

OECD Dialogue on

# **Making investment work for the Sustainable Development Goals**

Implementing the Policy Framework for Investment

## **Agenda**

**10 December 2015**

OECD Headquarters, Paris



## ■ Investment for Development – Following-up on the Addis Ababa Action Plan and the Post-2015 Agenda

New targets have been adopted in the framework of the Sustainable Development Goals (SDGs). Achieving these goals will require treating social and environmental objectives as a central part of the development agenda. Aid alone will not suffice for financing these goals. Indeed, the resources needed every year to achieve the SDGs are estimated to be several times greater than current levels of Official Development Finance. This leaves a vast space to be filled, as was fully recognised by the Third International Conference on Financing for Development (F4D), held in Addis Ababa this July. Governments, private investors, and donor countries all have essential roles to play in following up on the F4D agenda to ensure that developing and emerging economies can attract the financial resources to reach the SDGs.

In particular, these actors can partner in effective and innovative ways to mobilise private finance for development. Most developing countries continue to have particularly low levels of investment relative to GDP - in Africa, investment to GDP ratios struggle to reach 20% and in Latin America and the Caribbean, the picture is not much better. Large emerging markets, like India and China, have a large impact on global trading and investment patterns, due to their sheer size and high growth rates. At the same time, in India for example, FDI stocks remain modest and investment to GDP ratios have slowed to closer to 30%, despite efforts being made to in spurring foreign and domestic investment. This reflects a lack of adequate framework conditions through which countries can successfully attract and retain investment.

There is a challenging task ahead if developing countries hope to stimulate investment flows and make them work for development. Private investment— domestic and foreign investment—require that certain threshold conditions be met. When the conditions for investment are inadequate, implementing the SDG agenda will prove to be difficult as investors will stay away. Therefore, actions are required on three fronts:

- The ability of developing and emerging economy governments to develop sound conditions to enable investment, including through strengthening the domestic policy frameworks for green investment and the environment.
- Guidance by international organisations and other stakeholders on responsible business conduct can help private investors join the push towards the SDGs and action on climate change.
- Donors can make a difference through two channels: (i) supporting and aligning to the priorities of developing country governments to strengthen enabling conditions for investment through technical assistance programmes; and (ii) using development co-operation to catalyse and leverage private investment flows to support sustainable development, notably through innovative financing mechanisms such as blended finance.

In this context, in June 2015, OECD Ministers and developing and emerging economies endorsed a comprehensive and practical policy tool: the Policy Framework for Investment (PFI). The OECD has used the PFI since 2006 to support sounder investment policies in some 30 developing and emerging economies through notably the outreach of regional initiatives as well as regional groupings like the Southern African Development Community (SADC) and the Association of South East Asian Nations (ASEAN). The PFI has also served as the basis for the development of specific tools applied to address the needs of OECD partner countries in improving investment policies and the broader enabling environment for investment. Such instruments used by OECD regional programmes include an Investment Reform Index (IRI), Business Climate (BCR) and Sector Competitiveness Reviews (SCR), as well as a Small and Medium-Sized Enterprise (SME) Policy Index. Beyond the aim to consider the interplay of a range of policies in stimulating investment, these tools provide the basis for regional dialogue and peer pressure, facilitate prioritisation, offer a framework for monitoring of reforms, thus fostering implementation.

Updated in 2015 by a taskforce composed of over 70 countries, the PFI embodies a whole-of-government approach to reforms for investment, which helps create integrated policy frameworks for financing the SDGs at national and regional levels. For example, the updated PFI now treats environmental objectives and green investment as central policies and addresses other government action to achieve sustainable development. The Ministers also agreed through a Council Recommendation which called on OECD members to use the PFI as a reference in development co-operation programmes. Thus there is now a higher impetus to move beyond traditional forms of aid by using it to help developing and emerging economies undertake investment policy reforms. Development co-operation aiming to strengthen domestic enabling conditions for investment can be informed by instruments such as the PFI, as well as sector-specific applications of the PFI.

## ■ Time for Action

In addition to the United Nations, the OECD and other international organisations, bilateral and multilateral aid agencies, business associations and civil society organisations are participating in the global efforts of, and devoting resources to developing and emerging country governments and Regional Economic Communities in carrying out reforms. They are in a wide array of policy areas, ranging from investment policy to human resources, competition and infrastructure. At the same time, these stakeholders will need to actively work together to forge strong partnerships to enhance the framework conditions for private investment. Effective partnerships are necessary to provide an integrated approach for financing and implementing sustainable development.

While a comprehensive assessment that addresses investment policy frameworks is key to developing a sound investment climate, it is not enough. One of the major challenges identified through the use of the PFI is the lack of implementation of the reforms and policy advice that emerge from it. This is linked to a number of factors, including the shortage of resources for implementation or skills to develop investment opportunities in new areas, such as those offered by green technologies, services or practices. Furthermore, implementation could significantly be improved through better co-ordination and partnerships across development stakeholders to assist in developing methodologies that are suited to the needs and capacities of the host government. This includes indicators of progress, as well as co-ordinated technical assistance and institutional capacity building for investment policy reforms, tailored towards different circumstances of country or regional contexts. Blended finance that helps mitigate the risks of private investment can also be channelled towards projects in sectors where promising structural reforms are underway or new opportunities exist for green investment.

