



Global Forum on International Investment

Johannesburg Statement by Co-Chairs on “Main Building Blocks of Modern Governance and Transparency for Investment” 18 November 2003, South Africa

A. CONTEXT

1. Investment, both foreign and domestic, plays an increasingly important role in promoting worldwide economic growth and development - a vital complement to national and international development efforts. Foreign direct investment (FDI) is especially important for its potential to transfer knowledge and technology, create jobs, boost overall productivity, enhance competitiveness and entrepreneurship, and ultimately eradicate poverty through economic growth and development.

2. However, these benefits are not automatic – without appropriate public policy they may not be fully realised. Improving governance and transparency are among the foremost determining factors in attracting investment and fully reaping its benefits for development.

3. At the United Nations Conference on Development in Monterrey, Mexico last year, 184 participating countries agreed that FDI is necessary for sustained economic growth in the long term, and recognised the need for both home and host governments to create the necessary domestic and international conditions to facilitate FDI flows to developing countries. This Global Forum on International Investment (GFII) offers an opportunity for OECD and non-OECD actors to learn from each other’s experiences so as to render more concrete the principles set forth in Monterrey.

B. OBJECTIVES

4. This Statement summarises what participants consider as the main building blocks of modern governance and transparency affecting investment in host countries, and recommends concrete action by governments, businesses, multilateral organisations and other stakeholders.

5. It reflects the main policy conclusions emerging from deliberations and written contributions received from speakers and panellists at the GFII. In addition, it has benefited from the inclusion of participants’ responses to a questionnaire that was circulated prior to the Forum. The Statement, drafted by an informal working group formed during the GFII, and benefiting from participants’ inputs, is issued under the auspices of the Forum’s co-chairs.

6. Participants at the Global Forum welcomed OECD’s newly launched “Strategy on Investment for Development”, designed to address a broad range of policy elements relevant to

the investment climate and a process for engaging non-member partners and other actors in helping to develop and promote the Strategy. The Strategy is to offer benchmarks for use by national governments to assess their own performance and improve their investment policies; for regional co-operation and peer reviews; and for further policy dialogue between OECD members and non-members.

C. THE ROLE OF MODERN GOVERNMENT IN ATTRACTING INVESTMENT

7. Participants recognised that strong public governance and transparency are important elements to encourage domestic and foreign investment in an internationally competitive environment. In this regard, governments have an important role to play in creating a good environment for investment.

8. Participants recognise the key role of governments to:

1. **Provide strong leadership** to design and implement a comprehensive national development strategy including for public governance. It is essential to communicate a commitment to achieving their goals to the domestic and international communities.
2. **Encourage public participation** as a means of strengthening public trust in governments and enhancing the policy formulation process.
3. **Promote transparency** as part of the governance agenda including by means of an effective regulatory framework. The aim should be to contribute to a climate of efficiency, stability and predictability for investors and other members of the public.
4. Enhance the **accountability of both business and government sectors**. In this context, encourage a culture of sound corporate governance.
5. In order to maximise the benefits of investment inflows to host countries, **base investment attraction strategies on the development of a sound investment climate** rather than rely on specific investment incentives.
6. **Develop e-government services** as a contributor to administrative simplification, and greater efficiency for both government and business.
7. **Reduce administrative and regulatory barriers** to investment, strengthen the coordination mechanisms and effectiveness of government departments dealing with investment matters, and
8. Support **investment promotion agencies** in their promotion, policy advocacy and transparency roles.

D. ACHIEVING TRANSPARENCY FOR INVESTMENT

9. Transparency for investment implies that there is effective communication about policies important for investors, trade unions, NGOs and other groups of civil society. Transparency reduces business risks and uncertainties, helps combat bribery and corruption and ultimately promotes sustainable investment. Achieving transparency is virtually impossible in the absence of a political commitment to certain minimum standards of public governance.

10. Transparency is both an integral part of effective public governance and a core feature of international investment policy rules. The OECD Guidelines for Multinational Enterprises and Declaration on International Investment and Multinational Enterprises are important instruments in this regard. Recent initiatives in the OECD and in declarations made at Doha, Monterrey and Johannesburg seek to promote transparent policy frameworks that are supportive of countries' efforts to attract and benefit from investment. Participants at the Global Forum expressed the following views:

1. Transparency is an **important component of a sound strategy to attract investment**. But there is equally a need for political will and leadership: a real commitment to public sector transparency necessarily involves a government's willingness to be open to public scrutiny, to accept criticism and take remedial action where necessary. The beneficial effects of transparency are contingent upon political will to implement higher standards.
2. There is a need for developing **homegrown strategies** that take into account national needs, circumstances, and local capacity, as well as international standards and practices.
3. Public transparency policy should **aim to benefit society as a whole**, not simply investors, foreign and domestic.
4. A **communication strategy** should be put in place to inform the public.
5. **Multi-stakeholder dialogue**, including business, trade unions and civil society, is an effective tool for promoting transparency and ownership for public policy across society. It can also help ensure that all stakeholders gain access to the process of policy formulation.
6. **Promoting transparency needs to be supplemented** by other elements of public policy. Other important determinants of investment are good governance, effective financial intermediation, modern legal systems, adequate physical and human capital infrastructure and macro-economic stability.
7. Transparency should be a **fundamental value for both public and private sectors**.
8. **Achieving transparency is a long-term process**. Governments investing in transparency should expect benefits to accrue in the medium and long-term.

E. CO-OPERATION FOR THE FUTURE

11. Achieving internationally competitive levels of public governance and transparency is sometimes a difficult task for policy makers. International cooperation at the global, regional and sub-regional levels can help, *inter alia* by providing a platform for exchange of experience, cross-country comparison and showcasing good practices. Partnerships should be based on a buy-in and co-ownership by all participants. They should involve an element of partnership with stakeholders at the sub-national level.

12. The participants at the Global Forum expressed their support for cooperation involving a strong element of self-assessment of policies, against commonly agreed benchmarks or shared values. Another option, supported by OECD country experience, is to develop peer review processes as tools for policy reform. This option is expected to play a prominent role in the cooperation among NEPAD countries.

13. Countries with weak domestic capacities to implement policy reform should be offered adequate support by international organisations and individual foreign governments. The implementation of higher standards of public governance and transparency is supported by a number of development assistance programmes aimed at capacity building on the basis of the choices made by host countries. More could be done. The OECD could offer capacity building programmes in a number of policy areas within its competence. Moreover, it could act as a catalyst in bringing together the efforts of other international organisations, OECD member countries and developing nations themselves.