INVESTMENT AND DEVELOPMENT AT THE OECD: OVERVIEW AND IMPACT

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BETTER POLICIES FOR BETTER LIVES

Estructura del taller

- La OCDE y sus relaciones con el Perú
- Funcionamiento del Comité de Inversiones y estructura organizativa
- Misión del AGID, estructura, periodicidad de reuniones del AGID.
- Definición de temas prioritarios en su agenda actual, principales herramientas para facilitación/ promoción de inversiones.
- Contribuciones en la actualización del PFI y aspectos innovadores en la actualización del PFI, principalmente en los capítulos de políticas generales, promoción y facilitación de Inversiones, Infraestructura y conducta empresarial responsable.
  - Enfoque en estudios recientes.
  - Myanmar 2014, como ejemplo del diagnóstico y de la implementación de las recomendaciones
  - Asia del Sureste 2014, como ejemplo de un enfoque regional que podría servir para desarrollar un producto similar para la Alianza del Pacifico
- Foros/ Iniciativas regionales tales como LAC, otras.

AT 50, THINK 40!

WHO WE ARE

Fast facts

- Established: **1961**
- Headquarters: **Paris**
- OECD Centres: **Berlin, Budapest, Mexico City, Seoul, Tokyo, Trento, Washington**
- Members: **34**
- Secretary-General: **Angel Gurría (Mexico)**
- Secretariat staff: **≈2 500**
- Annual budget: **357 € million (2014)**
- Official languages **Français & English**
- Nearly **300 expert committees** and working groups with participation of **+100 countries**

OECD mission, vision and values

- **Mission**: Better Policies for Better Lives
- **Vision**: Stronger, cleaner and fairer world
- **Values**: Objective, open, bold, pioneering an ethical
- **Means**: Measure, analyse and compare

Key facts and figures

34 member countries account for:

≈ **18% of** world **population**

≈ **69%** of world **GNI** (Gross National Income)

≈ **60%** of world **trade**

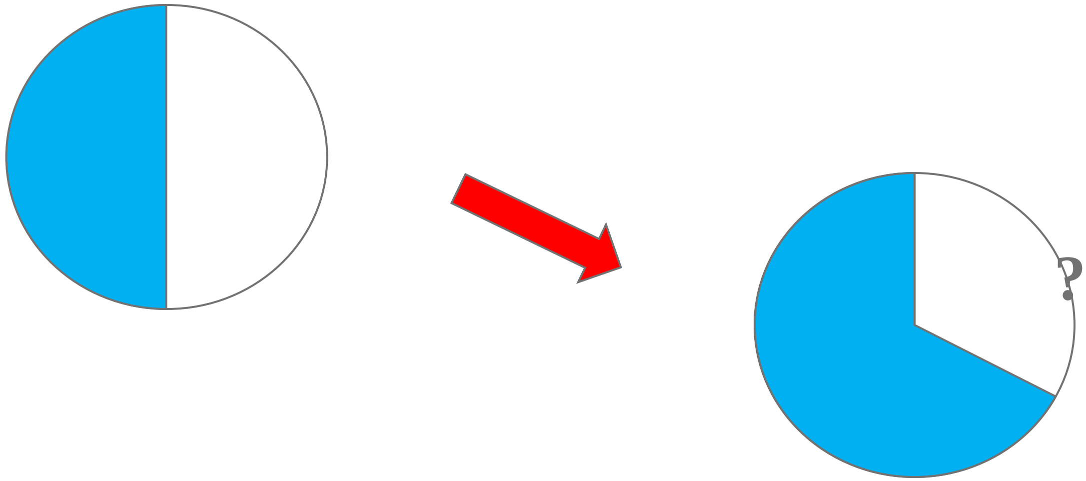
≈ **95%** of bilateral world **official development assistance**

≈ **45%** world **CO2 emissions**

≈ **56% of** world **electricity consumption**

Next 50 years…

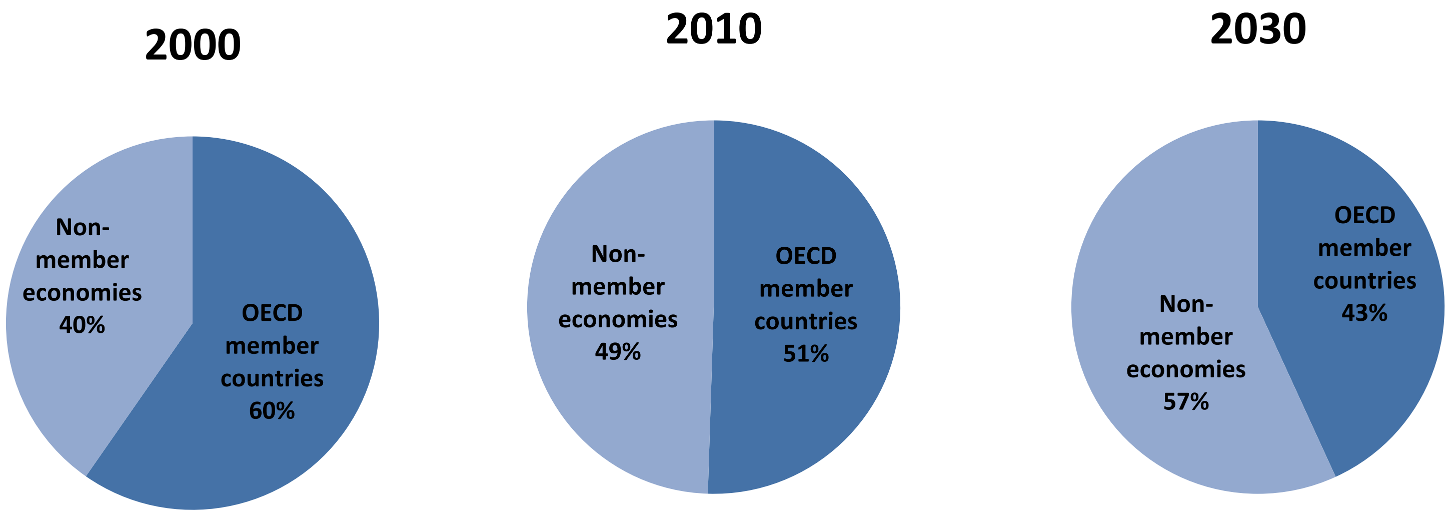
With 34 members
we represent about 50% of world GDP



The “OECD 40” with major emerging economies
represents 80% of the world GDP

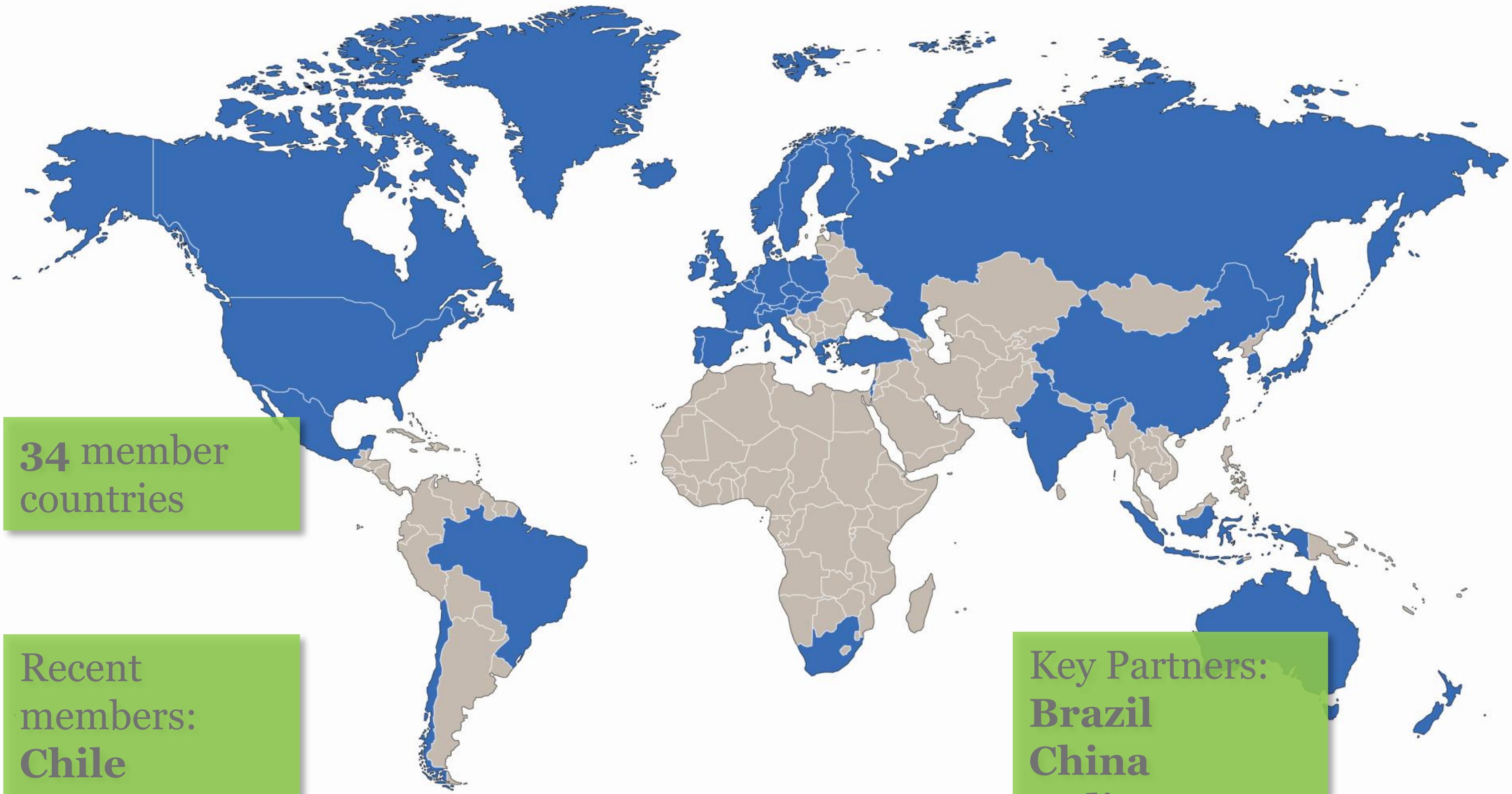
Share of the global economy in purchasing power parity terms

(% of global GDP, PPP basis)



Source: Perspectives on Global Development 2010, OECD Development Centre.

OECD's global reach



34 member countries

Recent members:
Chile
Estonia
Israel
Slovenia

Key Partners:
Brazil
China
India
Indonesia
South Africa

Shifting wealth and increased interdependence

- Shift in the centre of gravity of the global economy
- By 2011, non-OECD economies accounted for more than 45% of world GDP (in PPP terms)
- OECD can learn from other countries' policy experiences and development paths
- Global problems require coordinated solutions

OECD needs to adapt to remain effective and relevant

Part of a global community

Who does what?

