



**OECD INITIATIVE ON INVESTMENT FOR DEVELOPMENT:
Progress Report by the OECD Investment Committee**

28 April 2005

The OECD Initiative on Investment for Development supports developing countries' sustained efforts to attract and generate more and better investment. Proposed at the OECD Ministerial in May 2003, the Initiative was built into the Organisation's Programme of Work and Budget in October 2003 and launched by the OECD Investment Committee in Johannesburg in November 2003 at the Global Forum on International Investment.

This progress report documents work on the Policy Framework for Investment. The Framework is non-prescriptive. It provides a checklist of policy issues to support an attractive environment for both domestic and foreign investment. The report also notes progress under the Initiative in building policy capacity through peer learning and in joint work with DAC on using ODA more effectively to mobilise investment for development.

Any questions concerning this project can be directed to Michael Gestrin and Takeshi Koyama, Investment Division, Directorate for Financial and Enterprise Affairs.

**OECD INITIATIVE ON INVESTMENT FOR DEVELOPMENT:
PROGRESS REPORT BY THE OECD INVESTMENT COMMITTEE**

Investment for development: the OECD's contribution to a global effort

<p><i>The Monterrey Consensus called for mobilising private investment...</i></p>	<p>In 2000, the United Nations Millennium Declaration committed the international community to sparing “no effort to free our fellow men, women and children from the abject and dehumanising conditions of extreme poverty, to which more than a billion of them are currently subjected.” In support of this objective, the 2002 United Nations Monterrey Consensus ascribed critical importance to mobilising private investment, both domestic and foreign, for achieving important development objectives, including the Millennium Development Goals (MDGs).</p>
<p><i>...but domestic and international capital flows still fall short of development needs</i></p>	<p>With ten years to go until the 2015 target for achieving the MDGs, it has become clear during the course of OECD and other work with non-Members that many goals will not be achieved unless investment in developing countries increases rapidly and dramatically. Africa, with most of the world's least developed countries (LDCs), remains marginalised. Investment flows to India have started increasing only in recent years. Even China which has become the world's largest recipient of foreign direct investment receives modest proportions relative to its size from OECD countries. Among transition economies, the Russian Federation has made progress in opening its economy further to foreign investment, but it continues to attract small international investment flows.</p>
<p><i>Strengthening capacity for attracting investment requires sustained efforts...</i></p>	<p>Strengthening capacity across a wide range of areas that contribute to an attractive environment for investment takes time, and often the rewards of these reforms only materialize years after they have taken place. It is in part for these reasons that developing and developed countries have recognised the need for more co-operation on investment issues, as called for by the Monterrey Consensus.</p>
<p><i>...which the OECD Initiative on Investment for Development aims to support.</i></p>	<p>The <i>OECD Initiative on Investment for Development</i> supports developing countries' sustained efforts to attract and generate more and better investment. Proposed at the OECD Ministerial in May 2003, the <i>Initiative</i> was launched by the OECD Investment Committee in Johannesburg in November 2003 at the Global Forum on International Investment. It received further strong support at the 2004 Global Forum hosted by India. The <i>Initiative</i> includes three closely inter-related projects: i) the development of a <i>Policy Framework for Investment</i>; ii) building policy capacity based on OECD peer learning methods; and iii) using ODA more effectively to support partner countries' efforts to mobilise private investment.</p>

Members worked closely with non-Member partners to advance the *Policy Framework for Investment*

