 4).

Chart 3

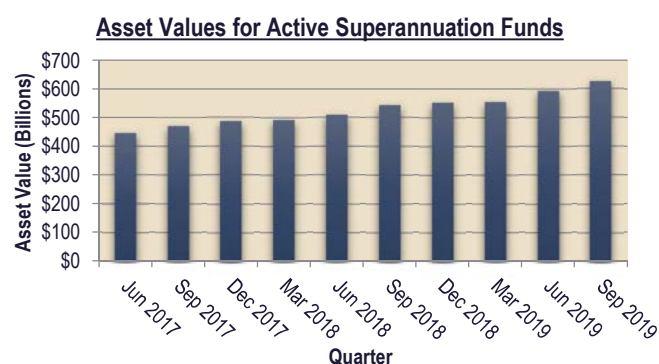


Chart 4

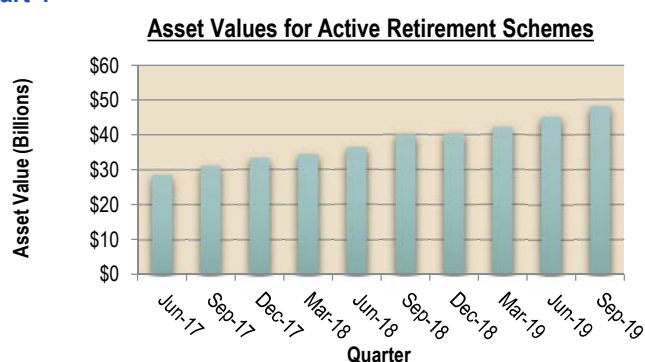


Table 4: Active Pension Plans by Type

	Sep 2019	Jun 2019	Mar 2019
Number of Plans			
Defined Benefit	93	94	94
Defined Contribution	288	287	289
Total Active Plans	381	381	383
Membership			
Defined Benefit	20,636	20,641	20,554
Defined Contribution	103,280	103,239	97,192
Total Membership	123,916	123,880	117,746
Assets Values			
Defined Benefit (\$' Millions)	419,640	398,844	370,878
Defined Contribution (\$' Millions)	255,357	240,604	227,581
Total Asset Values (\$' Millions)	674,997	639,448	598,459

Table 5: Active Plans by Type as at September 30, 2019

Part A				
	Number of Active Plans	Percentage of Plans	Number of Members	Percentage of Membership
Retirement Schemes	13	3.4%	59,002	47.61%
Superannuation Funds	368	96.6%	64,914	52.39%
TOTAL	381	100.00%	123,916	100.00%
Part B				
	Asset Value as at Sep 30, 2019 (\$' Millions)		Percentage of Asset Value	
Retirement Schemes	48,231		7.1%	
Superannuation Funds	626,766		92.9%	
TOTAL	674,997		100.00%	

Active Superannuation Funds⁴ by Industry

The Services and Commerce and Finance sectors continue to account for the largest amount of active private superannuation fund participants, with sector membership representation of 36% and 18% respectively. Total pension assets held in the Services sector were \$107 billion by the end of the quarter, an increase of 6% compared to the previous quarter. The Commerce and Finance Industry experienced an asset value growth of 5% and now stands at \$236 billion. This sector continues to account for largest percentage of total active pension assets at approximately 38%.

Chart 5: Number of Active Funds by Industry

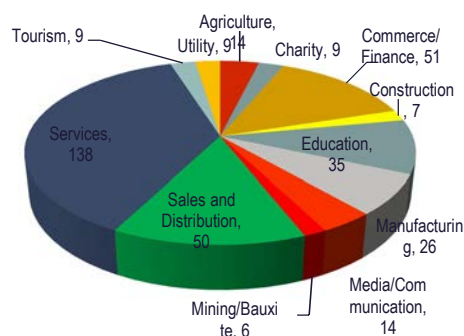


Chart 6: Asset Values by Industry

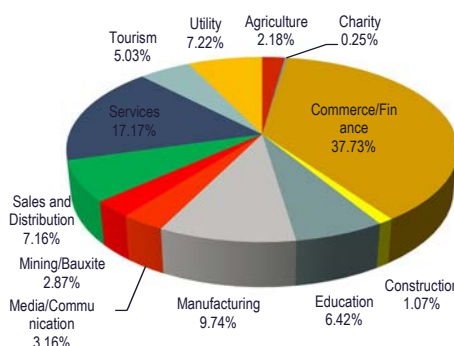
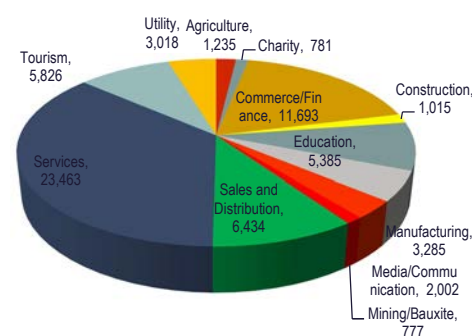