Council

Oversight and
strategic direction,
presided by the Secretary-General

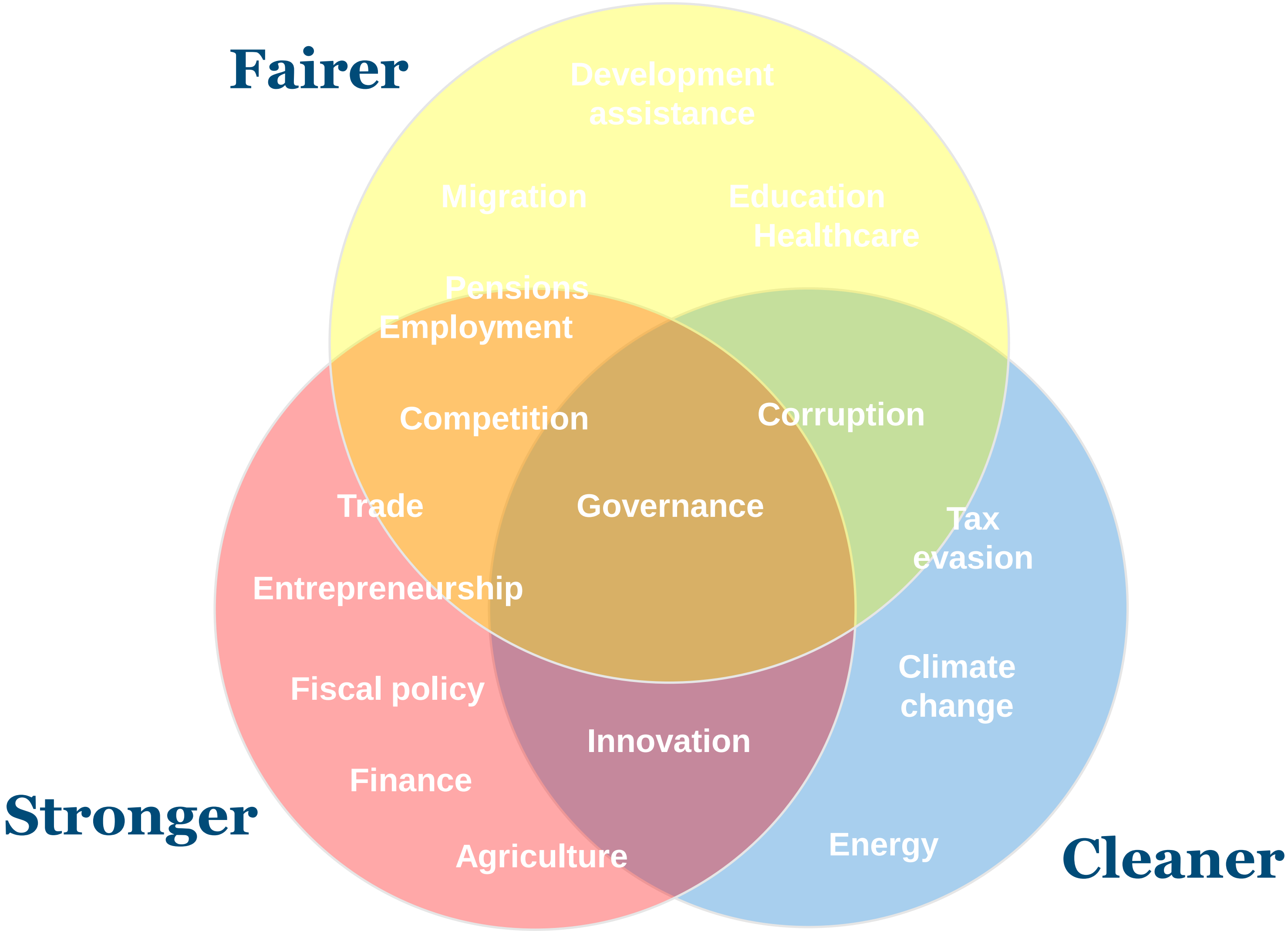
Committees

National experts
discussion, monitoring
and
peer review

Secretariat

Research, analysis
and policy
recommendations

Better lives from various angles



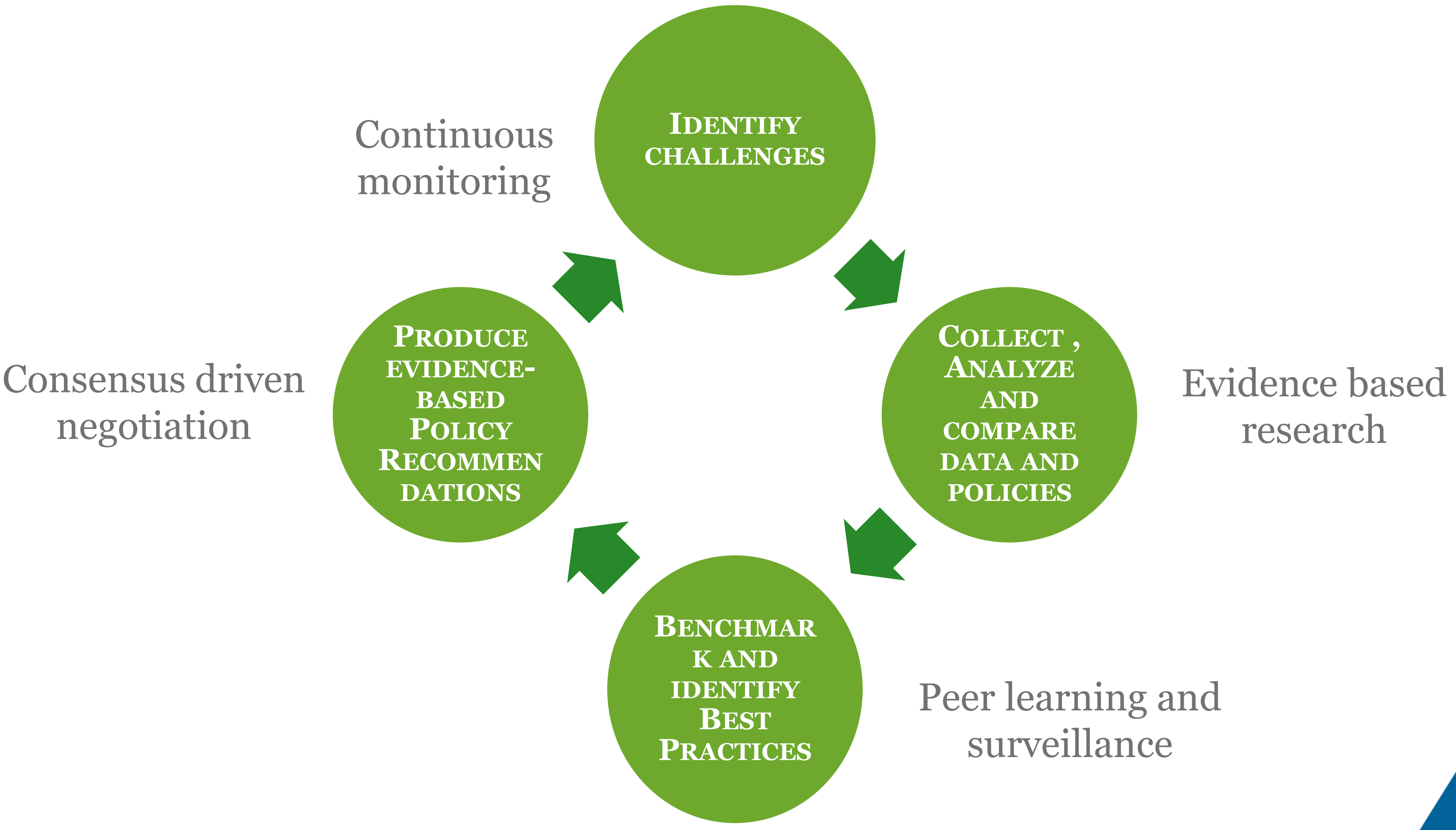
HOW WE DO IT

Characteristics of OECD work

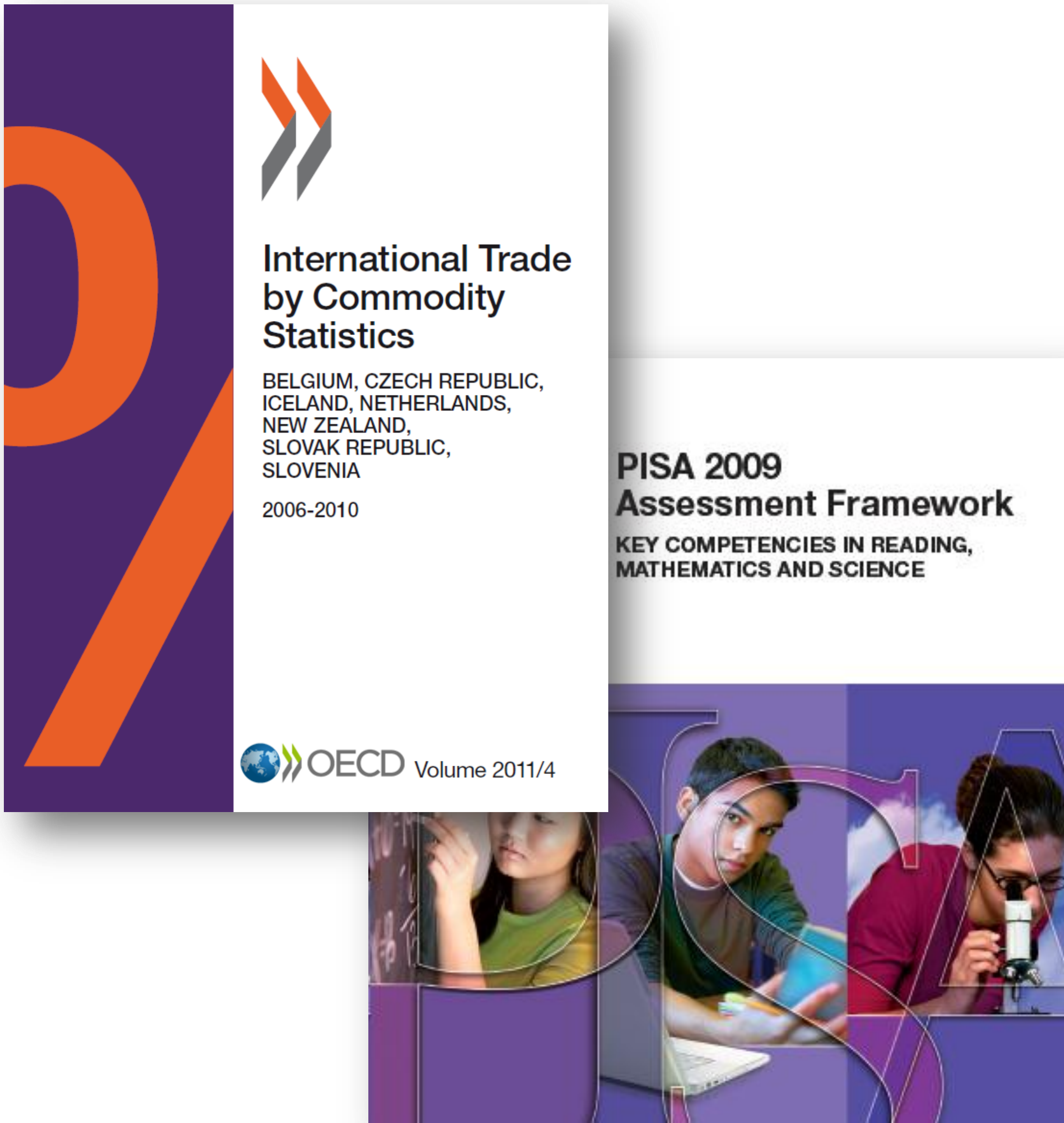
- Takes a **multidisciplinary** approach
- Collaborates with many different **ministries**
- Offers evidence-based, **independent** policy advice
- Provides decisions via **consensus**
- **Monitors** members' progress through **peer reviews**
- Seeks and sets **best practice standards**

- Does **not** provide financial assistance

How we do it: the monitoring cycle



It always starts with the numbers



Measure, Analyse and Compare

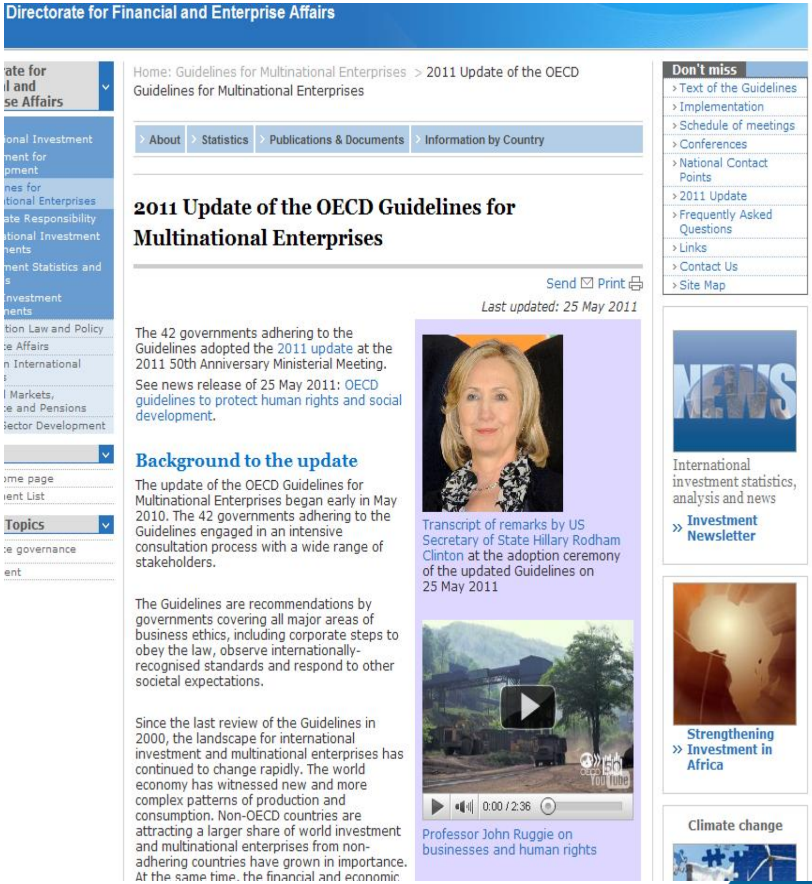
- Comparable data across time and countries
- Proven methods
- Thorough research

Then analyses and forecasts

- Global economic forecasting
- Peer reviews
- Country-specific studies

Setting global standards

- Conventions on
  - Mutual Administrative Assistance in Tax Matters
  - Anti-bribery
  - Model Tax
- Guidelines for
  - Corporate Governance
  - Multi-national Enterprises Consumer protection
  - Testing of Chemicals
- Recommendations on
  - Governance of Clinical Trials
  - Digital Government Strategies



Peer review

- A **unique** method
- Examination of each country's policies and practices by **experts** from other countries
- Effective tool for policy **improvement** thanks to:
  - Peer **pressure**
  - The same methodology and **criteria** to assess performance for all countries
  - Systematic and recurring **monitoring** mechanism
  - Peer learning and **capacity building**

Objective policy advice

- Drawing on **facts** and **real-life experience**
- **Advice** to governments to improve the **lives of citizens**
- Not just governments – **consultation** with
  - Business
  - Labour
  - Civil society
  - Parliamentarians

Accomplishments

Amélioration de la transparence et de l'éthique dans les affaires internationales

- Principes de gouvernement d'entreprise
- Principes directeurs pour les entreprises multinationales
- Convention sur la lutte contre la corruption
- Principe Pollueur-Payeur (PPP)

Simplification des questions fiscales dans les transactions internationales

- Modèle de convention fiscale

Aide aux économies émergentes et en transition

- Programmes de coopération avec les économies émergentes, comme la Chine, l'Inde et le Brésil, mais aussi l'Afrique du Sud et l'Indonesie

ONGOING CORE PROJECTS

Trade in value-added – why?

- The rise of global value chains
  - due to advances in ICT, logistics, and more open markets
  - enables international specialization and production fragmentation
  - intermediate inputs represent 56% of goods trade, 73% of services

- Gross trade statistics can be misleading
  - bilateral trade balances
  - importance of policy measures at the border
  - role of service sectors in trade
  - implications for policy

- Trade in value-added can provide a more complete picture of the underlying patterns of economic activity and beneficiaries (income, jobs, and profits),

- … and both the trade and domestic policy implications (opportunities and threats) for countries at various stages of development

Trade in value-added – how?

- A joint initiative with the WTO, collaborating closely with
  - US-ITC, IDE-JETRO, WIOD, recently China
  - potentially WB, IMF, Eurostat, UN-DESA, UNCTAD & others
- Draws on OECD's database of national IO tables and bilateral trade flow data
  - 58 economies and 37 industries for 1995, 2000, 2005, 2008, 2009
- Indicators:
  - Domestic and foreign content of gross exports, by industry; foreign content broken down by source country
  - The services content of gross exports by industry, broken down by foreign/domestic origin
  - Bilateral trade balances based on value-added embodied in domestic final demand
  - Intermediate imports embodied in exports, as a % of total intermediate imports

www.oecd.org/trade/valueadded - methodological notes and FAQs

The rise in GVCs: why does this matter?

- GVCs are an **important driver of productivity and economic growth** across countries, both in developed and developing countries

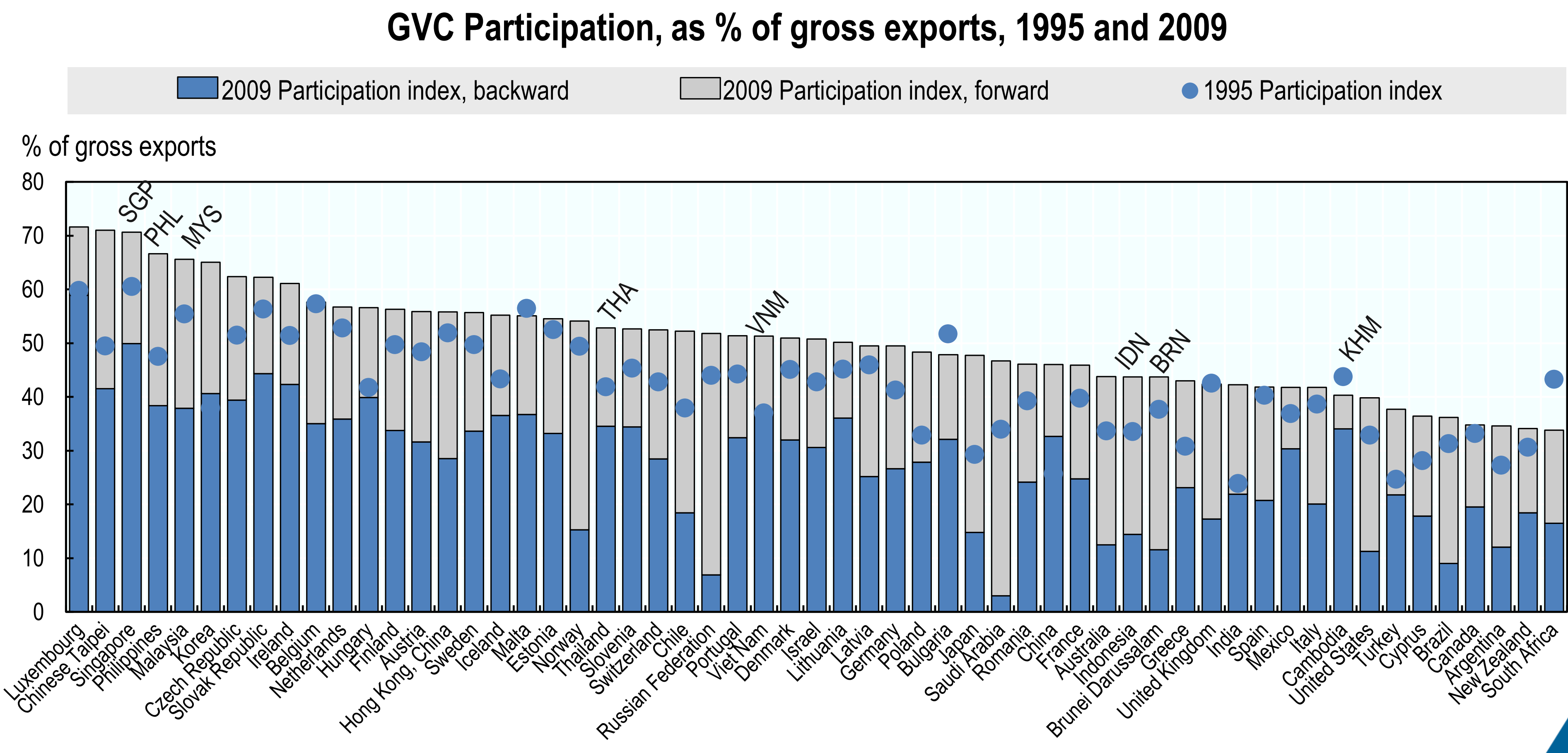
Outline:

1. **Firms rely more on access to world class inputs** in order to increase their productivity – in other words, they import in order to export successfully.