<p><i>A non-prescriptive tool for improving the investment environment...</i></p>	<p>Members and non-Member partners have agreed to work on the development of a <i>Policy Framework for Investment</i> as a checklist of policy issues in support of government efforts to create an environment that is attractive to domestic and foreign investors and that enhances the benefits of investment to society. The <i>Framework</i> recognises that the needs of countries at different levels of development call for a flexible and non-prescriptive approach. The <i>Framework</i> could also serve as a reference point for other international organisations, investment promotion agencies, donors as they assist developing country partners in improving the investment climate, and businesses, trade unions, and non-governmental organisations in their dialogue with governments.</p>
<p><i>... is being developed through a partnership process.</i></p>	<p>A Task Force, open to any interested OECD Member and non-Member governments, has been established to oversee the development of the <i>Framework</i>. In addition to Chile, Argentina, Brazil and the other six non-member adherents to the OECD Declaration on International Investment, China, India, Russia, South Africa and other influential non-Member players have participated in Task Force meetings and regional consultations (Annex 1). A dedicated Webpage and electronic discussion group have been established for the dissemination of documents as they develop as well as contributions from members of the Task Force in order to ensure the fullest participation of all interested governments.</p>
<p><i>A comprehensive policy coherence approach...</i></p>	<p>The Task Force has identified nine policy “building blocks” which will make up the <i>Framework</i>: investment policy; investment promotion and facilitation; trade policy; competition policy; tax policy; corporate governance and responsibility (and market integrity more generally); human resource development; infrastructure development; and public governance. In addition to host-country policy action, the contribution of international co-operation, including through regional integration, and home-country policy action, including effective implementation of OECD instruments such as the Anti-Bribery Convention and the Guidelines for Multinational Enterprises, is also being addressed.</p>
<p><i>...which benefits from support by a wide range of policy communities.</i></p>	<p>The Task Force is benefiting from expertise of the Trade, Competition, Fiscal Affairs and Public Governance Committees, the Steering Group on Corporate Governance and other relevant OECD bodies. The OECD Development Assistance Committee (DAC) is contributing to strengthening the development dimension of the <i>Framework</i>. By April 2005, the trade and competition chapters were nearing completion, including trade policy issues addressed to home country governments and roles for competition authorities in investment regulatory impact analysis (Annex 2).</p>

<i>Work is entering in a decisive phase</i>	Through the process of extensive consultations outlined above, draft checklists for nine policy areas will be developed in time for the Global Forum on International Investment to take place in October 2005 in Brazil, with a view to finalising the <i>Framework</i> by the next OECD Ministerial. Once this first phase is complete, in partnership with the World Bank and other organisations, work will begin on promoting use of the <i>Framework</i> whether for the purpose of country self-evaluation, through regional peer reviews or in multilateral forum dialogues. The <i>Framework</i> is intended as a living tool which will be reviewed in light of developments and users' needs.
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Shared policy values were put into practice through peer dialogue and capacity building

<i>The Initiative fostered investment policy co-operation programmes with non-Members</i>	The <i>Initiative</i> also marked OECD's intention to more actively share with non-Members its long experience with peer learning and consensual approaches towards the development of "best practice" and building implementation capacity. Investment policy co-operation programmes have intensified, using the horizontal approach to creating a sound investment environment encouraged by the <i>Policy Framework for Investment</i> .
<i>Peer dialogue with main players deepened</i>	Over the last two years, OECD policy reviews were collaboratively undertaken with China and Russia, and the resulting recommendations made public. Closer investment policy co-operation with India and South Africa has been underway.
<i>...and regional investment initiatives were launched</i>	The MENA (Middle East & North Africa)-OECD Initiative on Governance and Investment for Development was launched in 2004, using the model followed by the OECD Investment Compact for South East Europe to ensure local ownership of the reform agenda, follow-through on policy priorities, and monitoring of progress. The recent OECD-NEPAD Investment Initiative launched work on the emerging integrity framework for African development.

Enhancing the role of ODA in mobilising investment for development

<i>Donor and investment communities worked together to promote better use of ODA to leverage investment</i>	The <i>OECD Initiative on Investment for Development</i> brought together the OECD donor and investment policy communities to draw lessons on how ODA can be better used to create a sound investment environment in developing countries. This dialogue has been developed through discussions, including at the Global Forum for International Investment in India, October 2004, and is expected to be further advanced through consultations with non-Members and other stakeholders.
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Joint action in future

<p><i>Investment for Development: an overarching strategy for furthering OECD cooperation with the developing world.</i></p>	<p>The <i>Initiative</i> reflects the high importance attached by OECD Members to working with non-Members to promote investment for development. It will serve as an overarching strategy that provides organisation and policy guidance in the context of outreach and capacity building efforts of the OECD. It will continue to expand on several fronts: promoting the <i>Policy Framework for Investment</i> in partnership with other international organisations, peer dialogue with leading developing countries and emerging regional partners, and developing good practice for donors on mobilising investment for development.</p>
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Annex 1
Task Force meetings, regional consultations and Global Forum discussions
on the Policy Framework for Investment
November 2003-December 2005