Chart 7: Number of Active Membership by Industry



Solvency of Active Pension Plans

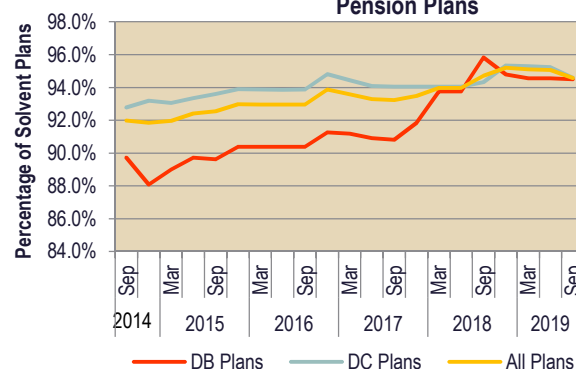
As at 30 September 2019, the solvency information presented to the FSC for 369 pension plans illustrated that 95% of those pension arrangements were solvent. (See: Table 6)

The FSC continues to encourage trustees to monitor the pension plan's health and longevity. In the case of a DB plan, it is the sponsor who has the obligation to finance any shortfall. While for DC plans; it is the members who have to bear the investment risks. Figure 3 illustrates the trend in solvency of funds and schemes between 2014 and 2019.

Table 6: Solvency Levels of Active Plans as at September 30, 2019

	#.of. plans	Solvency Level				% of plans which are solvent
		Less than 100%	Between 100% & 120%	Between 120% & 150%	Greater than 150%	
DB	91	5	20	24	42	95
DC	278	15	189	54	20	95
Total	369	20	209	78	61	95

Figure 3: Quarterly View of the Percentage of Solvent of Pension Plans



⁴ Previous reports were based on all active plans – both funds and schemes – with members of schemes designated to the “Commerce/Finance” industry.

Inactive Pension Plans

In the Jamaican private pension industry, asset values of dormant pension plans rose by 3% over the September 2019 quarter. This subsection of the industry currently amounts to \$337 million.

In terms of membership or actual number of plans; there were no changes during the quarter. (See: Table 7).

Table 7: Inactive Pension Plans by Type

	Sep 2019	Jun 2019	Mar 2019
Number of Plans			
Defined Benefit	4	4	4
Defined Contribution	13	13	13
Total Terminating Plans	17	17	17
Membership			
Defined Benefit	1,827	1,827	894
Defined Contribution	55	55	52
Total Membership	1,882	1,882	946
Asset Values			
Defined Benefit (\$ Millions)	268	260	224
Defined Contribution (\$' Millions)	69	66	64
Total Asset Values (\$' Millions)	337	326	288

Terminating Plans

The total number of terminating plans within the industry continues to increase, as one superannuation fund initiated termination proceedings during the review quarter, bringing the group total to 411. For this group of plans, the total asset value stood at \$14.6 billion. (See: Table 8).

Table 8: Terminating Pension Plans by Type

	Sep 2019	Jun 2019	Mar 2019
Number of Plans			
Defined Benefit	97	96	96
Defined Contribution	314	314	311
Total Terminating Plans	411	410	407
Membership			
Defined Benefit	205	200	204
Defined Contribution	598	598	618
Total Membership	803	798	822
Asset Values			
Defined Benefit (\$' Millions)	4,016	4,263	3,801
Defined Contribution (\$' Millions)	10,629	10,240	4,683
Total Asset Values (\$' Millions)	14,645	14,503	8,484

Investment Managers

There still remain 26 licensed investment managers (“IMs”) in Jamaica. Securities Dealers (“SD”) represent the largest number of licensees (15) and Life Insurance companies (“LIC”) (3) account for the second largest numbers of pension funds under management. During the review quarter the amount of assets under management by SD increased by 6% to \$276 billion. The three LIC licensees experienced a 5% growth in managed assets and are now overseeing total pension assets of \$358 billion. These IMs collectively, manage approximately 92% or \$635 billion of the total private pension industry assets. The remaining 8% is managed by the sole credit union and seven other entities. (See Table 9)