2. The **services sectors play a vital role in well-functioning GVCs**.

3. **Participation in GVCs is not automatic**, depends to some extent on fixed factors but also policies play a significant role both to facilitate integration and upgrading

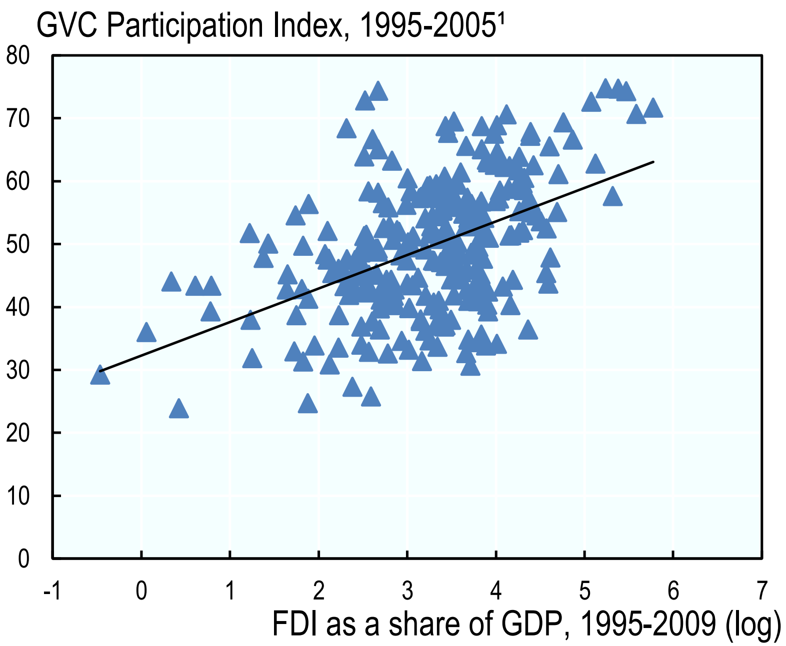
The rise in GVCs: firms rely heavily on access to world class inputs to boost their productivity



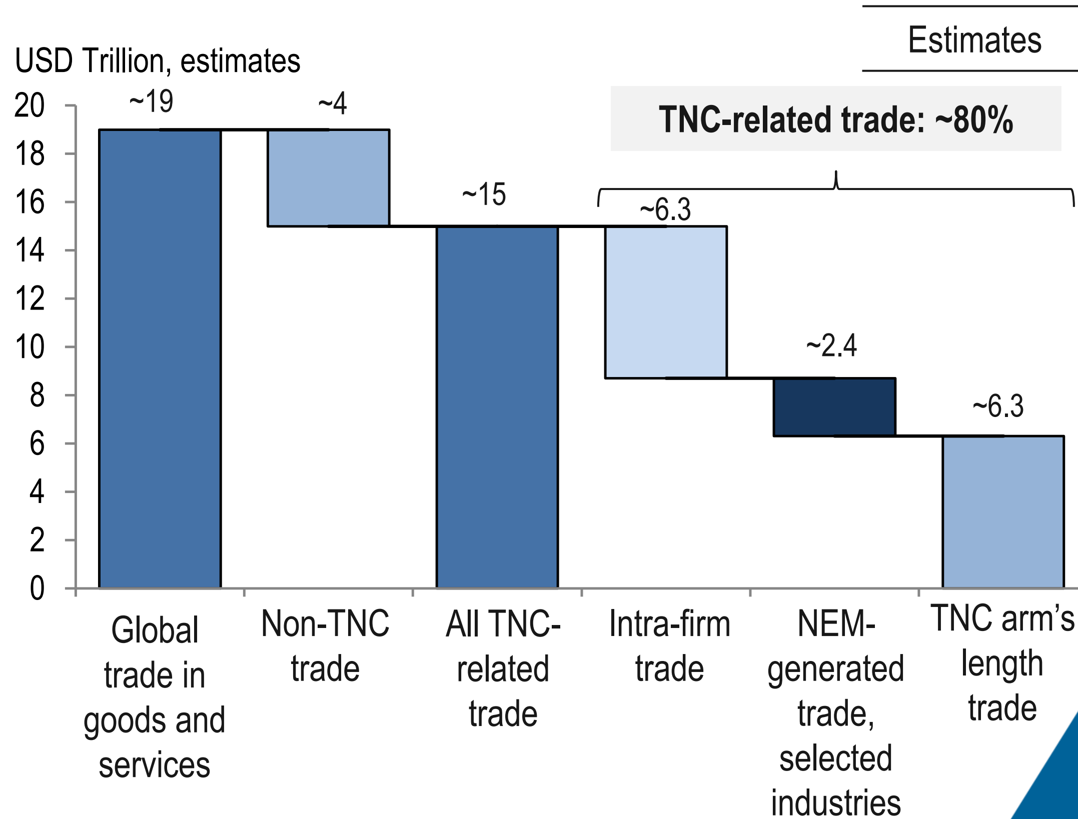
Source: OECD-WTO TiVA database. Note: the indicator is expressed as the share of foreign inputs (back participation) and domestically produced inputs used in third countries' exports (forward participation) in a country's gross exports as proposed by Koopman et al. (2010)

FDI is an important driver of GVC participation

FDI stock vs GVC Participation



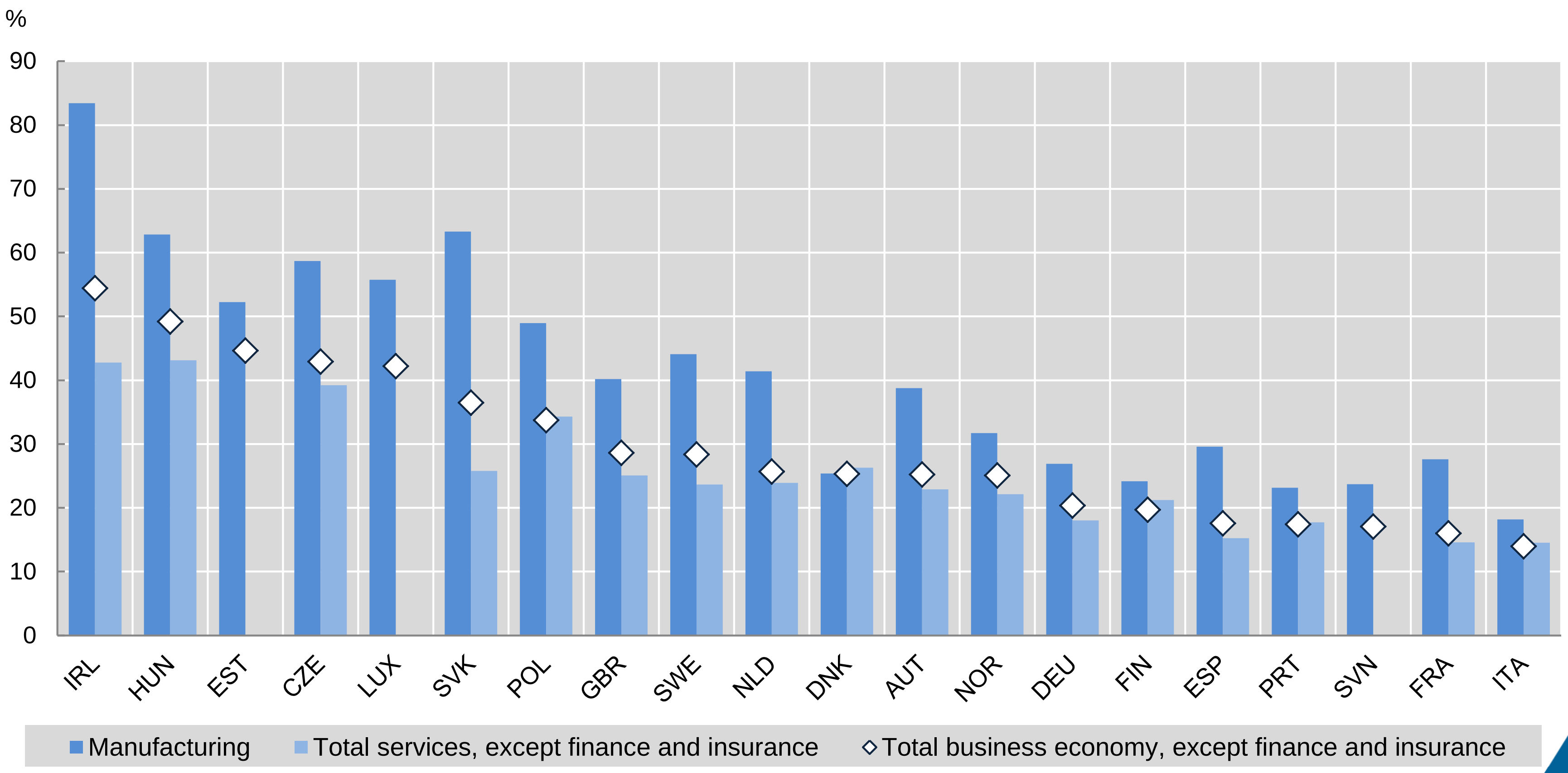
Global gross trade (exports goods and services), by type of TNC involvement, 2010



Source: OECD-WTO TiVA database; UNCTAD statistics;
UNCTAD (2013), World Investment Report: Global Value Chains: Investment and Trade for Development, Geneva.

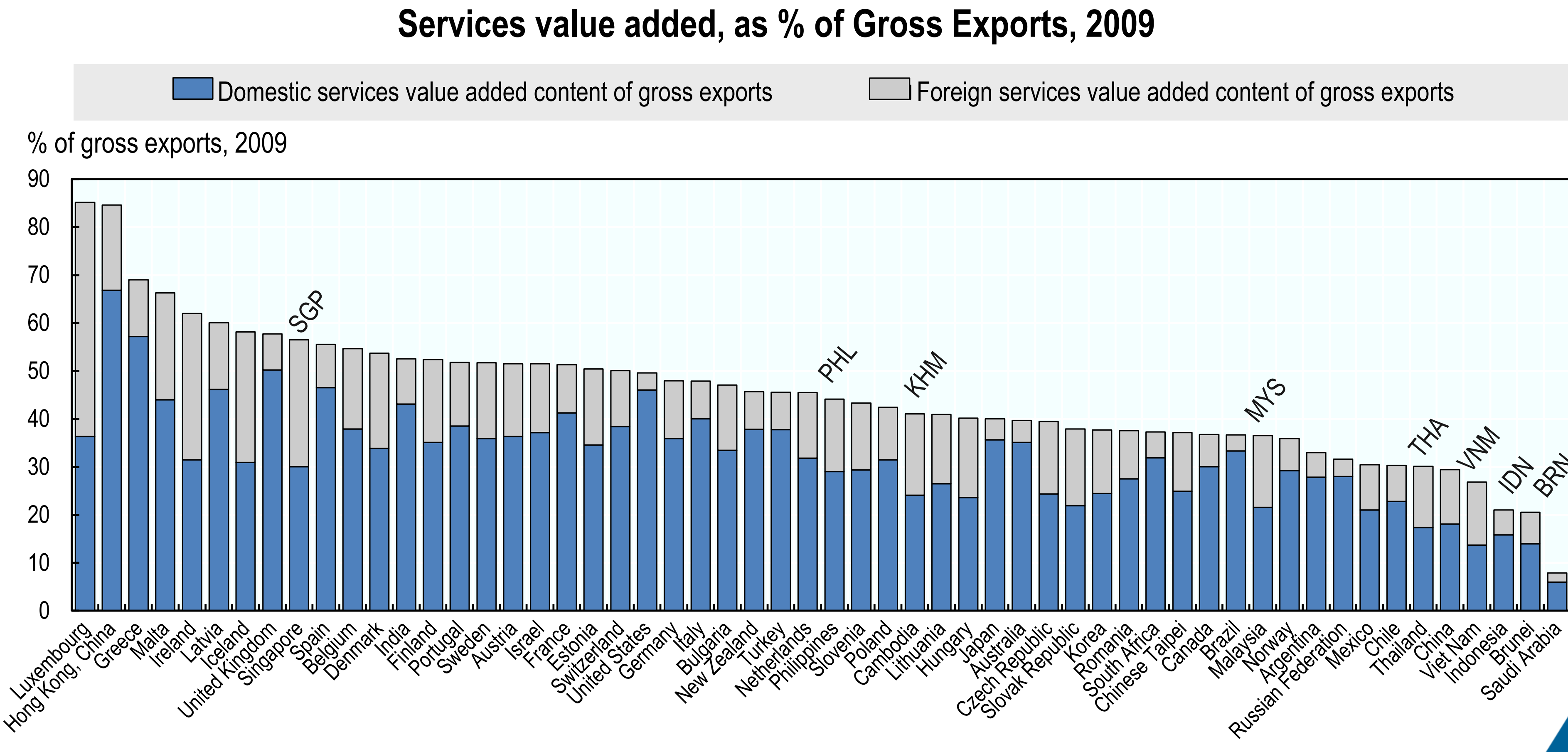
Ownership matters: contribution of foreign affiliates to domestic value added in exports

Figure 11. Share of national value added under control of foreign affiliates, 2010
OECD countries, Foreign affiliates share of national value added by sector



Source: OECD, Activity of Multinational Enterprises Database, Eurostat, inward FATS database, June 2013

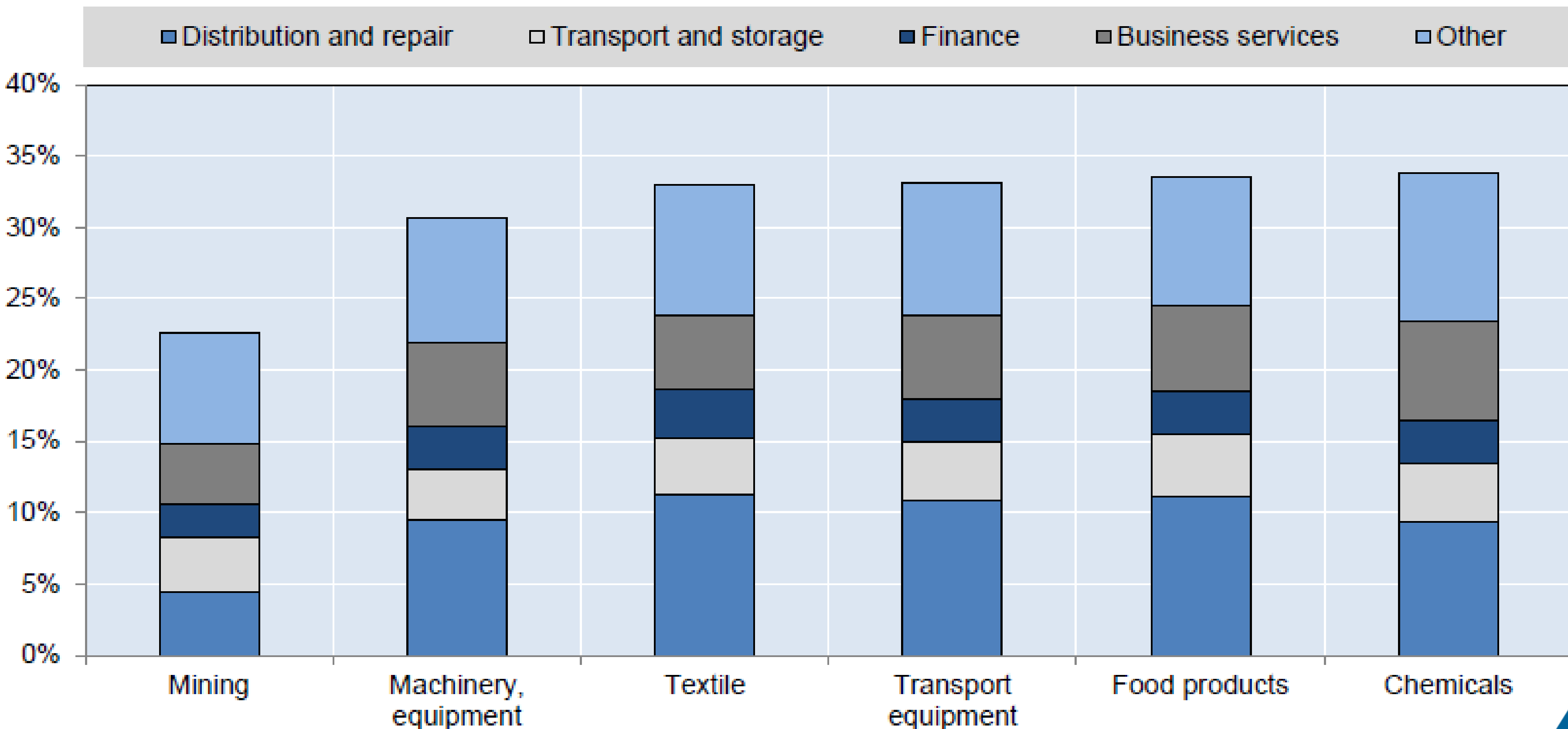
Competitiveness in GVCs: the role of services ~half of total value added in exports



Source: OECD-WTO TiVA database

Services account for a large share of value creation in the manufacturing sector

Services share of value added in manufacturing exports, world, 2009



Source: OECD-WTO TiVA database

Trade policy implications

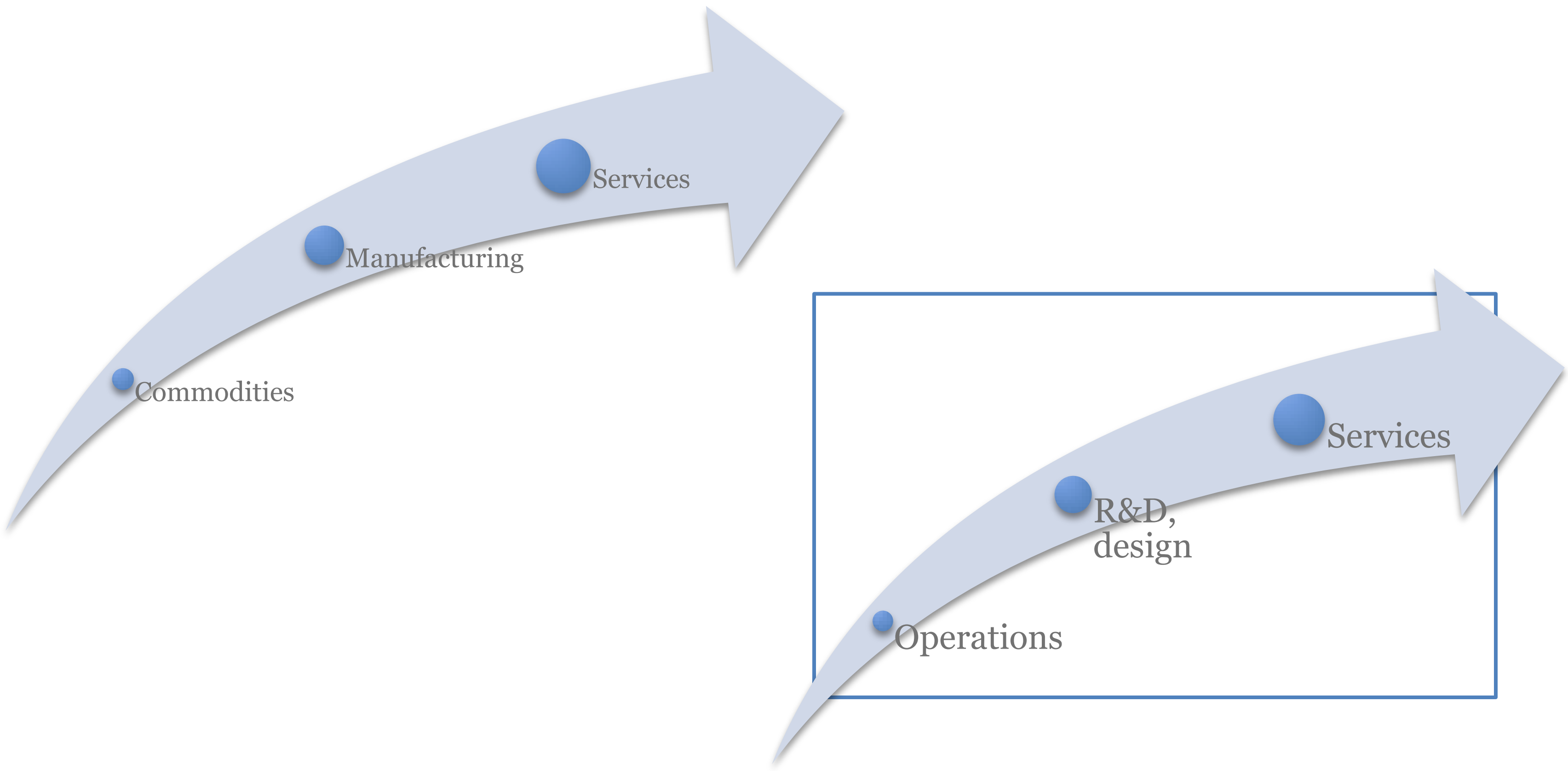
- Tariffs are cumulative, magnifying the costs of protectionism
- Border bottlenecks are also magnified (trade facilitation)
- Reducing border thickness as important for imports as for exports; costs can even be prohibitive for trade and investment
- Standards (public and private) matter, especially for SMEs
- Efficient services sectors underpin manufacturing as well as services sector growth
- The benefits of comprehensive trade opening on a multilateral (and plurilateral) basis are also magnified
- Trade openness needs to be accompanied by appropriate policies:

  - public investment in people (education, skills, ALM, social protection)

  - public investment in innovation, ICT, infrastructure

  - regulatory frameworks and institutions (attract private investment)

Creating value – ‘upgrading’



OECD Better Life Initiative at a glance

How's Life? report

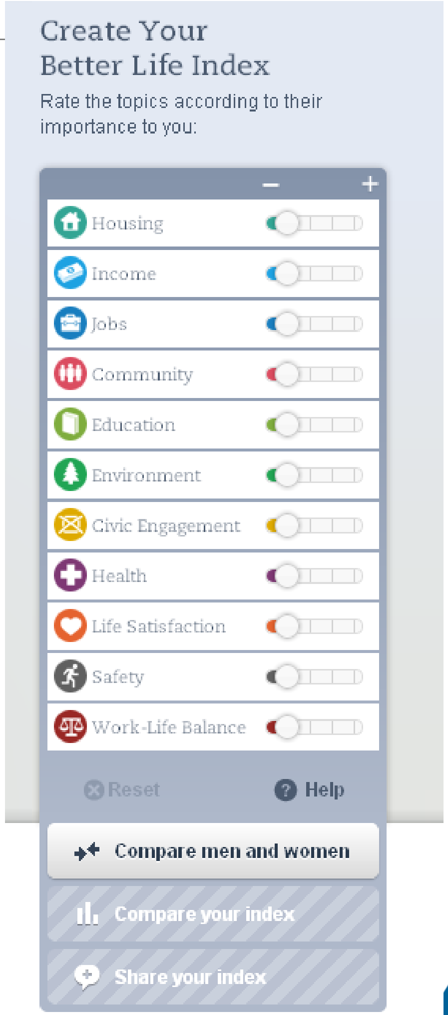
First attempt at the international level to present comparable and comprehensive evidence on well-being

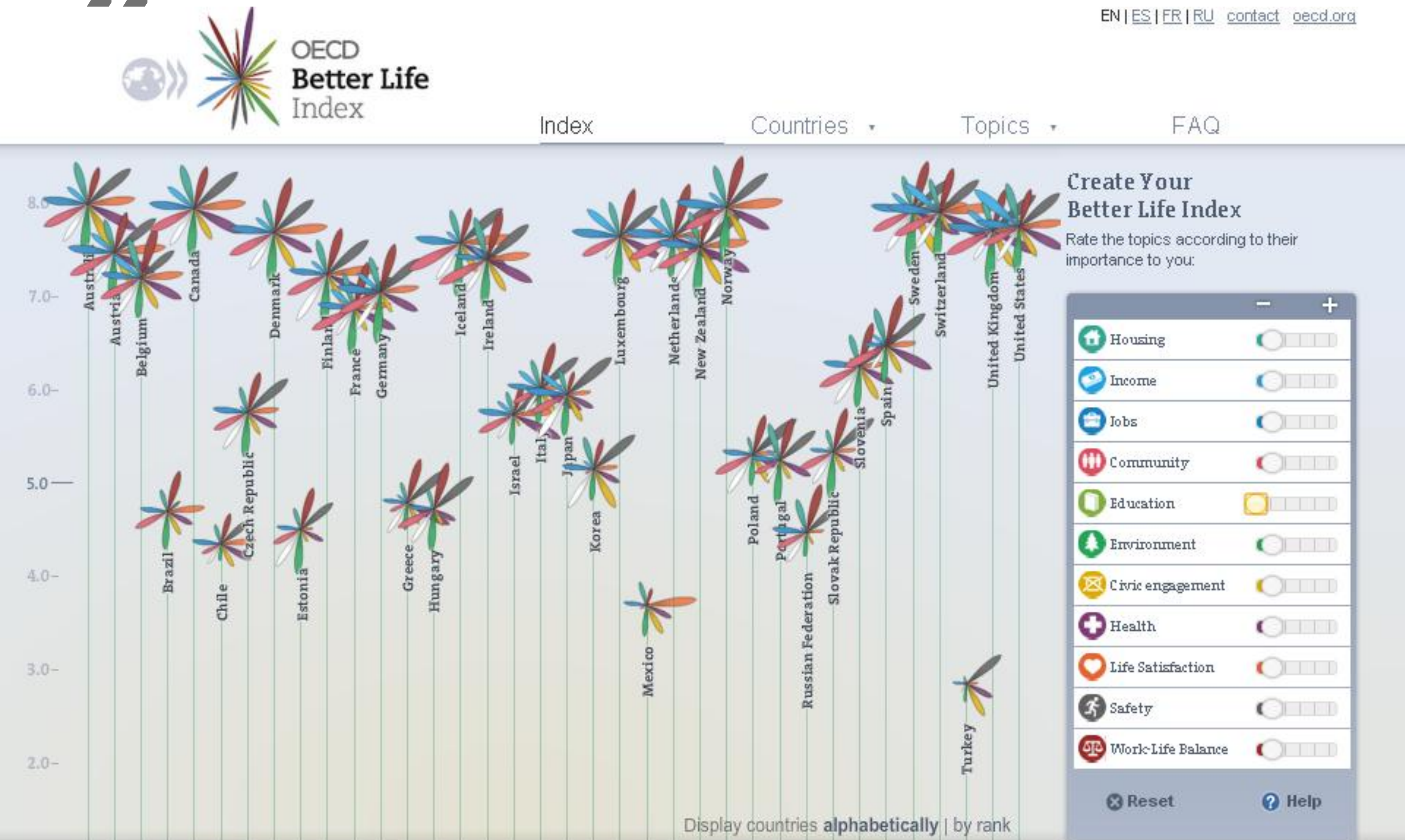
Your Better Life Index

An instrument for learning what matters most for people's well-being

What have we learned?

- Global interest in project and findings
  - Over **2.4 million visits** from **184 countries**
- Emerging trends
  - **Life satisfaction, Education and Health** leading topics
  - Men and women share priorities
  - Respondents over 65 prioritise health and housing while 15-34 year olds focus on jobs
- Cases of **individuals using BLI to spark discussion** and launch own local projects





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OECD
Better Life
Index
Index
Countries
Topics
FAQ
8.0
7.0
6.0
5.0
4.0
3.0
2.0
Austria
Belgium
Canada
Denmark
France
Germany
Iceland
Ireland
Luxembourg
Netherlands
New Zealand
Norway
Sweden
Switzerland
United Kingdom
United States
Brazil
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Czech Republic
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Greece
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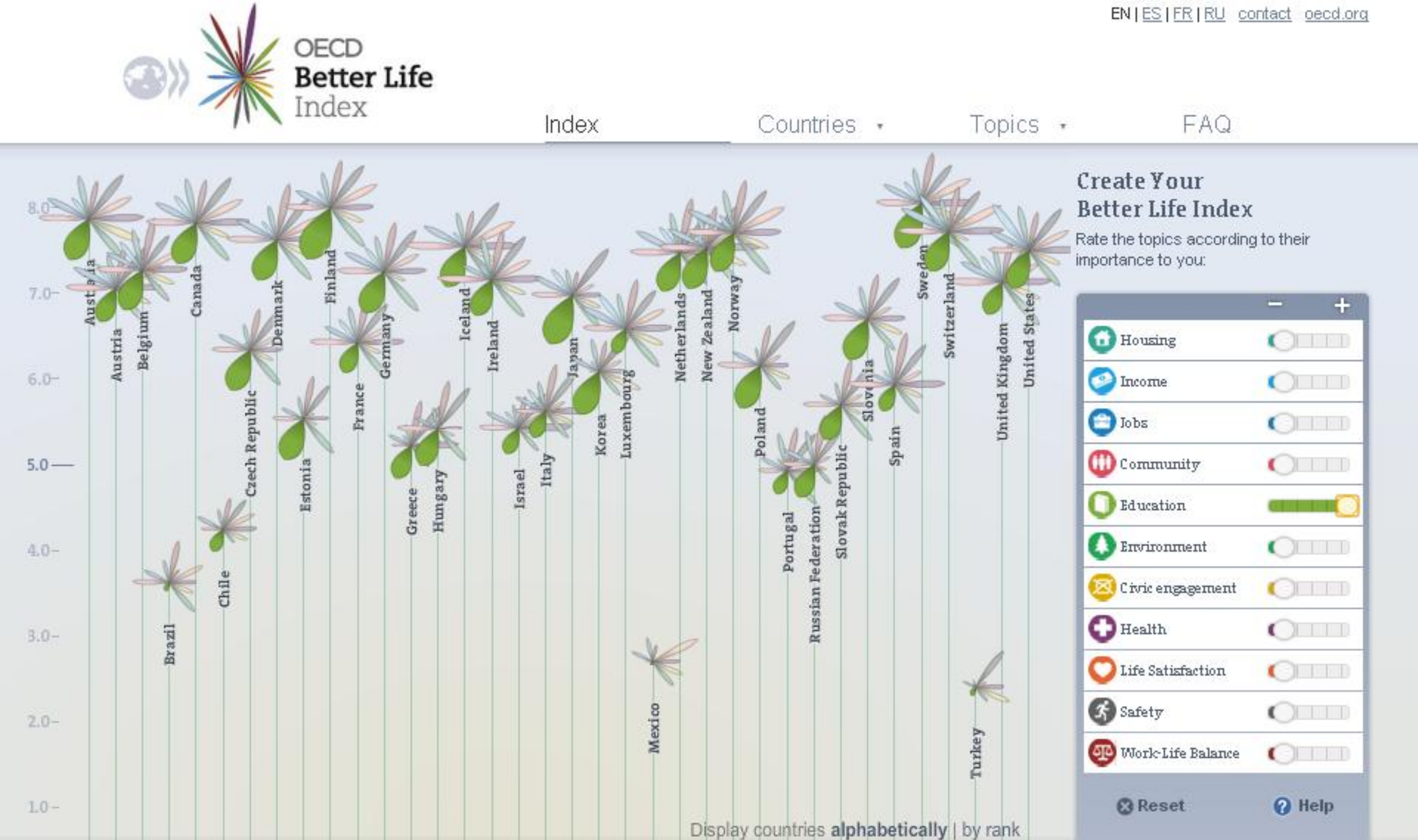
Israel
Korea
Mexico
Poland
Russian Federation
Slovak Republic
Slovenia
Spain
Turkey
Create Your
Better Life Index
Rate the topics according to their importance to you:
Housing
Income
Jobs
Community
Education
Environment
Civic engagement
Health
Life Satisfaction
Safety
Work-Life Balance
Reset
Help
Display countries alphabetically | by rank



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OECD Better Life Index
Index
Countries
Topics
FAQ
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
Australia
Austria
Belgium
Brazil
Canada
Chile
Czech Republic
Denmark
Estonia
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Other ongoing core projects

- **New Approaches to Economic Challenges (NAEC)**
  - seeks to question "established truths" and conventional analyses (including our own), while revisiting and refining our advice with the understanding that there is no single "general equilibrium economic model", but rather a more complex (multidimensional) system
- **Taxes: Base erosion and profit shifting (BEPS)**
  - Reviewing rules that allow allocation of taxable profits to locations different from where actual business takes place
- **Giving Youth a Better Start: An Action Plan**
  - Identifying concrete measures and policy options to address youth unemployment

GLOBAL STRATEGY

Evolving global relations strategy

- **1990s**: Work with non-members separate from OECD Committees' work with Members
- **Early 2000s**: OECD Committees set up their own outreach programmes, later fully integrated into work programmes and budgets
- **2007**: Decision on accession and enhanced engagement
- **2010**: New members (Chile, Estonia, Israel, and Slovenia)
- **2012**: New resolution to facilitate non-member engagement in OECD Committees
- **2013**: Decision to start new accession talks (Colombia, Latvia) and do likewise with Costa Rica and Lithuania in the near future.
- **2014**: launch of Southeast Asia programme

Expected benefits for partners

- Benchmarking against international good practices and peer learning
- Evidence-based, independent policy recommendations
- Influence on international rule-making (standards)
- Greater credibility on the international scene, which can help attract more FDI
- Greater transparency and accountability of government activities
- Pressure to adopt higher public policy standards which are of benefit to citizens

Modalities of engagement

- Key Partner - cooperation “across the board”
- Partnerships in OECD Bodies – open to economies with which there is a mutual desire to co-operate in particular policy areas
- Regional Approaches – reaching large numbers of countries, anchoring into existing regional structures
- Global Fora – networks of stakeholders created by Committees to involve large numbers of Partners in their work (annual mtng)
- Development Centre – provides a venue for Members and partners to undertake joint work
- Country Programmes – with countries wishing to achieve OECD standards and performance levels over time (Kazakhstan, Morocco, Peru, Thailand)

Emerging Economies and the G20-OECD

G-20

- Membership automatic
- No standards process
- Little political overhead
- Meeting of equals
- People like me
- No binding instruments
- New: no set agenda
- No help to implement

OECD

- Have to qualify in 22 bodies
- Existing standards
- “Rich man’s club”
- Why should I listen to …..?
- Not many developing
- Creating constraints on policy
- Agenda largely set.
- If you agree then you comply

Only Opportunities are together

- Global Standards are better standards
- More comprehensive view of economic development
- Many issues cut across: aging, social programs, government efficiency, “most bang for the buck”.
- Chance to address issues without polemics
- Influence:
  - How is a small country going to influence India or China?
  - How are China and India going to influence economic thinking?

PERU AT THE OECD

OCDE
MEJORES POLÍTICAS PARA UNA VIDA MEJOR

Perú
PROGRAMA PAÍS OCDE

Lanzamiento del Programa País, 8 diciembre 2015, Veracruz, México
Secretario General de la OCDE Angel Gurría y Presidente del Perú Ollanta Humala

¿Qué es?

- Un marco de cooperación “hecho a la medida” entre la OCDE y Perú con una duración definida de dos años (2015-2016)
- No conlleva a una decisión de adhesión a la OCDE.
- Resultado del interés de Perú de acercarse a los estándares y prácticas de la OCDE y del interés de los países miembros de la OCDE en apoyar a Perú en su proceso de reformas

Objetivos

- Apoyar a Perú en su agenda de reformas mediante:
  - Una mayor participación activa en Comités, Grupos de Trabajo, Foros Globales y Redes Regionales de la OCDE
  - Adhesión a Instrumentos clave de la OCDE
  - Realización de Estudios y Análisis de Políticas Públicas
  - Incorporación en bases de datos relevantes de la OCDE

¿Qué elementos contiene?