- November 2003: Global Forum on International Investment, Johannesburg, South Africa (launch of the Initiative on Investment for Development)
- 17 June 2004: First plenary meeting of the Task Force, OECD Headquarters, Paris.
- 23 September 2004: Exploratory discussion of draft background trade policy chapter in the Working Party of the Trade Committee, OECD Headquarters, Paris.
- 19-21 October 2004: Consultation of the Task Force, Global Forum on International Investment, New Delhi, India (focus on trade and competition chapters)
- 8-9 November 2004: Second discussion of draft background trade policy chapter in the Working Party of the Trade Committee in light of the New Delhi Global Forum consultation, OECD Headquarters, Paris.
- 15-16 February 2005: Discussion of the draft background competition policy chapter in the Competition Committee with non-Member participants and in light of the New Delhi Global Forum consultation, OECD Headquarters, Paris.
- 18 February 2005: Exploratory discussion of a draft trade policy checklist in the Working Party of the Trade Committee, OECD Headquarters, Paris.
- 22-23 March 2005: Exploratory discussion of a draft background corporate governance-focussed chapter in the Steering Group on Corporate Governance, OECD Headquarters, Paris.
- 5 April 2005: Final discussion of the draft trade policy checklist in the Working Party of the Trade Committee, OECD Headquarters, Paris.
- 8 April 2005: Second plenary meeting of the Task Force, OECD Headquarters, Paris (discussion of draft trade and competition checklists and exploratory discussion of draft background tax chapter and checklist).
- 31 May 2005: Exploratory discussion of the draft background tax policy chapter in Working Party 2 of the Committee for Fiscal Affairs, OECD Headquarters, Paris.
- 25-26 May 2005: Regional Consultation on the Policy Framework for Investment, Uganda (with NEPAD).
- 13 June 2005: Third plenary meeting of the Task Force, OECD Headquarters, Paris (exploratory discussion of the draft background investment policy, investment promotion, and public governance chapters).
- 5-6 July 2005: Regional Consultation of the Task Force, Indonesia.
- 23 September 2005: Plenary meeting of the Task Force, OECD Headquarters, Paris (TBC).
- 29-30 September 2005: Discussion of the revised draft background public governance chapter in the Public Governance Committee, OECD Headquarters, Paris.
- October 2005: Global Forum on International Investment, Rio de Janeiro, Brazil (focus on bringing together all the chapters of the Policy Framework for Investment and discussing how to start using it for capacity building)
- December 2005: Plenary meeting of the Task Force, OECD Headquarters, Paris.

Annex 2

Policy Framework for Investment documentation (as of 6 April 2005)

OECD Initiative on Investment for Development: Towards a Policy Framework for Investment	DAFFE/IME/TF(2004)1/REV1	Sept 2004
OECD Initiative on Investment for Development: A Policy Framework for Investment: Competition Policy	DAFFE/IME/TF(2004)3/REV1	Mar 2005
OECD Initiative on Investment for Development: A Policy Framework for Investment: Trade Policy	DAFFE/IME/TF(2004)4/REV1	Mar 2005
OECD Initiative on Investment for Development: Progress Report	DAF/INV/TF(2005)1	Mar 2005
Competition Policy for Investment: A Draft Checklist	DAF/INV/TF(2005)2	Mar 2005
Trade Policy for Investment: A Draft Checklist	DAF/INV/TF(2005)3	Mar 2005
OECD Initiative on Investment for Development: A Policy Framework for Investment: Tax Policy	DAF/INV/TF(2005)4	Mar 2005
OECD Initiative on Investment for Development: A Policy Framework for Investment: Corporate Governance	DAF/INV/TF(2005)5	Forthcoming
Tax Policy for Investment: A Draft Checklist	DAF/INV/TF(2005)6	Apr 2005
OECD Initiative on Investment for Development: A Policy Framework for Investment: Investment Promotion and Facilitation	DAF/INV/TF(2005)7	Apr 2005