Table 9: Total Assets Under Management of Investment Managers

Investment Managers	Number of Entities Sep 2019	Asset Values Sep 2019 (\$'Millions)	Number of Entities Jun 2019	Asset Values Jun 2019 (\$'Millions)	Number of Entities Mar 2019	Asset Values Mar 2019 (\$'Millions)
Insurance Companies	3	358,354	3	341,083	3	316,649
Securities Dealers	15	276,329	15	260,812	15	242,636
Credit Unions	1	533	1	514	1	496
Other	7	54,764	7	51,868	7	47,454
Total	26	689,980	26	654,278	26	607,235

Risk Outlook

The September 2019 quarter saw a decline in the pace of growth in the economy, when compared to the previous quarter, as the growth rate ranged between 0.0% and 1.0%, according to the Bank of Jamaica (“BOJ”). The estimated growth in the quarter mainly reflected expansions in the manufacturing and the finance & insurance services. Notwithstanding growth in the aforementioned industries, Agriculture, Mining/Bauxite, and Construction industries saw negative growth during this quarter.

Due to increased job creation, Jamaica continues to experience record low unemployment rates. During the quarter, the unemployment rate remained at 7.8%, the same as the previous quarter and a 7.1% decline year-on-year.

Market interest rates remain low as annual inflation remains within the BOJ's 4 - 6% targeted band. This appeared to have contributed to the moderate growth in the values of interest bearing investments within the pension investment portfolio reported during the quarter. The main market index of the Jamaica Stock Exchange rose significantly by 48,146 points or 10% percent, slightly lower than the previous quarter. This was reflected by a similar growth in equity based investments during the quarter.

With the increase in the allowable investments for pension plans it is expected that trustees will be exposed to a new cocktail of investment alternatives for which there may be asymmetry in the information provided to make prudent decisions. The FSC encourages investment managers and trustees to ensure that sufficient due diligence is practiced in managing the plans assets within the predetermined risk appetite of the pension plan.

The following are other risk concerns of the pension industry:

- Reinvestment Risk - Jamaica's downward trending interest rate environment has implications for pension funds as bonds mature; trustee will be faced with reinvesting with the expectation of lower returns from interest bearing instruments.
- Crowding-in – With the reduction of GOJ securities in the local debt market, there has been a decline in the quantity and quality of assets available for pension investments.
- An ageing population and lowered fertility rates – With an aging population, it is anticipated that pensioners will eventually exhaust their pension savings and exert additional pressure on the government for assistance through the Government's NIS scheme. This strain on the government will also be exacerbated by the low pension coverage in Jamaica.

Summary

The adjustment of certain investment limits calls for greater prudential practices by plan trustees. The industry continues to experience a reduction in the total number of active private pension plans and private pension coverage remains in the single-digit range. Notwithstanding that there are more active members it appears that employment growth rate exceeds this growth leading to a fall in pension coverage; this resulted in a small decrease in pension coverage among the Jamaican working population for this quarter. Active membership rates continue to rise steadily over the past four quarters and overall growth in private pension assets remains on an upward trajectory. Additionally, solvency rates remained adequate for most active pension plans. The industry is expected to remain on a steady growth path with ongoing economic gains and responsible practices by trustees and other pension stakeholders.

Jamaicans still prefer cash transactions



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Government Proposes Micro Insurance against Risks

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*Insurance Fees to Jump -
Hurricanes Blowing Property Rates
Through the roof*



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A micro stock exchange may be coming soon



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DAF/IPPFM Division
Newsletter - January 2020



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DRAFT RECOMMENDATION OF THE COUNCIL ON GOVERNANCE OF INFRASTRUCTURE

THE COUNCIL,

HAVING REGARD to Article 5 b) of the Convention on the Organisation for Economic Co-operation and Development of 14 December 1960;