Adhesión a Instrumentos de la OCDE

Estudios y Análisis

Participación en Comités, Grupos de Trabajo y otras instancias

Incorporación de Perú en Bases de Datos de la OCDE

Panorama actual de la Participación Actual de Perú en la OCDE

Participación en Comités, Grupos de Trabajo y otras instancias

Associate:

- Investment Committee in enlarged session and its Working Party on Responsible Business Conduct (2008)
- Governing Board of the Development Centre (2009)

Participant:

- Working Group on Bribery in International Business Transactions (2014)
- Committee on Consumer Policy (2013)
- Competition Committee (2011)

Participación en Redes Regionales

- LAC Fiscal Initiative
- LAC Senior Budget Officials Network
- LAC Investment Initiative (Sede en 2014)
- Innovation
- LAC Water Governance Network
- LAC Anti-Corruption Programme
- LAC Competition Network (Sede en 2012)
- LAC Corporate Governance Roundtable (Sede en 2011)
- LAC State-Owned Enterprises Network
- Global Value Chains
- Natural Resources Based Development

Panorama actual de la Participación Actual de Perú en la OCDE

Adhesión a Instrumentos de la OCDE

- Declaration on International Investment and Multinational Enterprises (2008)
- Council Recommendation on Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (2008)

Requested, pending invitation

- Convention on Combating Bribery of Foreign Public Officials in International Business Transactions

Panorama actual de la Participación Actual de Perú en la OCDE

Incorporación de Perú en Bases de Datos de la OCDE

- International Migration
- PARIS21 Partnership in Statistics for Development in the 21st Century
- Programme for International Student Assessment (PISA)
- Instruments Used for Environmental Policy
- Government at a Glance for Latin America and the Caribbean
- Monitoring of Private Pension Systems: Global Pension Statistics
- Revenue Statistics in Latin America
- Government at a Glance for Latin America and the Caribbean
- Steel
- Pension Monitoring

Panorama actual de la Participación Actual de Perú en la OCDE

Estudios y Análisis

Específicos de Perú

- Competition Law and Policy in Peru (2004)
- Investment Policy Review (2008)
- Innovation Policy Review (2011)

Publicaciones regionales

- Latin American Economic Outlook (2008 en adelante)
- Revenue Statistics in Latin America (2011, 2012, 2014).
- LAC Government at a Glance (2014)
- LAC Pensions at a Glance
- International Migration in the Americas OAS-OECD (2012)
- Water Governance in Latin America and the Caribbean: A Multi-level Approach (2012)
- Achieving Effective Boards: A comparative study of corporate governance frameworks and board practices in Argentina, Brazil, Chile, Colombia, Mexico, Panama and Peru (2011)
- Competition Law and Policy in Latin America: Peer Reviews of Argentina, Brazil, Chile, Mexico and Peru (2006)

Temas del Programa País

- Economía y Reformas Estructurales
- Integridad y Transparencia
- Medio Ambiente
- Inversión
- Gobernanza Pública
- Política Regulatoria
- Política tributaria
- Comercio
- + Otras posibles

Contenido del Programa País

Participación en Comités, Grupos de Trabajo y otras instancias

- Environment Policy Committee
- Joint Meeting of the Chemicals Committee and the Working Party on Chemicals, Pesticides and Biotechnology
- Investment Committee in enlarged session for work to the Codes of Liberalisation
- Working Group on Bribery in International Business Transactions
- Committee on Financial Markets
- Insurance and Private Pensions Committee
- Public Governance Committee
- Board of Participating Countries for PIAAC
- Territorial Development Policy Committee
- **…+11 otros Comités y programas de la OCDE**

Contenido del Programa País

Adhesión a Instrumentos de la OCDE

- Anti-Bribery Convention Declaration on Propriety
- Integrity and Transparency in the Conduct of International Business and Finance
- Declaration on Green Growth
- Convention on Mutual Administrative Assistance in Tax
- Codes of Liberalisation of Capital Movements and Current Invisible Operations
- **...+ 6 otros instrumentos legales de la OCDE**

Panorama actual de la Participación Actual de Perú en la OCDE

Estudios y Análisis

- Multi-Dimensional Country Review (lanzado en Febrero)
- Public Governance Review (lanzado en Febrero)
- National Territorial Review (lanzado en Febrero)
- Investing in Youth Report
- Skills Beyond School Review
- Review of Regulatory Reform Policies
- Public Procurement Review
- **…+ 21 otros estudios y actividades**

Contenido del Programa País

Incorporación de Perú en Bases de Datos de la OCDE

- Inclusion of Peru in the Trade in Value Added database
- Statistical Co-operation to develop the statistical infrastructure in relation to OECD’s work on TiVA and related indicators in the longer term.

FINANCIAL AND ENTERPRISE AFFAIRS AT THE OECD

DAF

- Helps governments to improve the domestic and global policies that affect business and markets
- Identifies policies and best practices designed to keep markets open, competitive and sustainable
- Helps to combat market abuses and economic crime through international co-operation.

DAF

- Bribery in international business
- Competition
- Corporate affairs
- Financial markets, insurance & pensions
- International investment & multinational enterprises

The DAF approach

- Principles, guidelines, recommendations
- Tools, instruments
- Global forums, regional roundtables
- Country reviews
- Studies
- Statistics, indicators

Corporate governance

Principles, Guidelines, Recommendations	• *Principles of Corporate Governance* • *Guidelines on Corporate Governance of SOEs* – Both currently being updated
Tools	• Practical Guide to Corporate Governance (2009)
Country Reviews	• Country Reviews: Chile, Israel, Slovenia (2011) • SOE Governance Reviews: Colombia, Latvia
Global, regional, national dialogue	• G20/OECD Corporate Governance Forum (April 2015) • Asian Roundtable on Corporate Governance • OECD-Southeast Asia Corporate Governance Initiative • OECD-Asia Network on CG of SOEs
Studies	• Public Enforcement and CG in Asia: Guidance and Good Practices (2014) • Corporate Governance Factbook (2014) • Risk Management and Corporate Governance (2014) • Supervision and Enforcement in CG (2013) • Reform Priorities in Asia: Taking CG to a Higher Level (2012)

Competition

Principles, Guidelines, Recommendations	• *Guidelines for Fighting Bid Rigging in Public Procurement* • Various recommendations (e.g. international cooperation, structural separation)
Tools	• Competition Assessment Toolkit (Mexico, Romania, Greece)
Country Reviews	• Country Reviews (e.g. as part of OECD Reviews of Regulatory Reform) • China, Chinese Taipei, Korea, Japan, Australia
Global, regional, national dialogue	• Global Forum on Competition • Latin American Competition Forum • OECD/Korea Policy Centre (Competition Programme) • Fighting Bid Rigging Workshop, Manila, 20-22 April 2015
Studies	• Competition and Market Studies in Latin America (2015) • Challenges of International Cooperation in Competition Law Enforcement (2014)

Bribery in international business

Principles, Guidelines, Recommendations	• OECD *Convention on Combating Bribery of Foreign Public Officials in International Business Transactions* (1999) • Recommendation for Further Combatting Bribery of Foreign Public Officials (2009) • Anti-Corruption Action Plan for Asia & the Pacific
Tools	• Good Practice Guidance on Internal Controls, Ethics and Compliance.
Country Reviews	• Country monitoring reports of signatories to the Convention
Regional dialogue	• ADB-OECD Anti-Corruption Initiative for Asia and the Pacific
Studies	• OECD Foreign Bribery Report (December 2014) • Typology on Mutual Legal Assistance in Foreign Bribery Cases (December 2012)

Financial markets

Areas covered:

- Financial markets
- Financial education
- Insurance
- Funded pensions
- Public debt management

Forums/Roundtables

- OECD-ADBI Tokyo Roundtables on Capital Market reform in Asia
- OECD Forum on African Public Debt Management

Publications

- OECD *Sovereign Borrowing Outlook*
- OECD *Pensions Outlook*

Statistics, indicators

- Global pensions statistics
- Insurance statistics (57 countries, including Indonesia, Malaysia, Thailand)
- OECD PISA financial literacy assessment of students

INVESTMENT AT THE OECD

What do we do?

Principles, Guidelines, Recommendations	• *Codes of Liberalisation of Capital Movements and Current Invisible Operations* • *Declaration and Decisions on International Investment and MNEs Principles for Private Participation in Infrastructure* • *Guidelines for Recipient Country Investment Policies relating to National Security* • *Guidance of Sovereign Wealth Funds*
Tools	• Policy Framework for Investment • Framework for Investment Policy Transparency • Checklist for FDI Incentive Policies
Country Reviews	• *Investment Policy Reviews*
Global, regional, national dialogue	• Freedom of Investment Roundtables • Conference on Investment Treaties: Policy Goals and Public Support • ASEAN-OECD Investment Policy Conferences • Global Forum on International Investment
Statistics, indicators	• OECD Benchmark Definition of FDI • FDI Regulatory Restrictiveness Index

Responsible business conduct

Principles, Guidelines	• *Guidelines for Multinational Enterprises* • *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*
Tools	• Risk Awareness Tool for MNEs in Weak Governance Zones
Country Reviews	• Responsible Business Conduct in Georgia, Kazakhstan, etc.
Global, regional, national dialogue	• Global Forum on Responsible Business Conduct
Statistics, indicators	• Database of specific instances under the Guidelines
Publications	• *Annual Report on the Guidelines* • *2011 Update of the Guidelines*

OECD Investment Committee

- was formed in April 2004 following the merger of the Committee on International Investment and Multinational Enterprises (CIME) and the Committee on Capital Movements and Invisible Transactions (CMIT)
- is responsible for the OECD liberalisation instruments in the field of international investment and services.
- interprets and implements the 1976 Declaration and Decisions on International Investment and Multinational Enterprises
- is the guardian of the Codes of Liberalisation of Capital Movements and Current Invisible Operations.

OECD Investment Committee

- provides a forum for discussion of current issues among policy makers and administrators from OECD and non-OECD countries. Views are also exchanged with business, labour, NGOs and other groups through consultation procedures, roundtables and conferences;
- monitors the observance of the "rules of the game" set out in the OECD Codes of Liberalisation and the Declaration and Decisions on International Investment and Multinational Enterprises and provides a forum for dispute resolution under these instruments; and prepares, when necessary, statements of "clarifications" or interpretation of the rules of the game for which they are responsible, including the Guidelines for Multinational Enterprises;
- conducts country-by-country or horizontal "peer reviews" of policies relating to the instruments and make recommendations to promote liberalisation;
- assesses whether candidates for OECD membership are willing and able to meet the obligations of the OECD instruments;
- develops new rules of the game where necessary and appropriate;
- prepares critical analysis of trends in investment flows and a wide range of policy issues for consideration by policymakers, and where appropriate for publication to a wider audience.

OECD Investment Committee

Members	**Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Hungary, Switzerland, Turkey, United Kingdom, United States, European Commission**
Participants	Argentina, Brazil
Associates	Colombia, Costa Rica, Egypt, Jordan, Latvia, Lithuania, Morocco, Peru, Romania, Tunisia

OECD Investment Committee

Chair	Mr. Manfred Schekulin (Austria)	
Vice-Chairs	Mr. Seiichiro TAKAHASHI (Japan)	Mr. Michael TRACTON (United States)
Bureau Members	Mr. Murat ALICI (Turkey)	Mr. Leopoldo Rubinacci (European Commission)
	Mr. Roger De Boeck (Belgium)[1]	Mr. Kimmo SINIVUORI (Finland) [3]
	Professor Roel NIEUWENKAMP (Netherlands) [2]	Mr. Michael WILLIAMS (United Kingdom) [4]

1 = WGIIS; 2 = WPRBC; 3 =AGID; 4 = ATFC

Subsidiary Bodies

- Global Forum on International Investment
- Working Group on International Investment Statistics
- Annual Meeting of the National Contact Points for the OECD Guidelines for Multinational Enterprises
- Advisory Group on Investment and Development
- Advisory Task Force on the OECD Codes of Liberalisation
- Global Forum on Responsible Business Conduct
- Working Party on Responsible Business Conduct

OECD FDI REGULATORY RESTRICTIVENESS INDEX

FDI Index: What does it measure?

Statutory restrictions

- All discriminatory measures affecting foreign investors, including market access restrictions and departures from national treatment

What is not covered?

- Degree of implementation
- Institutional quality

FDI Index: Methodology

Four types of restrictions

- Sectoral equity limits
- Screening
- Restrictions on key personnel: managers, directors
- Other restrictions: land, reciprocity, capital repatriation, branches, etc.

Weighting

- Each restriction given a score based on an assessment of its importance.
- Aggregate score is weighted average of sectoral scores

Sectors

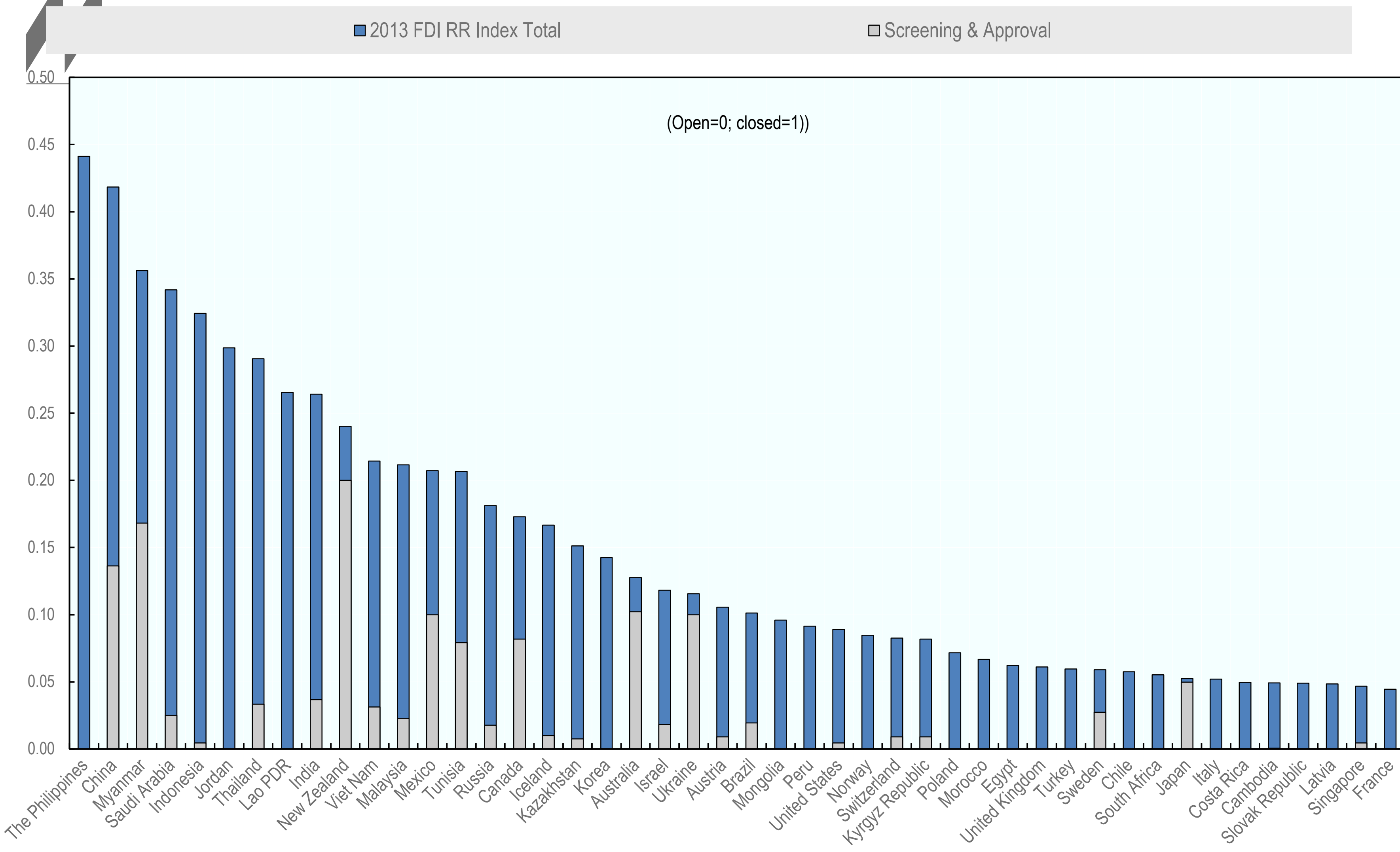
- Agriculture, forestry, fishing
- Mining & quarrying
- Manufacturing (5 sub-sectors)
- Electricity (generation, distribution)
- Construction
- Distribution (wholesale, retail)
- Transport (surface, water, air)
- Hotels & restaurants
- Information & communication (fixed & mobile telecoms, broadcasting, other media)
- Financial services (banking, insurance, other finance)
- Professional services (accounting & auditing, legal, architecture, engineering)
- Real estate

How can the FDI Index be used?

To measure:

- relative FDI restrictiveness of each country
- changes in restrictiveness over time
- a country's performance in attracting FDI for a given level of restrictiveness
- the effect of FDI liberalisation on FDI inflows

FDI regulatory restrictiveness, 2013



Screening can discourage FDI

Based on a sample of almost 60 countries, those with screening mechanisms in place tend to receive less investment – all else held equal

2009 New Zealand Treasury review:

- *In some cases, experience with the screening regime is completely deterring investors from investing in New Zealand, and some are even actively discouraging other investors considering investing in New Zealand.*

Exceptions to national treatment: the NZ case

A. Exceptions at national level

I. Investment by established foreign-controlled enterprises

Trans-sectoral: A foreign-controlled enterprise already established in New Zealand requires authorisation from the Overseas Investment Commission:

1) to establish a new business where the total expenditure to be incurred exceeds NZ$ 10 million;
2) for acquisition or control of 25% or more of any class of shares or voting power in a New Zealand company where either the total consideration payable or the total assets of the business being acquired exceed NZ$ 10 million;
3) for all acquisition of assets and of share participation exceeding 25% regardless of their value, in specified sensitive sectors (currently broadcasting, commercial fishing, and rural land).

