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DCD/DIR(2006)2

Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

20-Jan-2006

English - Or. English

DEVELOPMENT CO-OPERATION DIRECTORATE

INFORMAL DAC MEETING TO DISCUSS THE POLICY FRAMEWORK FOR INVESTMENT

17 February 2006

This letter provides background information and a draft agenda for the informal meeting.

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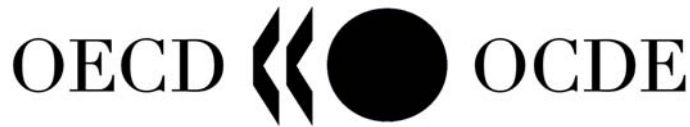
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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

DIRECTION DE LA COOPERATION POUR LE DEVELOPPEMENT
DEVELOPMENT CO-OPERATION DIRECTORATE

Le Directeur
The Director

20 January 2006

To: DAC Delegates

Dear DAC Delegates,

Informal DAC meeting to discuss the Policy Framework for Investment – 17 February 2006

You are cordially invited to an informal meeting of the DAC, chaired by Richard Manning, to discuss the draft Policy Framework for Investment (PFI) being prepared by the Investment Committee. The meeting will take place in **Room 5** from **10:00 to 13:00** on **Friday 17 February 2006**. We will be joined at this meeting by representatives of the Investment Division in the Directorate for Financial and Enterprise Affairs.

The basis for discussions on 17 February will be the latest version of the consolidated PFI Preamble, Foreword, Checklists and Annotations available on the Internet at: <http://www.oecd.org/dataoecd/22/8/35815912.pdf>. Annex 1 presents the current version of the Preamble to the PFI. For more detailed information on the policy areas covered in the PFI, please refer to the consolidated background report DAF/INV/TF(2005)14 which will be revised over the next months.

Annex 2 provides a draft agenda for this informal meeting. To facilitate discussions, the DCD will prepare and circulate in advance of the meeting a short document providing some preliminary reactions and comments on the draft PFI.

Please notify the Secretariat (francoise.zekri@oecd.org) of your intention to attend this meeting.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Michael Roeskau'.

Michael Roeskau

Cc: Ms Carolyn Ervin, Mr Rainer Geiger and Mr Pierre Poret.

ANNEX 1

POLICY FRAMEWORK FOR INVESTMENT

PREAMBLE

Sound and stable private investment supports economic growth and job creation, fosters innovation, promotes sustainable development and thus contributes to the prosperity of countries and their citizens. In today's global economy, private investment is both domestic and foreign and takes many forms, from physical assets to intellectual capital.

Many countries have succeeded in achieving high rates of domestic private investment and attracting substantial foreign investment flows. Countries outside the OECD area are now also emerging as major players in international markets. But many regions have not been able to reap the benefits of investment. The full explanation for varying country performance is not yet to hand. But what is known is already of great interest to policy makers. A country's development depends on its geographical location, its level of economic integration with the rest of the world and the nature and quality of its institutions, and most of all, on a country's continuous efforts to improve and adapt public policies to emerging developments.

The *Policy Framework for Investment* provides a non-prescriptive checklist of issues for consideration by any interested governments engaged in domestic reform, regional co-operation or international policy dialogue aimed at creating an environment that is attractive to domestic and foreign investors and that enhances the benefits of investment to society. Drawing on good practices from OECD and non-OECD experiences, the *Framework* aims to advance the implementation of the United Nations Monterrey Consensus adopted in 2002, which identified private capital, including foreign direct investment, as "vital complements to national and international development efforts" and emphasized the need "to create the necessary domestic and international conditions to facilitate direct investment flows". While acknowledging the role of private sector initiatives, the Monterrey Consensus ascribed responsibility to governments for creating the domestic conditions for private investment to flourish, through macro-economic stability, good public governance and the fight against corruption, equitable and efficient tax systems, human resource development, improved infrastructure and sound financial markets. The Monterrey Consensus also tasks governments with the protection of property rights and the promotion of good corporate governance, competition and open trade policies.

The *Framework* is comprehensive but does not claim to be exhaustive. Reflecting the findings of the Monterrey Consensus, its ten chapters were selected by a task force of government officials from about 60 OECD and non-OECD economies meeting at the OECD and conducting regional consultations in Africa, Asia and Latin America, with the partnership of the World Bank, the United Nations and other international institutions. Business, labour and other civil society organisations were invited to actively contribute to the development of the *Framework*. The priority policy areas covered in the *Framework* are: investment policy; investment promotion and facilitation; trade policy; competition policy; tax policy; corporate governance; policies for promoting responsible business conduct; human resource development; infrastructure development and financial services; and public governance.

The *Framework*, by fostering an informed process of policy formulation and implementation across government, can be used in a variety of ways. Self-evaluation, peer reviews, regional co-operation and multilateral discussions can all benefit from the insights offered in the *Framework*. It also provides a reference point for international organisations' capacity building programmes, for investment promotion agencies, for donors as they assist developing country partners in improving the investment environment, and for business, labour and other non-governmental organisations in their dialogue with governments. Its various elements can be flexibly adapted to the particular economic, social, legal and cultural circumstances that exist in countries at different stages of development. The *Framework* also addresses the potential

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contribution that governments can make by international co-operation, including through regional integration and home-country policy initiatives.

Likewise, the *Framework* should be seen in the broader context of recent multilateral efforts to strengthen the international and national environments in which business is conducted, including the UN Millennium Declaration, the Doha Development Agenda and the Johannesburg World Summit on Sustainable Development Declaration. In common with those initiatives, it promotes transparency and appropriate roles and responsibilities for governments, business and others with a stake in promoting development.

The *Framework* is a component of the OECD Initiative on Investment for Development, launched in Johannesburg in November 2003, which received support at OECD Ministerial level. The *Framework* builds on the OECD's experience and instruments dealing with the different policy areas that are covered and its global and regional dialogue with non-member economies. It complements recent OECD initiatives directed to the business sector, including the *OECD Guidelines for Multinational Enterprises*.

The Policy Framework for Investment is not a volume of ready-made prescriptions. It is, rather, a flexible tool kit with which to frame and evaluate the important policy choices that countries grappling with the challenges of development must face. Its core purpose is to encourage policy makers to ask appropriate questions about their economy, their institutions and their policy settings in order to identify their priorities, to develop an effective set of policies and to evaluate progress. The *Framework* will be reviewed by the OECD and its non-member partners to maintain its usefulness over time.

ANNEX 2

**DEVELOPMENT ASSISTANCE COMMITTEE
DRAFT AGENDA OF AN INFORMAL MEETING**

To be held in Room 5 on 17 February at 10:00

- | | | | |
|-------|----|------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10:00 | 1. | Introduction by the DAC Chair | |
| 10:10 | 2. | Objectives of and key messages from the Policy Framework for Investment (PFI) (presentation by DAF) | Consolidated PFI Preamble, Foreword, Checklists and Annotations
(http://www.oecd.org/dataoecd/22/8/35815912.pdf)

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| 10:30 | 3. | Discussion on the PFI | Note prepared by DCD (to be circulated by e-mail) |
| 11:30 | 4. | Avenues for use of the PFI in donors' programmes relating to private sector development | |
| 12:00 | 5. | Additional comments on the policy guidance to donors on ODA/investment synergies, including use of the PFI | DCD/DAC(2006)5 |
| 12:30 | 6. | Summary by the DAC Chair of main comments and reactions on the PFI | |