BACKGROUND ON THE POLICY FRAMEWORK FOR INVESTMENT AND THE USER’S TOOLKIT

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1. What is the Policy Framework for Investment?

2. Why and how the PFI was developed?

3. Making the PFI operational: A conceptual overview

4. Making the PFI operational: Developing the PFI Users Toolkit

5. The expected benefits
WHAT IS THE PFI?

• A multilaterally backed 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
THE 10 PFI POLICY AREAS

1. Investment policy
2. Investment promotion and facilitation
3. Trade policy
4. Competition policy
5. Tax policy
6. Corporate governance
7. Policies for promoting responsible business conduct
8. Infrastructure and financial sector development
9. Human resource development
10. Public governance
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
• Provides a benchmark for comparison among countries
• Promotes tailor made solutions reflecting good practices
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
WHY AND HOW THE PFI WAS DEVELOPED

• In 2000, the MDGs set development targets.
• In 2002, the Monterrey Consensus recognised the key role of private investment for achieving these goals.
• In 2003, OECD initiated work on PFI in response to Monterrey Consensus.
• Developed as a partnership process involving:
  – A task force of some 60 governments from OECD and non-member economies
  – Input from 8 specialised OECD Committees
  – Business, labour, civil society representatives
  – World Bank, UNCTAD and other international organisations
  – Meetings in five regions
  – Web-based public consultation
MAKING THE PFI OPERATIONAL: A CONCEPTUAL OVERVIEW

There are many impediments to investment...

...that can be analysed using the PFI

The output from using the PFI...

... can be mapped to their economic impact to enable reforms to be prioritised

Develop policy options for priority areas

...and appraise costs and benefits to recommend best policies

Implement recommendations for policy reform

Impediments to investment

PFI Assessment
10 policy areas (dimensions)

Initial output from PFI use

MAP PFI output to economic effect through effects on

Cost
Risk
Competition

Investment

Develop policy options

Quantitative economy-wide evaluation

Implementation
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
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 is this Toolkit being developed?
- Your feedback and how to find out more about the PFI
- Acknowledgements
The objective of the Policy Framework for Investment is to mobilise private
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.
NEXT STEPS

• Vet and finalise policy guidance and website
• Test the Toolkit in different countries for:
  ➢ Completeness
  ➢ User friendliness
  ➢ Effectiveness
• GFII, OECD outreach, OECD Investment Initiatives
• Complete Toolkit, Version 1.0 in 2008
EXPECTED BENEFITS FROM USING THE PFI

• Better informed decision-making
• Policy guidance and enhanced whole-of-government sensitivity to investment climate issues
• Adjustments in courses of action
• Public-private mutual trust
• More effective policies for investment
• More effective aid
• Increased investment (FDI and domestic); growth and development, better integration into the world economy
THANK YOU

FOR FURTHER INFORMATION

About the Policy Framework for Investment and Toolkit Visit:

www.oecd.org/daf/investment/pfi

www.oecd.org/investment/pfitoolkit