Sectoral exceptions to national treatment

- *Rural land*: Specific provisions pertaining to the acquisition of rural land: foreigners wishing to purchase rural land must demonstrate that the acquisition will give rise to significant benefits to New Zealand. There are no restrictions as to a specific maximum level of allowable foreign ownership.
- *Fishing*: Purchase of fishing quota is restricted to enterprises where 75 per cent or more of the voting rights are held by New Zealand residents.
- *Telecommunications*: No person who is not a New Zealand national shall have a relevant interest in more than 49.9 per cent of the total voting shares in Telecom Corporation of New Zealand Limited for the time being without, and except in accordance with the terms of, the prior written approval the Kiwi Shareholder.

Sectoral exceptions to national treatment

- *Air transport*: Air New Zealand privatisation includes a 35% foreign ownership limit. The sale of Air New Zealand entailed the establishment of three classes of shares: "A" shares available to New Zealand nationals only; "B" shares limited to 35% of total equity and available to overseas persons; and the "Kiwi" shares held by the New Zealand government. The company's articles of association cannot be amended without the consent of the holders of the "Kiwi" share.
- *Air transport*: Substantial ownership and effective control of international airlines operating scheduled services to/from New Zealand to be vested in the designating country under the respective bilateral agreements or nationals of that country.

INVESTMENT AND DEVELOPMENT

Advisory Group on Investment and Development

- formerly a subsidiary body of the Investment Committee
- Date of creation: 9th March 2012
- Duration: 31st December 2015
- Co-chaired by IC and Development Assistance Committee (Kristin WÆRINGSÅSEN of Norway)

AGID mandate

- assist the Development Assistance and the Investment Committees in their efforts to help mobilise domestic and international investment and the private sector in support of development.
- work guided by the criteria set out in the Framework for an OECD Strategy on Development: respond to developing countries' needs; add value to the work of other regional and international organisations and donors; and leverage OECD's multidisciplinary expertise.
- provide input into the development and implementation of the Strategy and of the Knowledge Sharing Alliance.
- conduct its work with developing partner countries in line with the principles of the Paris Declaration on Aid Effectiveness, the Busan Partnership for Effective Development Co-operation, and the Mexico High-Level Communique of the Global Partnership for Effective Development Co-operation.
- contribute to helping developing countries build their own capacities to design and implement effective public policies for better and more investment, drawing on the sharing of experiences and the Committees' instruments and expertise in areas of common interest.

AGID mandate (ctn'd)

- act as a facilitator for fostering co-operation on investment for development with other relevant OECD Committees and programmes.
- oversee OECD regional investment and private sector development programmes and co-ordinate with other relevant institutions (such as IMF, UNCTAD, UNDP, World Bank, and the regional development banks) to maximise complementarities.
- provide guidance and input regarding the Organisation's contribution to international initiatives, where and to the extent they are related to its remit.
- consult and engage business, trade unions and civil society organisations on matters relating to investment for development.

Framework for an OECD Strategy on Development – objectives

- Integrate, where appropriate, the diverse perspectives, views, and realities of developing countries in OECD analyses and policy advice to deepen shared understanding of alternative impacts of different policy options;
- Combine more effectively OECD's expertise on a wide range of policy areas together with lessons learned from decades of its leading role in development co-operation;
- Better leverage OECD's policy recommendations, practices and instruments to provide a coherent approach to development by stepping up evidence-based analysis and identifying both negative and positive impacts of OECD policies on developing countries.

Framework for an OECD Strategy on Development – approach

- Build upon core expertise and experience;
- Leverage comparative advantages;
- Apply a more comprehensive and inclusive approach;
- Adapt frameworks, upgrade skills and deepen partnerships
  - The OECD Policy Framework for Investment (PFI) is one example to strengthen the enabling environment for domestic and foreign investment, adapted to a wide range of political contexts, and developed with the full involvement of many non-member countries.
  - For example, the Advisory Group on Investment and Development will be restructured into a forum bringing together investment and development co-operation expertise across the OECD with developing countries, and business and civil society representatives to further mobilise investment and the private sector in support of development.

Busan High-Level Forum 2011

- marked a turning point in the way in which international development co-operation is governed.
- The endorsement of the *Global Partnership for Effective Development Co-operation* highlighted the growing consensus on the need to incorporate the views of diverse stakeholders and to enhance the effectiveness of all development resources for development.
- Demise of the WP on Aid Effectiveness

POLICY FRAMEWORK FOR INVESTMENT

- **Non-prescriptive**
- **Governance:** transparency, stability/predictability, coherence, effectiveness

The PFI is….

A multilaterally-backed instrument to improve the investment climate building on good practices

A comprehensive framework covering numerous policy areas affecting the investment climate

Investment policy

Investment promotion and facilitation

Trade

Competition

Tax

Corporate governance

Policies for promoting responsible business conduct

Human resource development

Public governance

Infrastructure investment

Investment framework for green growth

Financial sector development

OECD

BETTER POLICIES FOR BETTER LIVES

Investment Policy Reviews since 2006

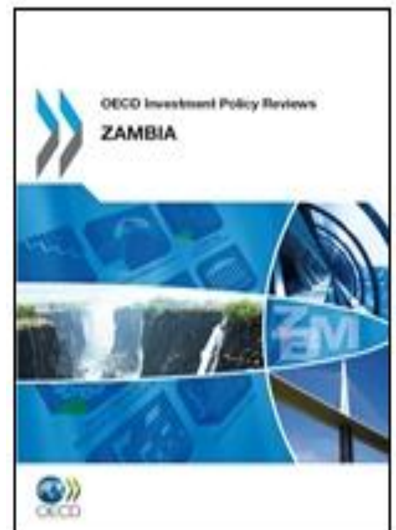
Sub-Saharan Africa
- Zambia
- Burkina Faso
- Mozambique
- Botswana
- Tanzania
- Mauritius
- Nigeria

Asia
- India
- China (2)
- Viet Nam* (2)
- Indonesia
- Lao PDR*
- Malaysia
- Myanmar
- Philippines*
- Cambodia*

MENA
- Egypt
- Morocco
- Tunisia
- Jordan

Eurasia
- Ukraine* (2)
- Russia
- Kazakhstan

South America
- **Peru**
- Costa Rica
- Colombia



* On-going

Supporting Government efforts to reform the enabling environment…

- "This IPR [based on the PFI], Myanmar's first international cooperation initiative on investment policy, will help guide the country's current efforts to modernise the legal and regulatory framework for investment. In undertaking the review, the government established a cross-government Task Force coordinated by the Ministry of National Planning and Economic Development which allowed for full ownership and whole of government approach to investment policy making."– **Dr. Kan Zaw,** Minister of National Planning and Economic Development, Republic of the Union of Myanmar.

- "Reform is not an end result, but a continuous process, a permanent challenge. This is what has lead Zambia to request the OECD to support the government in self-assessing its investment policy framework against global best practices. I believe that this candid evaluation will allow us to take critical steps towards reaching our development objectives and becoming a diversified economy driven by investment and a vibrant private sector." **The Honourable Felix Mutati**, Minister of Commerce, Trade and Industry, Republic of Zambia on the Investment Policy Review of Zambia (2011)

- "In our due diligence, we are asked to look at challenges and gaps…which are well documented in the OECD report. I recommend this report to everybody because our experience…is very confirming of the findings. It is a very good study." **Ed Potter,** Director, Global Workplace Rights, The Coca-Cola Company on the Investment Policy Review of Myanmar

Supporting regional economic integration….

- "These reviews…[based on the PFI] provide the necessary impetus for countries within the region to work towards realising the ASEAN Economic Community in 2015." – **YB Dato' Sri Mustapa Mohamed**, Minister of International Trade and Industry, Malaysia

Updating the PFI

Better reflecting

- **Issues**
  - Development dimension (AGID)
  - Global value chains
  - Investment for green growth
  - Gender and minorities
  - Infrastructure investment
  - Regional, subnational and local dimensions
  - Addressing capacity constraints
  - Entrepreneurship and SMEs
  - Informal sector
- **Lessons and user experiences from 30 Investment Policy Reviews and regional applications (ASEAN, SADC, MENA, SEE, LAC, EURASIA)**

Inclusive process

Reaching out to partner countries and stakeholders

Multi-stakeholder meetings

- APEC Investment Experts' Group, *Ningbo, February 2014*
- Task Force Meeting with Southeast Asian countries, *Indonesia, March 2014*
- Global Forum on Responsible Business Conduct, *Paris, June 2014*
- Task Force Meeting with SADC members states, *Pretoria, July 2014*
- OECD Latin America and Caribbean Conference on infrastructure investment in *Lima, July 2014*
- APEC Investment Experts' Group, *Beijing, August 2014*
- MENA Caucus of the Task Force, *Paris, October 2014*
- UNESCAP Asia-Pacific Business Forum, *Colombo, November 2014*

Other consultations

- Framing online survey
- 1st Online consultations with draft chapters made available for comments – until 31 December
- 2nd Online consultations – until 25 Feb 2015
- Bilateral meetings to consult and solicit feedback from stakeholders and experts

Cross-OECD involvement

- 13 OECD bodies and 14 divisions and directorates and their networks (e.g. Environet) involved in discussing the update and draft chapters

Inclusive process

Next steps

Drafting process

Comments by 31 Dec 2014

Consolidated draft in Jan-Feb 2015

Ongoing outreach and consultation

Partnership with development partners

Implementation

2014

2015

Stakeholder consultation 23 Feb Brussels

Final Task Force meeting, 20 April Washington DC

OECD Ministerial Council Meeting, Paris, June 2015

Financing for Development & SDGs

Key milestones

THE PFI AT WORK:
MYANMAR

Outline

1. The Investment Policy Review process using the Policy Framework for Investment

2. Some key themes from the Myanmar Review
   - Public governance
   - Protection of investment
   - Entry and regulation of foreign investment
   - Investment promotion & facilitation, SEZs, incentives
   - Responsible business conduct
   - Infrastructure
   - Finance
   - Agriculture

Investment Policy Review process

The PFI stresses **good governance**:

- laws and regulations
- design, implementation and evaluation

A **process** as much as an outcome

- Capacity building (workshops in Myanmar and elsewhere for Myanmar officials)
- Whole of government approach (task force)
- Peer dialogue (within ASEAN and with OECD)
- Follow up

Investment Policy Review of Myanmar: Key themes and recommendations

"The recommendations from the Review are candid, impartial and highly practical."

Aung Naing Oo, Director General,

Ministry of National Planning and Economic Development, Myanmar

Governance

Improve public governance

Rule of law, build capacity of judiciary

Streamline government

- Clarify respective roles and responsibilities of ministries
- Consider merging ministries where appropriate
- Improve inter-ministerial coordination

Public consultations

- Helps to empower civil society
- Builds legitimacy and improves effectiveness by raising compliance
- Increases social benefit by bringing to light at an early stage any possible adverse consequences

Ensure legal consistency and coherence

- Rapid pace of legislative activity since 2011
  - Outdated laws, some dating to colonial period

- Need to ensure these new laws are consistent with one another and also with international commitments

- Build capacity in government to vet draft laws and to review existing laws

Legal and regulatory regime for the protection of investment

Progress made

Enactment of the new *Foreign Investment Law* in 2012:

- Good first step to create an enabling legal framework for foreign investment
- Milestone towards a more open and secure legal environment, but weak protection provisions
- More of an investment statement

Quick enactment of implementing rules to provide more detailed regulation of investment

Protection of investment

- The FIL offers some protection to investors but only weak protection against expropriation and nothing about the rules for compensation
- Expanding treaty network to provide an additional layer of legal protection to a broader range of foreign investors
- Strong protection provided to foreign investors through bilateral investment treaties but few BITs signed so far
- Developing a sound treaty policy should not be seen as a substitute for a strong investment law: due attention must be given to the consistency between domestic investment laws and treaty provisions.
- Ratification of the New York Convention for the Enforcement and Recognition of Foreign Arbitral Awards in 2013: positive step towards better access to international arbitration – strong positive signal sent to the investment community

Further measures to enhance investor security

- Improve independence and efficiency of the court system
- Further promote the use of alternative dispute resolution means such as conciliation and mediation
- Consider adhering to the ICSID Convention
- Further enhance the level of legal protection and predictability provided to investors in current laws, in particular the FIL, by clearly defining the scope and content of legal protection provisions
- Strengthen intellectual property protection by enacting new legislation and ratifying main IP-related conventions
- Enhance awareness on investment regulations and international commitments among ministries and relevant public bodies.

Conditions for entry and regulation of foreign investment

Investment approval process in Myanmar (1)

- **Streamline approval process**
  - MIC, Central Working Body for SEZs, line ministries for joint ventures with SEEs not requiring incentives
  - Multiple approvals in some cases
- **Minimise discretionary element**
  - Concerns expressed about too much discretion both in terms of whether to allow an investment and the conditions attached.
- **Simplify approval criteria**
  - Criteria for approval are complex and some might be beyond the likely capacity of MIC to evaluate: e.g. financial credibility, economic viability, appropriateness of the technology of proposed project.

Investment approval process in Myanmar (2)

- **Narrow the scope of screening to only the most important sectors and largest investments**
  - Possible capacity constraints of current system in the event of rapid growth in foreign investment
- **Give DICA more responsibility for approvals**
  - MIC should be involved only in the most important cases
- **Consider moving to an ex-post notification system**
  - To ensure that the investor has complied with all requirements, including environmental and social impact assessments
- **Evaluate periodically** the aims and effectiveness of screening, including through public consultations which also involve foreign investors

Foreign equity restrictions in Myanmar

- FIL notifications 1/2013 and 11/2013 list the restricted sectors, but the sectoral classifications are not precise.

- Some sectors are prohibited to foreign (and sometimes all private) investors, but most restrictions involve joint venture requirements where foreign investors have an equity limit of usually 80%.

Restricted manufacturing sectors in Myanmar

Restrictions are numerous in manufacturing sectors

- Production and distribution of: biscuits, wafers, noodles, macaroni, vermicelli, other cereal-related products, candies, chocolates and others, purified drinking water, beverages (both alcohol and non-alcoholic), food products except milk and milk products. Also for cotton robes, ceramic/enamel products, plastic wares, rubber and plastic, paper and paper products, packaging services

Further JV requirements in Myanmar

- Industrial chemicals
- Mass production of minerals
- Construction: public works, apartments, condominiums, office buildings
- Airline services
- Shipping: freight and passengers
- Retail distribution

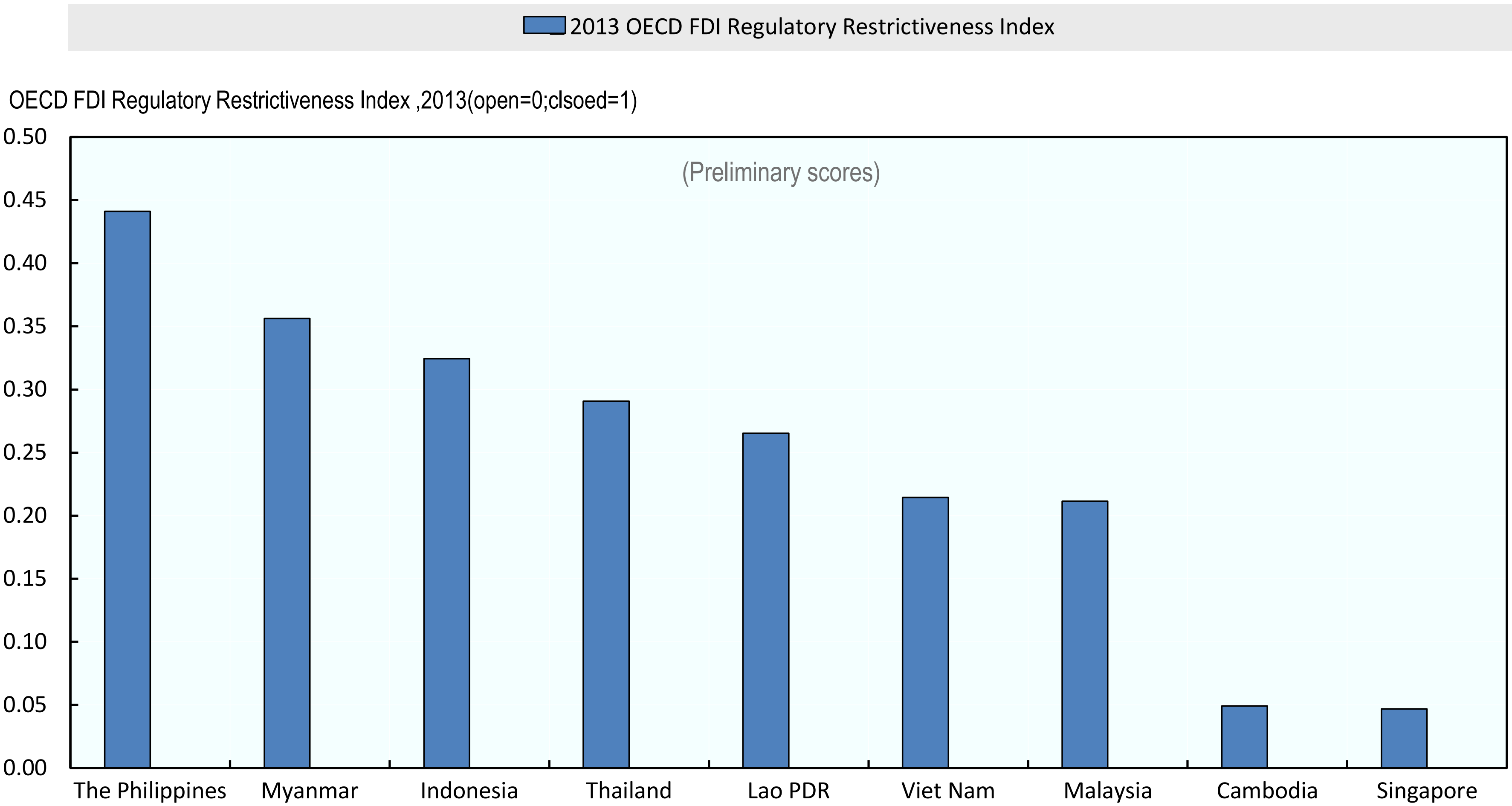
Other restrictions (1)

