



**Government of Republic of Indonesia
Investment Coordinating Board**



**INVESTMENT FOR ASIAN DEVELOPMENT:
Lessons so far, Challenges for the Future**

*Conference organised under the auspices of OECD Investment Committee
In co-operation with UNESCAP and the Asian Development Bank (ADB)
Hosted by the Government of Republic of Indonesia*

**Jakarta, Indonesia
Hotel MULIA Senayan, Jakarta
5 – 6 July 2005**

**Concluding Session - Joint Remarks by
OECD and Indonesian Government Co-Chairs**

**Mr. Chris LEGG, Treasury, Australia; and Mr. M.M. Azhar LUBIS, Investment
Coordinating Board (BKPM), Government of Republic of Indonesia.**

Promoting “Investment for Asian Development” was the objective of the OECD conference organised in partnership with UNESCAP and ADB and hosted by the Indonesian Government in Jakarta on 5-6 July, 2005.

The Conference reviewed Asian countries’ efforts to improve their enabling environments for private investment – both foreign and domestic -- and found that reforms have been paying off. Indonesia and most South East Asian economies are re-gathering pace after the slump that followed the Asian crisis. The Conference also acknowledged the important policy challenges being addressed by Indonesia and other Asian governments as they seek to reap the full benefits of international investment in today’s globalising economy, and supported the direction of change.

Persevering with governance reform was considered to be the surest means for Asian nations to continue to attract investment for growth, poverty reduction and sustainable development. Priority areas include regulatory transparency and predictability, anti-corruption measures in the public sector and responsible business practices, revisiting remaining restrictions to foreign investment and barriers to competition more generally, reducing the complexity and cost of approval processes for doing business, promoting regional integration and quality infrastructure. At the same time, the importance of building and preserving a community consensus in favour of foreign investment was recognised while any continuing restrictions such as maintaining negative lists are tightly focused.

The value of such reform efforts was seen to go beyond their positive impact on foreign investment: they in effect provide a level playing field which allows local, smaller enterprises to expand and seize the business opportunities offered by globalisation. Investment promotion agencies can play an important facilitating role and be an advocate of the benefits of reform for all investors.

Participants took note that Asian countries are using tax and other special incentives to attract investment and that some countries, like Indonesia, consider recourse to such incentives may continue to be needed to increase their attractiveness for FDI. The OECD Checklist on FDI Incentive Policies provides a tool to assist governments in assessing the cost-effectiveness of their incentive measures.

The Conference explored how the international community -- development agencies, OECD and other international organisations -- may assist Asian country governments in advancing their investment attraction agendas.

Participants discussed how official development assistance (ODA) may best be used to support countries' efforts to enhance their investment climates. A recent joint OECD Development Assistance and Investment Committees' report, tabled at the Conference, finds that ODA in the area of supporting private investment can be more focused and better co-ordinated. Studies of selected Asian experiences commissioned by OECD and reviewed at the Conference suggest that ODA/investment synergies approaches work best when anchored in a domestic reform process and can have a significant leverage effect when focusing on building corporate law and other regulatory reform capacities. The lessons learnt from the Conference will be conveyed to the OECD donor community and its partners as they develop further guidance on enhancing aid effectiveness in the field of investment.

Participants saw merit in considering options for Asian countries taking fuller advantage of OECD-type peer review and dialogue as an effective mechanism for investment policy capacity building, especially when internationally accepted benchmarks are available and used. In this context, special attention was given to the Policy Framework for Investment (PFI) that the Investment Committee is presently developing with Asian and other non-member partners at OECD. The PFI is intended as a comprehensive and non-prescriptive tool for promoting a coherent, "whole-of-government" approach to investment.

The viewpoints of the Asian participants in the Conference will be brought to the attention of the Task Force that is responsible for developing the PFI. After its completion in mid 2006, it is expected that the PFI will serve as the basis for self-evaluation and peer dialogue. It was suggested that combining best practices from the trade policy and the investment policy chapters of the PFI will open particularly promising prospect for peer dialogue in the Asian context. In this process, Indonesia and other interested Asian countries will be invited to act as pilots, and close partnership with regional economic organisations such as the co-organisers UNESCAP and ADB, as well as APEC and ASEAN, will be sought. The APEC-OECD Seminar "Working Together on Investment for Development" to be held in Korea in November 2005 will be one important step in the further development of Asia/OECD partnership.