HAVING REGARD to the Recommendation of the Council on Principles for Private Sector Participation in Infrastructure [[OECD/LEGAL/0349](#)]; the Recommendation of the Council on Regulatory Policy and Governance [[OECD/LEGAL/0390](#)]; the Recommendation of the Council on Principles for Public Governance of Public-Private Partnerships [[OECD/LEGAL/0392](#)]; the Recommendation of the Council on the Governance of Critical Risks [[OECD/LEGAL/0405](#)]; the Recommendation of the Council on Digital Government Strategies [[OECD/LEGAL/0406](#)]; the Recommendation of the Council on Budgetary Governance [[OECD/LEGAL/0410](#)]; the Recommendation of the Council on Public Procurement [[OECD/LEGAL/0411](#)]; the Recommendation of the Council on Public Integrity [[OECD/LEGAL/0435](#)]; the Recommendation of the Council on Open Government [[OECD/LEGAL/0438](#)]; and the Recommendation of the Council on Global Events and Local Development [[OECD/LEGAL/0444](#)].

HAVING REGARD to the Recommendation of the Council on Effective Public Investment across Levels of Government [[OECD/LEGAL/0402](#)], which is reflected in Section 5 of the present Recommendation and which will guide the implementation of that Section;

HAVING REGARD to the OECD Framework for the Governance of Infrastructure, which includes ten dimensions relating to how governments plan, prioritise, deliver, regulate and evaluate infrastructure investments, providing guidance and examples of good practice in each area, and which this Recommendation replaces.

RECOGNISING that a focus on infrastructure governance across all stages of the infrastructure cycle is key to ensuring sustainable and inclusive economic growth; and that improving infrastructure governance requires a rigorous assessment of a government's capabilities, strengths and key areas for improvement.

CONSIDERING that the governance of infrastructure depends on numerous institutional, social, economic and environmental aspects, and it should be aligned with the development of a governance framework that ensures strategic planning, performance and resilience of public infrastructure throughout the life-cycle of projects and across levels of government.

RECOGNISING that there is a need to address the challenges governments are facing today to ensure good infrastructure governance, in particular to address issues such as affordability, cost-effectiveness, economic, environmental and social impact, and value for money of public infrastructure.

CONSIDERING that the governance of infrastructure is not only the preserve of central governments, but that it is a process that encompass all levels of governments where different mandate and level of autonomy apply in different countries, and that this Recommendation is accordingly relevant at all levels of government.

On the proposal of the Public Governance Committee in co-operation with the Regional Development Policy Committee:

I. AGREES that, for the purpose of the present Recommendation, the following definitions are used:

- **Governance of infrastructure** means the processes, tools, and norms used by government bodies to plan, make decisions and monitor the delivery and maintenance of public infrastructure.
- **Resilience** means the capacity of systems to absorb a disturbance, recover from disruptions and adapt to changing conditions while retaining essentially the same function as prior to the disruptive shock (e.g. climate and geological hazards, industrial accidents, terrorist or cyberattacks).
- **Stakeholders** are any interested and/or affected party, including: individuals, regardless of their age, gender, sexual orientation, religious and political affiliations; and institutions and organisations, whether governmental or non-governmental, from civil society, academia, the media or the private sector.

II. RECOMMENDS that Members and non-Members having adhered to the Recommendation (hereafter the “Adherents”) develop and implement infrastructure governance frameworks in which Adherents should:

1. **Develop a long-term strategic vision for infrastructure** which:
 - a. is grounded upon shared ambitions for national and subnational development, enhancing the economic and social capital which underpins growth, competitiveness and public service delivery.
 - b. is informed by rigorous assessment of infrastructure needs and of how these needs should be prioritised and addressed.
 - c. is monitored, flexible and regularly updated to take into account the impact of technology and the evolution of infrastructure needs.
 - d. is fiscally sustainable, linked with budget allocations, and aligned with the medium-term expenditure framework, which provides assurance to the relevant stakeholders on the stable, multi-year availability of resources.
 - e. defines a coherent, predictable, legitimate and accountable institutional framework for infrastructure, in which relevant institutions are entrusted with clear mandates, ample decision making powers, right skills and competences, and sufficient financial resources.
 - f. is the product of a broad-base political consensus, based on clear assumptions, properly coordinated across levels of government, and takes necessary complementarities across sectors into account.
 - g. actively contributes to the achievement of long-term policy objectives, including national and international commitments on environment, gender equality, sustainable development and growth.
2. **Guard fiscal sustainability, affordability, and value for money** through:
 - a. developing a robust capital budgeting framework, identifying, measuring and regularly updating infrastructure expenditure in relation to both development of new infrastructure and maintenance and decommissioning of existing assets to be reported alongside of the budget documents.
 - b. applying rigorous project appraisal and selection processes that privileges socioeconomic efficiency and fiscal sustainability at the national and subnational levels (taking into account economic, social, environmental and climate-related costs and benefits) and takes into account the full cycle of the project, noting that for projects that exceed a high investment threshold it is especially important to provide for an independent and impartial assessment to test project costing, risk management and projects’ governance.
 - c. selecting the delivery mode grounded in value for money and optimal allocation of risk between the parties, with no institutional, procedural or accounting biases for any particular delivery mode.

