Overview of the PFI Users’ Toolkit

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- THE EXPECTED BENEFITS
WHAT IS THE PFI?

- An instrument to support governments to:
  - Identify the obstacles to investment in a coherent manner
  - Formulate the right policies and governance structures to address the obstacles
  - Enable effective implementation and monitoring of policy reforms

- It covers 10 policy areas widely recognised as underpinning a healthy environment for all investors

- Consists of a list of questions for each policy area, supported by annotations to help governments assess whether their policies are likely to encourage beneficial investment

- Complemented by references to other relevant policy resources
WHAT MAKES THE PFI SPECIAL?

- Non-prescriptive
- Domestic and foreign investment
- Direct and indirect obstacles to investment
- Focus on ‘policy governance’
- Development orientation
- Policy assessment is process oriented
PFI IS A FLEXIBLE TOOL AVAILABLE TO ALL

- A wide panoply of PFI uses exist:
  - Self-assessment by governments (Vietnam)
  - Peer review (Egypt, OECD IPR)
  - Regional, national and sub-national dialogues (SEE, NEPAD, MENA)
  - Public-private dialogue (APEC)
  - Tool for donors
  - Communication of reform efforts

- PFI can be used at different stages of investment climate reform:
  - Diagnostic stage
  - Designing a policy reform road-map
  - Implementation of reforms and evaluation of progress
MAKING THE PFI OPERATIONAL: DEVELOPING THE PFI USERS TOOLKIT

- About the Toolkit
  - Overviews purpose, scope, structure and how to use the Toolkit

- Getting Started
  - Explains the rationale for using the PFI, elucidates ways the PFI can be used and how to choose between these options, outlines the key steps in devising a process for using the PFI

- Policy Guidance
  - Provides specific policy guidance for each PFI question on issues to address and indicators to examine in responding to PFI question

- Measuring Progress
  - How to form an overall assessment, benchmark information, establish priorities, develop, initiate and monitor a reform Plan of Action
FEATURES OF THE TOOLKIT

- Addressed primarily to governments
- Incorporates ‘good practices’ from wide range of country and sectoral experiences
- Modular approach designed to handle different PFI applications depending on user objectives
- A living resource: users will be able to offer their own input and provide feedback
- Builds on existing work and indicators
- Evolutionary web-based format (other formats available)
The objective of the Policy Framework for Investment is to mobilise private investment that supports steady economic growth and sustainable development, and thus contribute to the prosperity of countries and their citizens.

The PFI has been designed as a flexible tool. Self-evaluation, peer reviews, regional co-operation and multilateral discussions can all benefit from the insights offered in the PFI.

This PFI User’s Toolkit outlines a process and guidance for governments using the PFI to systematically identify and appraise impediments to investment with the aim of removing them.
About the Toolkit

- Foreword
- Introduction
- What is the purpose of this Toolkit?
- What makes this Toolkit different?
- Who will find this Toolkit useful?
- How to use this Toolkit
- What is the relationship between this Toolkit and the PFI?
- How was this Toolkit developed?
- Your feedback and how to find out more about the PFI
- Acknowledgements
**Investment policy**

Investment policy in the PFI relates to a country’s laws, regulations and practices that directly enables or discourages investment, and which enhance the public benefit from investment. They cover, for instance, policies for transparent and non-discriminatory treatment of investors, expropriation and compensation laws and dispute settlement practices.

The quality of a country’s investment policies directly influences the decisions of investors, be they small or large, domestic or foreign. Transparency, property protection and non-discrimination are core investment policy principles that underpin efforts to create a quality investment environment for all. Investors are also concerned with the way that investment policy is formulated and changed. Investors will avoid circumstances where policies are modified at short notice, where governments do not consult with industry on proposed changes and where laws and regulations are not clear, not readily available and un-predictable.

The PFI Investment Policy chapter identifies through eight questions the most important issues relevant for judging the effectiveness of a country’s investment policies and practices. The focus is often on the specific needs of foreign investors, but the issues apply in most instances to domestic investors as well. This section of the Toolkit offers the PFI user additional detail on why these investment policy questions are important, and specific guidance on the topics to scrutinise in order to form an opinion on how well a country’s investment policies perform vis-à-vis good practices.

The eight key PFI questions on Investment Policy relate to:

- Laws and Regulations
- Effective Ownership Registration
- Intellectual Property Rights
- Contract Enforcement and Dispute Resolution
- Expropriation Laws and Review Processes
- Equal Treatment for National and International Investors
- International Co-operation and Periodic Review
- International Arbitration Instruments
PFI Q:1.1 asks “What steps has the government taken to ensure that the laws and regulations dealing with investments and investors, including small- and medium-sized enterprises, and their implementation and enforcement are clear, transparent, readily accessible and do not impose unnecessary burdens?”

Rationale for the question

Investment involves many risks. Risks are associated with market demand, technology, competition, inflation, borrowing costs, weather and other factors. An attractive investment climate cannot avoid all these risks, but it should avoid all unnecessary policy-induced risks and regulatory surprises. Businesses will interpret environments that contain unpredictable regulatory or legal changes as an additional risk. Some industries, such as oil extraction are lucrative enough that business is prepared to operate in more risky environments. But many other industries that operate on low profit margins, particularly the manufacturing industries that are necessary for a diversified growth, have the ability to choose only the best, most stable locations to establish operations.

Two key features of high-performing investment policy regimes are transparency and predictability. Effective communication of meaningful information, prior notification and consultation of regulatory changes and uniform administration and application of
Next Steps

- Vet and finalise policy guidance and website
- Test the Toolkit in different countries for:
  - Completeness
  - User friendliness
  - Effectiveness
- GFII, Paris 2008, OECD outreach, NEPAD-OECD Initiative?
- Complete Toolkit, Version 1.0 in first half 2008
THANK YOU

FOR FURTHER INFORMATION

About the Policy Investment Framework and Toolkit Visit:
www.oecd.org/daf/investment/pfi