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The OECD Strategy on Investment for Development and the MENA Investment Programme

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Foreign Direct Investment : an Expanding Horizon

FDI: a powerful engine for growth

*Set to grow stronger in the long run,
despite decline in 2001 - 2002*

Competition to intensify

More than 90% of world FDI outflows originate in OECD Member countries, and, in recent years, these countries have received approximately 75% of FDI inflows.

Most FDI received by non-OECD countries is concentrated in Asia and Latin America with large differences among recipients countries and regions.

Reaping the full benefits of FDI: Policy Challenges

In host countries

- non-discriminatory regulatory regime for FDI
- macroeconomic stability
- adequate corporate governance and competition policy frameworks
- transparency, rule of law, fighting corruption
- strengthening the financial sector
- human resources development
- facilitating structural adjustment and regulatory reform

Reaping the full benefits of FDI: Policy Challenges (cont'd...)

In home countries and multinational enterprises

- policy coherence in support of development
- supporting capacity building and less developing countries' participation in international investment discussions
- promoting public/private partnerships
- encouraging government and private initiatives for corporate responsibility

OECD International Investment Instruments

Codes of Liberalisation - 1960

- Code of Liberalisation of Capital Movements
- Code of Liberalisation of Invisible Transactions

Declaration on International Investment and Multinational Enterprises -1976

- National Treatment
- Guidelines for Multinational Enterprises

OECD International Investment Instruments

Key features for success

- Balanced
- Clear principles
- Progressive liberalisation
- Implementation through peer review
- Impressive results

A New OECD Strategy for Investment and Development

- The development context: Monterrey and the Millenium goals
- FDI/OECD synergy
- A comprehensive agenda
- A participatory approach
- Strategic partnerships

The Strategy: Key Elements

1. Enhancing the domestic business environment
 - Rule of law/public governance
 - corporate governance
 - competition
 - taxation
 - human capital
2. Home country policies
 - coherent trade/investment/development strategies
 - capacity building
 - ODA/FDI synergies

The Strategy: Modes of Delivery

1. Drawing on OECD experience
2. Dialogue; capacity building; peer reviews
3. Input of private sector/civil society
4. Open management: the Task Force

The Strategy: Next Steps

- The global forums for investment:
From Johannesburg to New Delhi, 2005 in
Brazil
- Regional investment initiatives
 - Investment Compact for South East
Europe
 - MENA



COMMON OBJECTIVES OF THE OECD-MENA INITIATIVE FOR INVESTMENT AND GOVERNANCE

- Economic development, through:
 - Country specific reforms
 - Regional co-operation
- Two inter-related programmes:
 - Investment
 - Public governance
- the need for a differentiated but coherent approach.
- The Amman Ministerial of 25 September 2004



A Programme which will make a difference

- Demand driven
- Result orientated
- Regionally owned and integrated
- Partnership based
- Effectively coordinated



Demand Driven

- Political commitment
- Agreement on the need to change the business environment
- Mobilisation of institutional capacities
- Regional leadership
- Private sector and civil society



Result oriented

- identify investment opportunities and competitive advantage
- build confidence among foreign and national investors
- create an efficient institutional and legal infrastructure
- promote governance and business integrity
- identify projects for support by bilateral and multilateral donors



Regionally owned

- Each country to determine time bound targets for reform
- Effective framework for regional cooperation:
 1. Exchange of experience
 2. Good practices and policy recommendations
 3. Basis for regional trade and investment agreements
 4. Mechanisms for peer reviews



Partnership based

- OECD input and experience
- Partnership with international organisations: UNDP, World Bank, UNIDO, regional institutions
- Public-private sector dialogue



Effectively coordinated

- Country economic teams
- Steering group
- Country missions
- Peer reviews
- Communication of results

MENA Investment Steering Group – Key Functions

- Develop the general orientations of the strategic action programme on the basis of the WG submissions;
- Ensure coherence, coordinate the time and venue of the WG meetings, and monitor WG actions;
- Make sure that each country will develop its own investment reform agenda and review progress in implementing it;
- Mobilise political, financial and human resources for the development and implementation of the programme, and strive to increase its visibility in the media and in society as a whole;
- Achieve synergies with current regional and multilateral efforts including the G-8 Plan of Support for Reform;
- Address any other matters relevant to the implementation of the programme; and
- Meet at ministerial level, when appropriate.



Five Working Groups

- WG1: Transparent and open investment policies.
- WG2: Encouraging investment promotion agencies and business associations to act as driving forces to reform.
- WG3: Providing a tax framework for investment and assessing incentive-based policies.
- WG4: Promoting investment policies in support of diversification and enterprise finance/development
- WG5: Improving corporate governance

WG1 on Open and Transparent Investment Policies

- Inventory and assessment of regulatory frameworks for business
- Exchange of experience on investment treaties
- Identification of concrete steps to improve the business environment
- Input for the development of national investment policy reform agendas
- Promotion of business integrity