- Land
  - Many ASEAN member states have restrictions on foreign ownership of land but long leases are usually possible. Myanmar is no exception.
- Minimum capital requirement
  - Makes it harder for smaller investors to enter the market, even if they make have a bigger impact on employment. Myanmar has different minimum requirements for services and manufacturing and the MIC reportedly can impose further requirements on individual investors.
- Technology transfer
  - No formal obligation in Myanmar, but the type of technology involved in a project is considered by the MIC

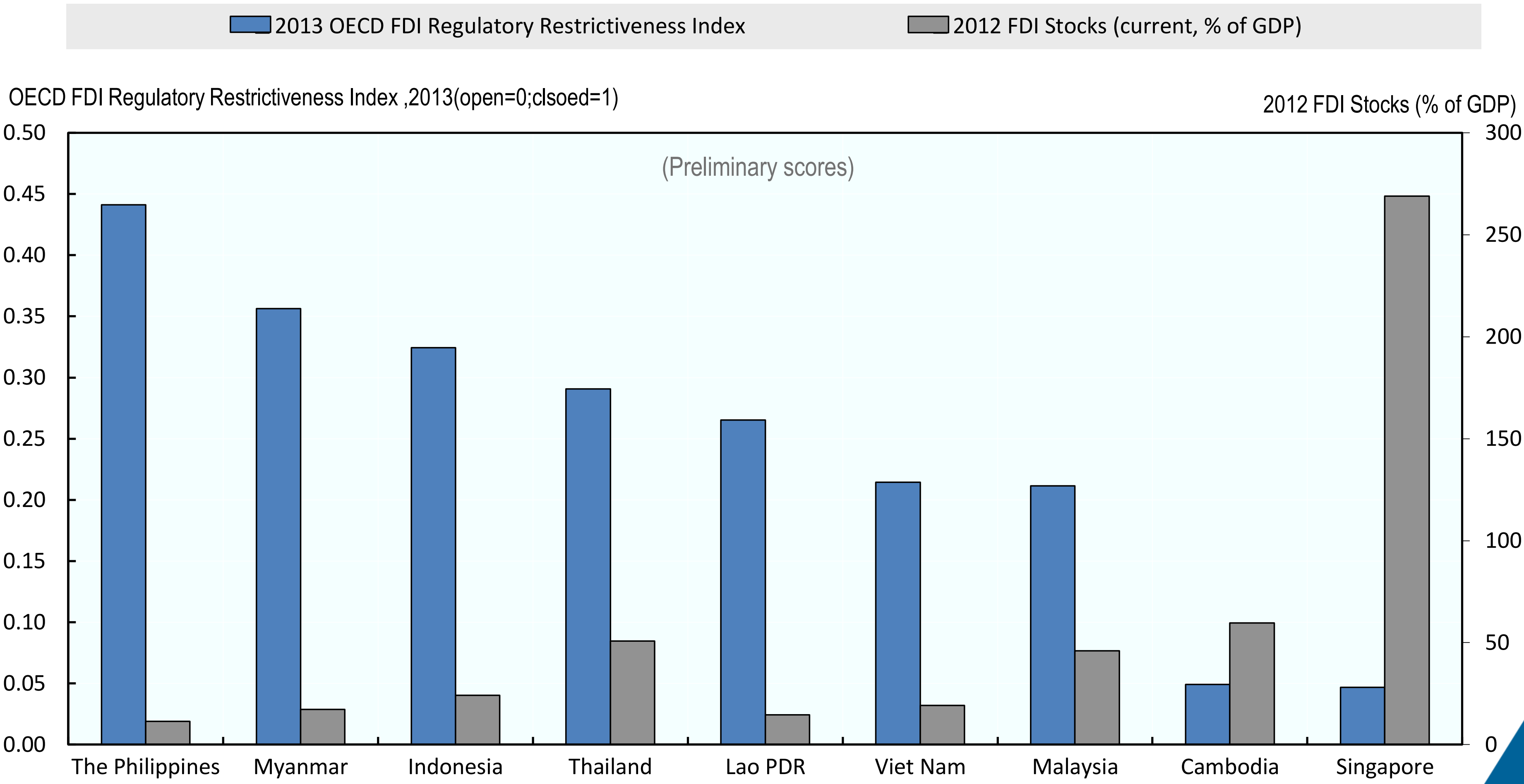
Other restrictions (2)

- Capital repatriation
  - The rules governing capital repatriation in Myanmar need to be further clarified. Under the FIL, the investor may repatriate all capital upon termination of the contract, yet transfers of currency are subject to the approval of the Foreign Exchange Management Department.
- Key personnel, board of directors
  - Many countries have some restrictions in this area. Myanmar restricts the percentage of foreign workers in a company. Myanmar citizens are required to be 75% of the skilled workers in a company within 15 years.

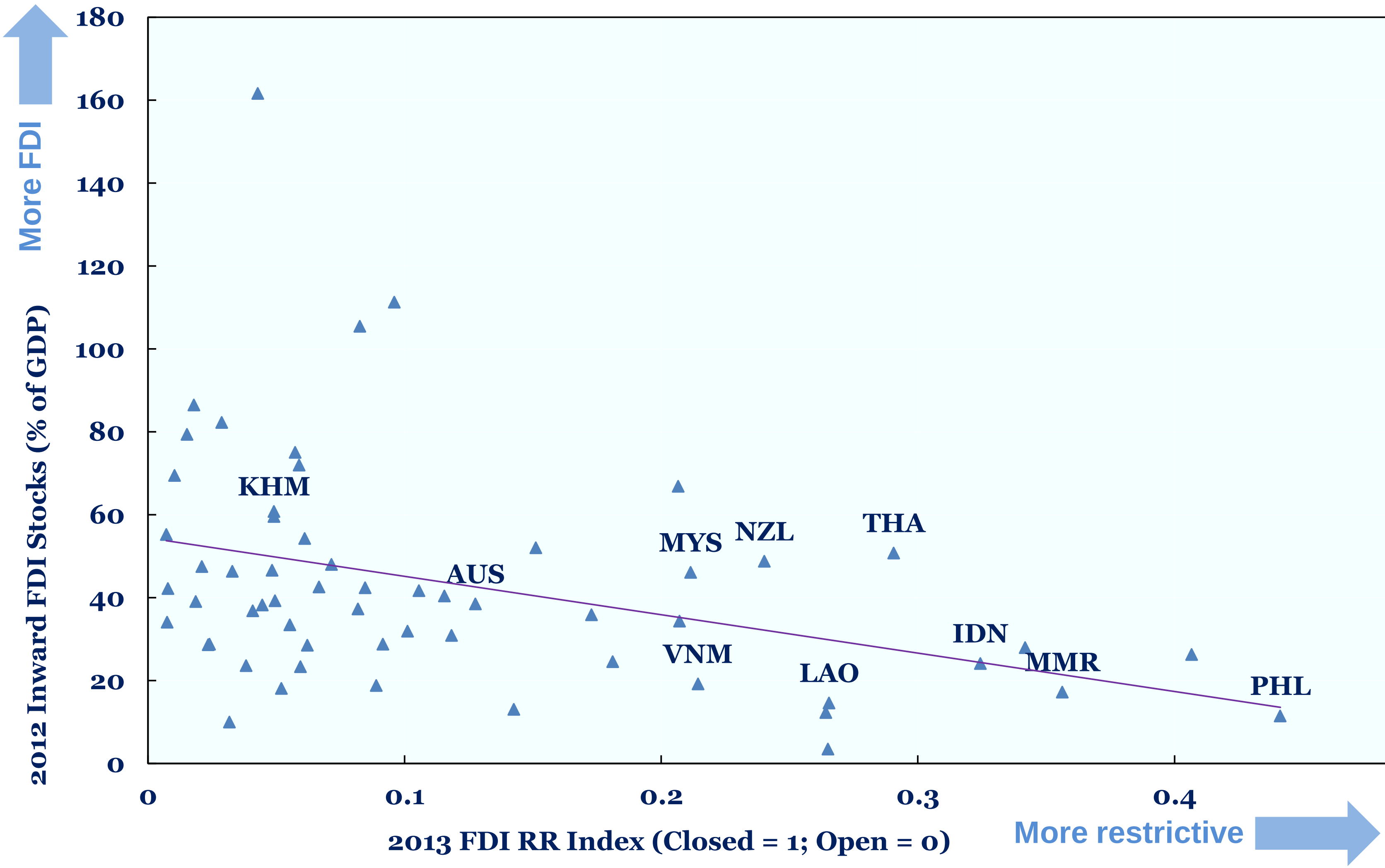
FDI Index scores of ASEAN9 countries



FDI Index scores vs FDI Stocks (% of GDP) ASEAN9 countries



Fewer FDI restrictions mean more FDI



Sources: OECD Statistics and IMF estimates. Excludes Iceland, Belgium, Iceland, Jordan and Luxembourg.

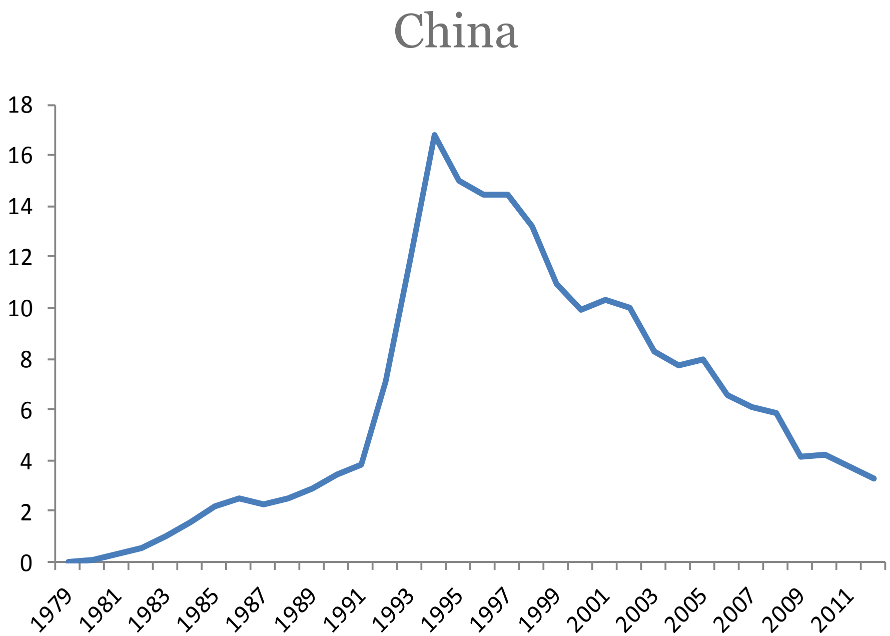
Investment promotion and facilitation

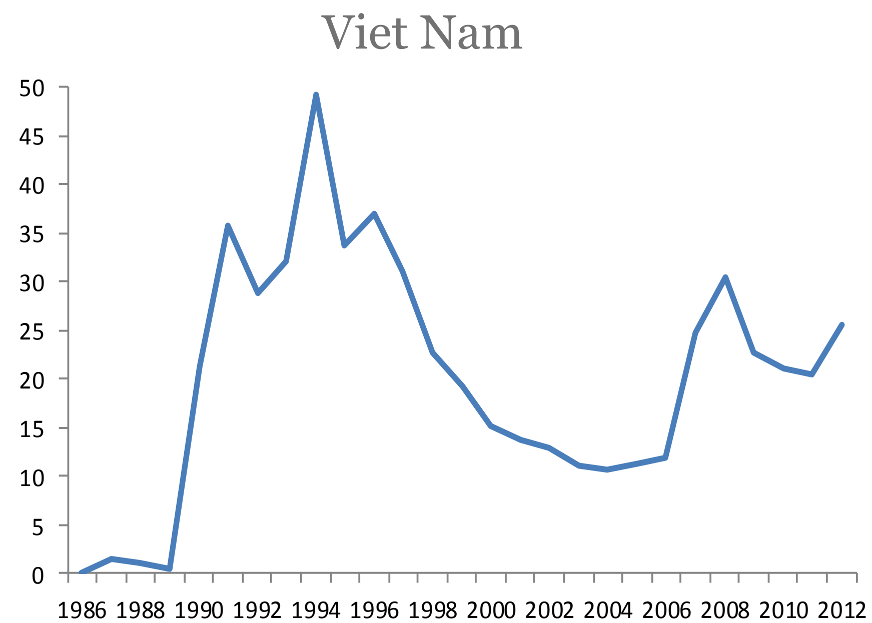
Investment promotion and facilitation

- Investment promotion is perhaps less important for Myanmar at present than investment facilitation.
- Continue to streamline procedures (ease of doing business)
- Ensure that one-stop shops include single-point authority.
- DICA should take responsibility for addressing investor grievances and serve as a policy advocate within government for the private sector.
- Keeping existing investors happy is the best form of promotion.

Sustaining investor interest can be difficult

FDI as a share of total investment (per cent)





Source: UNCTAD

Role of Special Economic Zones

- Zones can help pilot reforms (Shenzhen, Shanghai)
- Many FDI projects expected to come through SEZs in Myanmar;
- 3 SEZs, 18 zones, 34 sub-zones – many not fully operational, land prices high;
- Thilawa can be promising, given its strategic location, but governance will be key to its success;
- Need to link with the broader domestic economy; not just become import-export hubs;
- Promote linkages, monitoring general and environmental performance of companies in zones; develop training and R&D locally; policies for SME development;
- SEZ success depends on broader economic reforms.

Incentives

- Incentives are commonplace worldwide.
- Little evidence that they are effective.
- Stability and predictability more important, together with fair and efficient tax administration.
- With very low fiscal revenue as a share of GDP, Myanmar would be better off taxing investment and spending the revenue on education, health, infrastructure, etc.
- Incentives might actually reduce long-term investment.
- Regional dimension

Responsible business conduct

Responsible business conduct

My government is taking steps to build investor confidence and promote responsible investment in Myanmar.

President U Thein Sein

As sanctions are lifted, investment should be responsible and help the process of democratisation.

Daw Aung San Suu Kyi

The EU…would welcome European companies exploring trade and investment opportunities [in Myanmar]. This should be done [with] the highest standards of integrity and corporate social responsibility.

Council of the European Union, April 2012

We say to American business: invest in Burma (Myanmar) and do it responsibly; be an agent of positive change and be a good corporate citizen.

(Former) US Secretary of State Hillary Clinton, 2012

We welcome the commitment to responsible investment in Burma/Myanmar

G8 Foreign Ministers communiqué, 2013

A business considering investment in Myanmar should carefully examine the risks and opportunities, as well as applicable international standards for RBC.

Business for Social Responsibility

Home and host countries and investors can all play a role

- **Host country** measures – the primary responsibility for protecting human rights and the environment in Myanmar rests with the government

- **Home country** measures – tying removal of sanctions and enhanced market access to commitments by both Myanmar and home country investors

- **Investors** also have a role, independent of any measures by home governments. OECD investors should respect the OECD *Guidelines for Multinational Enterprises* and report voluntarily on their due diligence.

Host country (Myanmar) measures

- Ratify major international human rights, labour and environmental conventions
- Enact and enforce domestic legislation consistent with these standards
- Strengthen the independence and expand the mandate of the National Human Rights Commission
- Promote revenue transparency, such as through the EITI
- Ensure that domestic enterprises, including SEEs, conform to the new standards of behaviour and prosecute lawbreakers
- Expand the role of civil society (labour unions, local community organisations) to help ensure that businesses obey the law
- Prepare sectoral master plans which include RBC (e.g. tourism)

Further host country measures

- Provide adequate protection of property rights, including for customary land
- Free, prior and informed consent for land acquisitions, relocations, etc.
- Develop grievance mechanisms in other areas and provide redress to victims
- Work with home governments to promote respect for the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Require foreign investors receiving a permit from the MIC to commit to these principles.