- d. ensuring a transparent and appropriate allocation of risks in the structuring of the project, along with a comprehensive and agreed plan for managing, monitoring and mitigating risks during the project lifecycle.
- e. informing decision-making on affordability of new projects and minimising sustainability risks by measuring and disclosing multi-year spending commitments, including running and maintenance costs, off-balance sheet commitments and contingent liabilities resulting from infrastructure projects, and assessing the availability to fund such commitments in the expected time-frame.

3. Ensure efficient and effective procurement of infrastructure projects by:

- a. using competitive, transparent and efficient procurement processes for infrastructure, and limiting the use of exceptions and single-source procurement, including for associated professional services.
- b. Promoting sustainability by selecting contractors based on criteria combining quality and price elements and including, where relevant, an assessment of costs incurred throughout the life-cycle of the asset.
- c. implementing a risk-based approach in project procurement and implementation, developing, where possible, tools to identify risks of all sorts and bring them to the attention of relevant personnel, providing an intervention point where prevention or mitigation is possible.
- d. carefully evaluating available delivery modes against previously defined clear criteria based on projects' characteristics and the use of value for money analytical tools to compare assessment of service delivery options.
- e. ensuring that the procurement workforce has the capacity to continually deliver value for money efficiently and effectively by providing attractive, competitive and merit-based career options and providing tools to improve skills and competences for procurement officials.
- f. engaging in transparent and regular dialogues with suppliers and business associations to present public procurement objectives and to assure a correct understanding of markets capacity.
- g. holding contractors accountable for project specification and professional standards, when applicable, and designing a strategy for contract re-negotiations to account for evolving conditions.
- h. integrating public procurement into overall public finance management, capital budgeting and services delivery processes.

4. Ensure systematic and effective stakeholder engagement through:

- a. ensuring provision of information and "proactive" measures by the government to disseminate information and allow for continuous and open dialogues that are broad-based, involving relevant stakeholders in planning, decision-making and oversight.
- b. integrating consultation processes that are proportionate to the particular characteristics of the project (e.g. size, political sensitivity, and impacted population) and take account of the overall public interest and the views of the relevant stakeholders through a disciplined, upfront stakeholder mapping and analysis, which can ensure engagement efforts cost-effectively to include relevant groups in decision making.
- c. ensuring meaningful stakeholder engagement with communities, users and impacted people to collaborate during all phases of the project life-cycle and ensure debate on the main economic, fiscal, environmental and social impacts of the project.

5. **Co-ordinate infrastructure policy across levels of government** through:
 - a. designing and implementing investment strategies tailored to the place the investments aim to serve.
 - b. adopting effective instruments for co-ordinating across national and subnational levels of government, such as co-financing arrangements, contracts between levels of government, formal consultation processes, national agencies or representatives, working together with subnational areas, or other forms of regular inter-governmental dialogue .
 - c. providing incentives and/or seek opportunities for co-ordination among regional and/or local governments to match public investment with the relevant geographical area, including through contracts, platforms for dialogue and co-operation, specific public investment partnerships, joint authorities, or regional or municipal mergers.
 - d. strengthening capacities for public investment and promoting policy learning at all levels of government, ensuring adequate financial resources, professional skills, and sound institutional framework to ensure effective vertical and horizontal coordination.
6. **Promote a legitimate, coherent, efficient, and predictable regulatory framework** by:
 - a. providing evidence-based tools for regulatory decisions, including stakeholder consultation, economic, fiscal, social and environmental impact assessment and ex-post evaluation.
 - b. clearly identifying policy goals, and evaluating whether regulation is necessary and how it can be most effective and efficient in achieving those goals
 - c. considering means other than regulation and identify the trade-offs of the different approaches analysed to identify the best approach.
 - d. supporting co-ordination between supranational, national and subnational regulatory frameworks.
 - e. conducting systematic programme reviews of the stock of significant regulation relevant for infrastructure projects, including consideration of costs and benefits, to ensure that regulations remain up to date, cost justified, cost effective and consistent, and that deliver the intended policy objectives.
 - f. promoting good governance of regulatory agencies in order to ensure sustainable tariff setting, overall regulatory quality, and greater confidence from the market (e.g. independence; accountability; scope of action; enforcement; capacity and resourcing).
7. **Implement a whole of government approach to manage threats to integrity** through:
 - a. defining a risk-based approach to map, mitigate and address fraud and corruption entry points at each stage of the infrastructure project cycle.
 - b. an adequate degree of transparency throughout the project life-cycle to ensure that disclosure of relevant information is timely and available to the public.
 - c. promoting the integrity of bidding companies and enforcing high standards of conduct for public officials, including clear rules and guidelines on preventing and managing conflict of interest.
 - d. effective oversight throughout the project cycle with effective internal control and external audit in all stages of the infrastructure project.