The updated PFI, together with donor efforts and related tools such as the World Bank investment climate assessment, is poised to make a key contribution to the SDGs. Benefiting from strong buy-in by host governments and Regional Economic Communities, it can help them catalyse investment flows that will be necessary to meet their development objectives. Development partners on the ground in particular, with close relationships with host governments and working through development co-operation programmes, can actively support the implementation of investment policy recommendations. In this respect, the World Bank Group and several other multi-lateral organisations and donors are already using the PFI for their technical assistance programmes.

## ■ Objectives

With this in mind and in a bid to meet the development objectives, the Workshop will provide a forum for participants to share their views and experiences on approaches that can best assist governments in implementing national and regional policy reforms conducive to more and better investment. By gathering country representatives that have used the PFI, the business sector, development partners, and technical experts, the Workshop hopes to achieve the following:

- Inform about action taken at international, regional and national levels to support governments in implementing investment policy reforms introduced by the PFI;
- Discuss practical measures to further improve the benefits of investment-climate reforms for sustainable development, in particular responsible business conduct and impact monitoring tools;
- Rally development partners, international organisations, the private sector and civil society to foster better collaboration on implementing comprehensive and effective investment policies for development, leveraging OECD's and other relevant regional programmes.

## ■ A Dialogue for governments, development partners, private sector, civil society, international organisations, and academia

Workshop participants will include senior investment policy makers from OECD and emerging economies, development partners, private sector and civil society representatives, as well as technical experts. Development Finance Institutions and aid agencies active on private sector development will be involved.

Workshop participants will also include senior officials from the European Union and the United Nations (UNCTAD), as well as senior representatives of Regional Economic Communities such as ASEAN and the Southern African Development Community (SADC).

Such format will allow participants to benefit from a broader exchange of perspectives among various stakeholders.

## ■ Draft agenda

8:00 – 9:00	<b>REGISTRATION</b>
9:00-9:30	<p><b>OPENING &amp; CALL TO ACTION</b></p> <p><b>Opening remarks:</b></p> <ul style="list-style-type: none"> <li>• Douglas Frantz, Deputy Secretary-General of the OECD</li> <li>• H.E. Okko-Pekka Salmimies, Ambassador of Finland to the OECD</li> <li>• Erik Solheim, Chair of the OECD Development Assistance Committee</li> </ul>
9:30-10:45	<p><b>SESSION 1: Making investment policy reform work for development – country lessons on reform &amp; challenges to implementation</b></p> <p>In this session, participants will learn about Policy Framework for Investment (PFI)-based reforms as illustrative of the general issue involved in moving from investment policy advice to implementation. Participants will also learn about private sector development programmes developed by multilateral and bilateral donor agencies to support national efforts to attract investment. This session will identify where the most pressing implementation bottlenecks lie, and their underlying reasons. This will be followed by a discussion where participants will offer insights of their own experience, and identify areas where support from the donor, business and policy communities is most needed.</p> <p><b>Chair:</b> Karim Dahou, Deputy Head, Investment Division, OECD</p> <ul style="list-style-type: none"> <li>• Rizar Indomo Nazaroedin, Director of Regional Cooperation, Investment Coordinating Board, Indonesia</li> <li>• Gabriela Castro, Director for Investment, Ministry of Foreign Trade, Costa Rica</li> <li>• Ibrahim Gowon, Federal Intervention Manager, Growth and Employment in States, Nigeria</li> <li>• Thomas A. de Man, Chair of the BIAC Development Committee and Heineken Former Regional President for Africa and the Middle East</li> <li>• John Evans, General Secretary, Trade Union Advisory Committee to the OECD</li> </ul>
10:45-11:00	<b>Coffee Break</b>
11:00-16:45	<p><b>SESSION 2: Tackling the implementation challenge: from advice to action</b></p> <p>Based on the ‘existing landscape’ of challenges and initiatives identified in the preceding session, this session will look towards bringing the actors and tools together for more effective solutions to support sustainable development. It will discuss how approaches to support investment policy reform and mobilize private investment for sustainable development can be designed and implemented, using the PFI as a reference. The purpose of this session is to lay the groundwork for successful partnerships among all players at national, regional and international levels, as well as at sub-national levels where appropriate. It will be divided into 2 sub-items: a) partnerships and b) monitoring</p>
11:00-12:30	<p><b>SESSION 2.A: Coping with challenges through partnerships (Part I)</b></p> <p>This session will allow participants to discuss various approaches to successfully implement investment policy reforms based on the PFI, including through donor support as well as the role of business actions and initiatives aimed at complementing the government. The session will consist of two parts; the first part will focus on partnership arrangements at a</p>

country and regional level, while the second part will have an emphasis on collaboration between private and public sector actors.