- e. the detection of integrity violations and effective enforcement mechanisms that provide clear channels to report wrongdoing, offering protection for whistle-blowers, and ensuring that reporting mechanisms and protection is available to all stakeholders, public and private sector employees, and citizens.
- f. ensuring that the understanding of integrity risks is comprehensive, by integrating responsible business conduct and risk-based preventive due diligence into the infrastructure project life-cycle.

8. Make use of evidence informed infrastructure decision making, by

- a. putting in place systems that ensure a systematic collection of relevant data and institutional responsibility for analysis, dissemination, and learning.
- b. disclosing relevant data to the public in an accessible and understandable format, and in a timely fashion.
- c. harnessing digital technologies and data analytics to understand performance, and take preventive actions to respond to risks and adapt control activities.
- d. ensuring that data is collected over the entire lifecycle of the infrastructure project, including construction, operation, maintenance and disposal.
- e. encouraging the production of data at the right subnational scale to inform investment strategies and produce evidence for decision-making.

9. Make sure the asset performs throughout its life by:

- a. optimising life-cycle costs and asset quality through ensuring effective monitoring, operation, maintenance and decommissioning.
- b. ensure that the design of price and quality regimes foster asset maintenance and adequate performance through the entire life cycle.
- c. preparing policy documents on the expected performance of regulated assets throughout its life-cycle and delivery.
- d. making sure that monitoring of the performance of the assets is undertaken, including by regularly reviewing the value and depreciation of assets, and their impact in the accounts.
- e. preparing and effectively managing the end of infrastructure contracts (e.g. public procurement, PPP and concession contracts) and the transition to any new arrangement, ensuring that ex-post evaluation of value for money is carried out and used in the decision-making process.

10. Strengthen critical infrastructure resilience by:

- a. setting-up a multi-sector governance structure for critical infrastructure resilience.
- b. understanding complex interdependencies and vulnerabilities across infrastructure systems to prioritise resilience efforts.
- c. establishing trust between government and operators by securing risk-related information-sharing.
- d. building partnerships to agree on a common vision and achievable resilience objectives.
- e. defining the policy mix to prioritise cost-effective resilience measures across the life-cycle.
- f. addressing transboundary dependencies in critical infrastructure systems by coordinating policies with neighbouring countries and beyond.

III. INVITES the Secretary-General to disseminate this Recommendation.

IV. INVITES Adherents to disseminate this Recommendation at all levels of government.

V. INVITES non-Adherents to take due account of, and adhere to, this Recommendation.

VI. INSTRUCTS the Public Governance Committee, in co-operation with the Regional Development Policy Committee, to:

- a. Serve as a forum for exchanging information on infrastructure governance including experience with the implementation of this Recommendation, and to foster multi-stakeholder and interdisciplinary dialogue to facilitate quality infrastructure investment in a way that is cost effective, affordable and trusted by investors, citizens and other stakeholders;
- b. Develop guidance and evaluation frameworks to support the implementation of the Recommendation, in particular to provide assistance in the assessment of the processes, tools, norms of interaction, decision-making processes and monitoring strategies for the Governance of Infrastructure;
- c. Collect and map the information exchanges and continue to build a body of experience on the implementation of the Recommendation; and
- d. Monitor the implementation of this Recommendation and to report thereon to the Council no later than five years following its adoption and at least every ten years thereafter.

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