**Chair:** Kimmo Sinivuori, Co-Chair of the OECD Advisory Group on Investment and Development

- Partnering with governments: development partners' co-operative action at national level: Enlisting aid agencies for technical assistance – the example of the World Bank Group in Myanmar and other country level programmes
  - Aung Naing Oo, Director General, Directorate of Investment and Company Administration, Ministry of National Planning and Economic Development, Myanmar
  - Stephen Thomsen, Head of Investment Policy Reviews, Investment Division, OECD
- Partnering with governments: international organisations' co-operative action at national level - the example of UNCTAD
  - Frank Grozel, Co-ordinator, Business Facilitation Programme, United Nations Conference on Trade and Development
- Regional initiatives in support of reforms:
  - Tan Tai Hiong, Head of Services and Investment Division, ASEAN Secretariat: The example of ASEAN
- Donor Perspective:
  - Patrick Rabe, Development Counselor, EU Delegation to OECD
- Private Sector Perspective:
  - Marie Gad, Senior Policy Advisor, Confederation of Danish Industry (DI)

12:30-14:00

**Lunch break**

14:00-15:15

**SESSION 2.B: Coping with challenges through partnerships (Part II): Improving the quality of the investment environment through promoting responsible business conduct**

To the extent that governments are able to provide an enabling environment for businesses to act responsibly and meet their duty to protect the public interest from potential negative impacts of business activities, they are more likely to keep and attract high quality and responsible investors, minimise the risks of potential adverse impacts of investments, and ensure broader value creation and sustainable development. This session will discuss ways that governments and the private sector can partner to achieve this goal.

**Chair:** Roel Nieuwenkamp, Chair, OECD Working Party on Responsible Business Conduct

- Lisa Kubiske, Deputy Assistant Secretary of State for International Finance & Development, United States
- Gaston Fernández, Head of the OECD Department General Directorate for International Economic Relations, Ministry of Foreign Affairs of Chile
- Nabila Tbeur, National Contact Point, Morocco
- Tabe van Hoolwerff, Legal Counsel, Shell

15:15-16:45

**SESSION 2.C: Monitoring for implementation and impact: Towards quality FDI**

Effective monitoring mechanisms are an important tool for supporting the implementation of reforms. While the PFI provides a comprehensive framework for understanding barriers to investment, key challenges remain with regards to

monitoring the implementation of reforms and assessing their development impacts. Monitoring provides a feedback mechanism for policy makers as well as the general public on the progress made. Similarly, it raises the profile of implementation gaps and helps push for corrective action. In addition, monitoring constitutes an institutionalized channel for regular information-sharing and peer-learning on what worked, what did not, and why. Hence, monitoring is not just a tool for better implementation, but equally important, for the design of better policies and more effective implementation strategies.

This session will discuss good practices for developing monitoring mechanisms, identifying innovative approaches for enhancing the implementation of reforms and strengthening assessment of socio-economic impacts. The session will address outcomes of investment reforms, not just in terms of quantity but also quality of investments. The experience of SADC will be presented, where a monitoring framework is being developed to support the implementation of the SADC Investment Policy Framework, which is based on the PFI.

Chair: Felipe Palacios Sureda, European Commission

- Iza Lejarraaga, Investment Division, OECD
- Antonio Fanelli, Senior Advisor, Global Relations Secretariat, OECD
- Lucia Cusmano, Senior Economist, Centre for Entrepreneurship
- Christiane Arndt, Regulatory Policy Division, OECD (TBC)
- Malvern Rusike, Investment Advisor, Regional Economic Integration, SADC Secretariat
- Yilmaz Arguden, Chairman of ARGE Consulting, Istanbul, and Vice-Chairman of the BIAC Governance Committee

16:45-17:00	Coffee break
17:00-18:00	<p><b>SESSION 3: Framework for Action: Supporting the PFI Implementation</b></p> <p>During this session, the specific actions recommended during the previous sessions will be presented. Based on the evaluation of the panel and the general discussion among participants, a set of conclusions aimed at making the most of the PFI for the implementation for investment policy reform and the SDGs will be formulated.</p> <p><b>Chair:</b> Manfred Schekulin, Director for Export and Investment Policy, Federal Ministry of Economics and Labour of Austria, Chairman of the OECD Investment Committee</p> <p><b>Discussion: Framework for Action</b></p> <ul style="list-style-type: none"> <li>• Aung Naing Oo, Director General, Directorate of Investment and Company Administration, Ministry of National Planning and Economic Development, Myanmar</li> <li>• Frank Grozel, Co-Ordinator, Business Facilitation Programme, United Nations Conference on Trade and Development</li> <li>• John D. Sullivan, Vice-Chair of the BIAC Development Committee, Executive Director of the Center for International Private Enterprise</li> <li>• Richard Manning, Chair of the International Initiative for Impact Evaluation, Co-ordinator of the Replenishment of the African Development Fund, and Senior Research Fellow at the Blavatnik School of Government, University of Oxford</li> <li>• Ana Novik, Head, OECD Investment Division</li> </ul>
18:00-19:30	Cocktail (venue: <b>Café Espresso</b> )