Home country options

- Remind investors to **respect international principles**, including the UN *Guiding Principles* and the OECD *MNE Guidelines*
- Provide guidance to investors on how to undertake due diligence
- Promote RBC and good offices for mediation, conciliation through **National Contact Points** and other bodies such as the Myanmar Centre for Responsible Business
- **Reporting requirements**: payments to officials, information on local partners, extent of due diligence and existence of redress mechanisms
- Consider incorporating **RBC obligations into future treaties** with Myanmar and make any preferential market access contingent on respecting international standards (*e.g*. US-Cambodia, 1999)
- Explore **common approaches**

Infrastructure

Infrastructure is a major obstacle to broader economic development and to meeting the needs of society

Context

- Insufficient telecommunication services
- Limited access to electricity and frequent power supply shortages
- Underdeveloped transport infrastructure
- Poor connectivity to neighbours
- Limited infrastructure planning and implementation capacity
- Limited financing capacity and capital investments over the years
- Weak private sector involvement
- Insufficient urban infrastructure
- Highly vulnerable to climate risks and natural disasters

Infrastructure Investment Needs

- Infrastructure investment needed is estimated around US$ 22 billion for 2010-2020, roughly 6% of estimated 2010-2010 GDP (Battacharyay, 2010)
- Encouraging private sector participation is essential to expand and promote efficiency in infrastructure
- *Private investment can help Myanmar leapfrog to greener infrastructure models while responding to growing urbanisation and industrial development challenges*

Building an appropriate regulatory environment for infrastructure investors is key for long-term growth and a sustainable use of resources

Remaining challenges

- *Address institutional fragmentation in some infrastructure sectors* to enhance policy co-ordination and build comprehensive plans to guide investments and sector development;
- *Build regulators' planning and assessment capacity* so as adequately to prioritise investments and identify those projects better suited to private initiatives;
- *Create independent and effective regulatory agencies* to increase transparency and address regulatory uncertainties that arise from the lack of independent regulators;
- *Promote competition in infrastructure sectors* by allowing the new entry of players where feasible and establish adequate pricing mechanisms;
- *Ensure a level playing field between SEEs and private investors*
- *Develop long-term targets and green policy goals in infrastructure development plans and build a facilitative investment framework for green infrastructure projects*

Myanmar is improving its regulatory capacity enhancing the institutional environment for private investors

Recent progress, selected sectors

- Concrete steps have been taken to reform the telecommunications sector. The reforms were well received by investors despite all the uncertainties that such reform normally entails
  - *Telecommunications Law* approved and two new operators given licences to provide service in Myanmar. Telecommunications rules were expected to come out in February
  - The Law specifically provides for an independent regulator by 2015 and for universal access.
  - The World Bank will work with Myanmar in the restructuring of the state-owned operator MPT and in developing a universal access strategy
- On-going efforts to develop infrastructure sector plans and improve institutional and implementation capacity in key infrastructure sectors
  - An inter-governmental National Energy Management Committee was established in 2013 to formulate the National Energy Policy; a new *Electricity Law* was drafted clarifying conditions for private investments and concessions in the power sector
  - The World Bank is going to support the government in implementing reforms that are critical for sustainable private sector participation in power generation and distribution, as well as for the scale-up of renewable energy for rural and off-grid electrification
  - The ADB is supporting Myanmar in developing a PPP Framework to enhance its capacity to select and implement PPP infrastructure investments
  - Reforming State-Economic Enterprises is a priority, including privatisation in some cases

Finance

Regulatory asymmetries and deficiencies and administrative controls on financial intermediation have deterred financial sector development

Context

- Limited credit to the private sector
- Weak penetration of financial services
- Public mistrust of banks
- Relevant informal financial sector
- Incipient capital markets
- Limited financial infrastructure

Barriers

- *Administrative controls on financial intermediation* (interest rate controls and credit allocation directives)
- *Burdensome regulations* (onerous collateral requirements, restricted branch expansion and loan maturities)
- *Weak competition & lack of level playing field* (regulatory asymmetries between private and public banks, restrictions on foreign bank entry)
- *Institutional and regulatory weaknesses* (lack of credit reporting law and registry systems, limited supervisory capacity and regulatory compliance with international standards, lack of independent central bank and absence of corporate governance standards)
- *Underdeveloped capital markets infrastructure* (lack of a securities law and securities regulator, underdeveloped public debt market)

Sources: [1]Battacharyay (2010).

Myanmar's financial sector is still at an early stage of development but has come a long way in a short period

- Government's strong commitment to build macroeconomic stability and modernise the financial sector is paying off
  - Foreign exchange reforms – adopting managed floating exchange rate, establishing foreign exchange market, removal of exchange restrictions – have contributed to developing a unified exchange rate
- Several reforms to foster a modern financial sector are, or have been, implemented:
  - A new *Central Bank Law* to establish an autonomous Central Bank has been approved
  - Administrative controls and burdensome regulations on banking activities have been lifted or eased
  - Interbank payment system has been established; credit card networks and ATMs introduced
  - There are plans gradually to allow the entry of foreign banks while the insurance sector has already been opened to foreign investment
  - A *Securities Exchange Law* has been approved opening a path to develop the capital market
- The banking sector is now growing and modernising rapidly

Moving forward will require continued efforts to improve regulatory and supervisory capacity and build informational infrastructure

- Continue efforts to develop a modern banking sector
  - promote a level playing field between state-owned and private banks;
  - gradually allow the entry of foreign banks – foreign banks can help accelerate financial development but a gradual process is needed to minimise risks and not overwhelm the supervisory system
- Continue efforts to strengthen regulatory and supervisory capacity to bring it closer to international standards
- Enhance informational infrastructure to facilitate the sharing of information among financial institutions and the extension of finance
- Establish key capital market regulatory and supervision frameworks and infrastructure to govern and support the incipient development of Myanmar’s capital market.

Promoting sustainable investment in agriculture

Context

- Around 35% of GDP and 61% of employment
- Potential for rapid agricultural development relying on abundant land and water resources
- 30-year Master Plan for Agriculture Development:
  - Improve food security and farmers' incomes and reduce poverty by increasing production (rice, oilseed & bean) through better technologies and access to finance and market liberalisation
- Relatively low public expenditures in agriculture:
  - Among ASEAN countries, lowest per capita agricultural expenditure and lowest share of agricultural expenditure to agricultural GDP
- Growing investment from neighbouring countries in both food and non-food crops

Investment policy in agriculture

Land legislation revised in 2012: adoption of the *Farmland Law* and the *Vacant, Fallow and Virgin (VFV) Land Management Law*

Foreign Investment Law enacted in 2013, particularly favouring large agricultural investors:

- Time and size limits on land use rights can be lifted for projects approved by the government
- Foreign investment restricted in a few agricultural activities
- Generous tax incentives

Challenges: insecure land tenure rights

Complex and long registration process

- Three government levels involved for farmland application and heavy requirements for VFV land.

Rigid land classifications

- Agricultural land transferred to non-agricultural land only for public use; some forest land used in practice as agricultural land but still classified as forest land and administered by the MECF.

Lack of recognition of customary land use rights

- No mention of customary rights in the new legislation; smallholders practicing shifting cultivation may have their land confiscated.

Weak protection of registered land use rights

- Land use rights may be withdrawn if administrative procedures and conditions are not respected.

Overlapping responsibilities of agencies responsible for managing land

- Farmland Administration Bodies as line agencies within the MOAI; Central Committee for the Management of Vacant, Fallow and Virgin Land as a multi-ministerial committee formed at the President's discretion; and the MECF.

Promotion of large-scale land allocations with weak safeguards

- Increase of large-scale allocations to 1.38 million ha in 2012, with only 36% and 20% of the land area actually developed and cultivated by companies.

Other challenges

- Limited access to **finance**
  - Small short-term loans from the MADB
  - High interest rates from informal lenders
- Unpredictable **export restrictions**, particularly for rice
- Limited access to, and low quality of, **agricultural inputs**
- Weak **extension services and R&D**

Securing land tenure rights

- Harmonise the land legislation
  - Develop a unique comprehensive land law;
  - Enhance the co-ordination across the Ministries responsible for land.
- Accelerate land registration
  - Set up an efficient institutional structure at national and local level for land titling and land surveys;
  - Establish a one-window service at the lowest possible government level.
- Recognise customary rights
  - Protect customary rights, including collective rights and rights on land used for shifting cultivation;
  - Consider the diversity of customary law across different ethnic groups and geographic areas.

Attracting investment in agriculture

- Develop clear selection criteria before granting investment incentives
- Establish independent and accessible procedures to address grievances
- Promote the free choice of crops
- Reform the MADB to expand its coverage
- Increase trade policy predictability
- Strengthen extension services and increase public funding on R&D

➢ *Myanmar could recover its place as a major agricultural producer and exporter in Southeast Asia*

Promoting responsible investment in agriculture

- Develop adequate safeguards for large-scale land acquisitions:
  - ➢ Promote transparent and inclusive consultations
  - ➢ Protect existing land tenure rights
- Establish transparent and fair expropriation and compensation mechanisms
- Set up a regulatory framework to support inclusive business partnerships
- Impose Environmental and Social Impact Assessments

THE PFI AT WORK: MODERNISING CHILE’S INVESTMENT PROMOTION STRATEGY

Project background

- Support the Government of Chile in developing a new investment promotion strategy and institutional framework informed by international good practices.
- A rationale for Chile to have an FDI promotion and attraction strategy, agency and instruments
- Recommendations on the process of developing an investment promotion strategy and contents of the strategy
- Guidance on how the FDI promotion and attraction agency should be structured
- Continuous discussions with stakeholders that may refine our reporting

The report:

1. An overview of international good practices in investment promotion
2. Operational and technical elements at country-level for Chile, including based on international good practices.

Analysing country experiences: the role of investment promotion and facilitation

No one-size-fits-all solutions

..but good practices for attracting and retaining investment

Investment promotion in the Chilean context

- A top-20 host economy globally
  - *29% decrease in FDI inflows 2012-2013*
  - *47% of FDI came from OECD countries in 2012*
- Non-discriminatory, predictable and transparent FDI framework
- Open investment regime: better than OECD average (OECD FDI RR index)

World Bank Doing Business Rank

2014: **34**
2010: **49**
2006**: 25**

WEF Global Competitiveness index

2013-2014 : **34** out of 148
2012–2013: **33** out of 144
2011-2012: **31** out of 142

Sources:
OECD International Direct Investment Statistics 2014
UNCTAD 2014 *World Investment Report 2014*

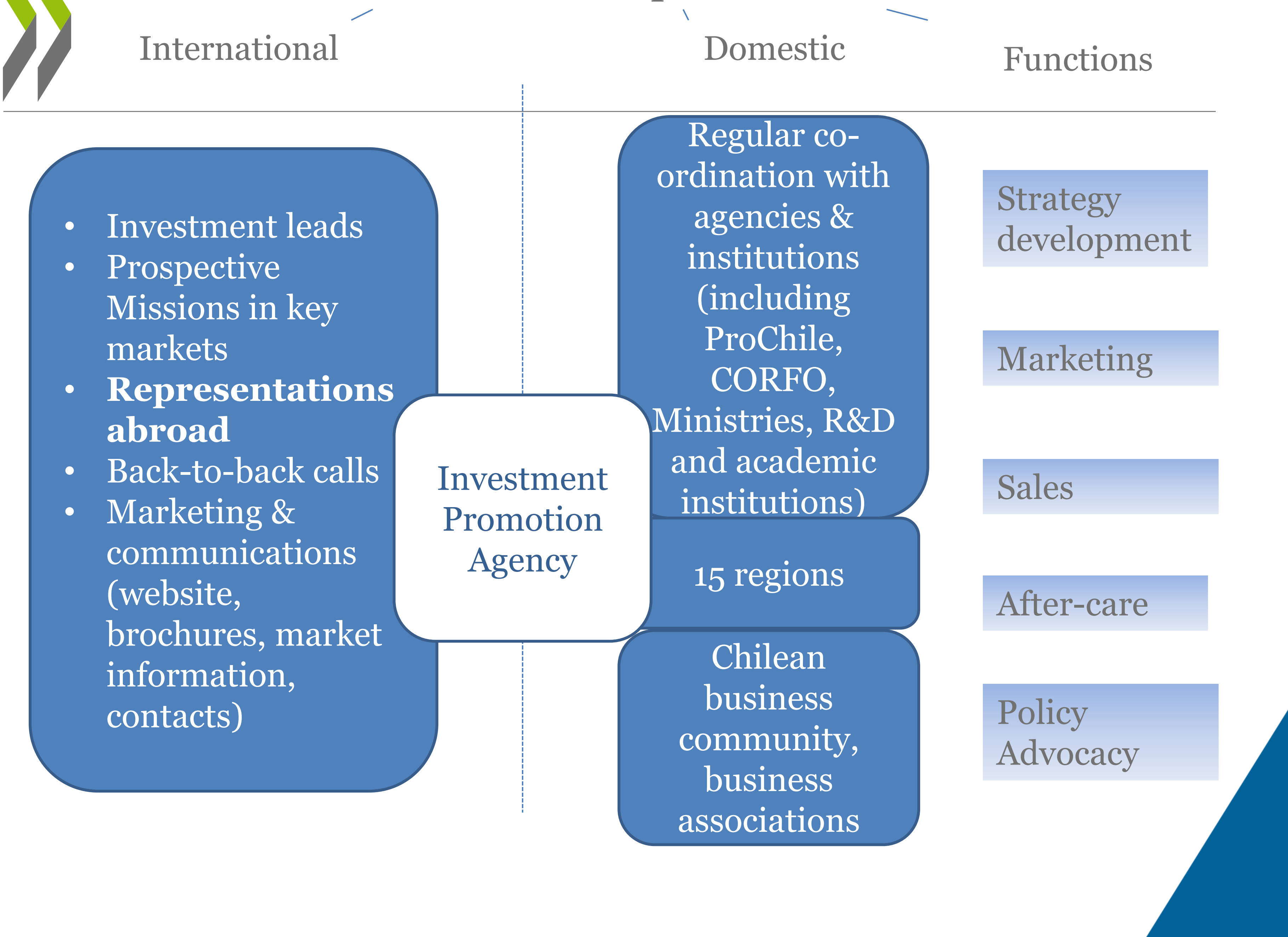
Investment promotion trends

- Less global FDI equals increased competition for investment projects
- Importance of attracting more performant investment that increases productivity and enhances a country's competitiveness

IPAs adjust their activities and devise strategies to rise to these new challenges

- IPA **functions** and **instruments** vary according to the level of maturity of the IPA and the country's overall attractiveness for FDI
- For countries with good track record in attracting FDI, focus of investment promotion can be on:
  - Promoting re-investment and investment expansion into higher value-added activities, R&D and innovation, high impact FDI
  - Dynamic linkages with local industries and clusters to enhance technology and knowledge spill-overs
  - Effective policy advocacy
  - Effective cross-policy, cross-agency and subnational co-ordination

Mandate and empowerment



Aftercare: Increased focus on investor retention

For IPA activities:

- Encouraging reinvestment is **less costly and complex** than encouraging new investors
- **Satisfied clients**, guaranteed by good aftercare services, are an IPA's best promotion tools

For the host economy:

- Strengthening **links between foreign companies and the local economy**, e.g. through the development of local production chains and further **GVC integration**
- Creating a **reputation** of a host government that takes care of its foreign investors
- Higher likelihood of **high-value added activities** (e.g. R&D, innovation) **in expansion and reinvestments**

INVEST IN CANADA

Example:

- Back-to-back outcalls to discuss project status and offer further support
- Ambassadors visits to investor HQs coordinated with the foreign service
- Meetings with local CEOs in subsidiaries
- Detecting investor trends and investor irritants

Targeting: a fine line to optimise limited resources

- Identification of key markets and investors
- Proactive reaching out to investors, direct marketing
- A way to optimise IPA resources and services, but…
  - **Difficult to get right**
  - Can be very **costly**
  - Adaptation to changes in global demand, is the labour market flexible enough?
- But increasing investment into target sectors should not happen at the expense of supporting sectors → **the economy functions as a whole**
- **Policy evolution example: *The case of manufacturing***

  Services are essential to the success of manufacturing
- Policies to enhance the absorptive capacity of the domestic economy through training and human capital development are superior to *“picking winners”*

Targeting: a fine line to optimise limited resources

United Kingdom Trade and Investment (UKTI)

- **Strategic relationship management** for major companies: bringing together different government agencies to improve the relationship with major companies → long-term strategies to promote positive impacts on the UK economy
- **Global accounts** for 150 target companies

UK Trade
& Investment

Invest in Canada

- **14 sectors:** no focus on natural resource sectors as investors analysis show that investors come anyway

Advocating for policies to improve the business climate

IPAs to be strong advocate for FDI : addressing the current problems that companies face and improving long-term competitiveness

IPAs are well-placed to identify issues in the investment environment and advocate for enabling policies

- to attract more investment
- to fully reap the benefits from inward investment
- to improve the country's global position

Improvements in

- *infrastructure*
- *legal framework*
- *education*
- *training*
- *red tape and bureaucracy – "investment irritants"*

Performance and evaluation

Evaluating IPA performance: guidance for improvements in IPA impact and efficiency

→ Assessing whether IPAs are **doing the right thing** and **doing it right**

Investment indicators:

- number of new investment projects
- value of new investment projects
- number of direct jobs created
- Impact of investment

Activity indicators:

- number of events or meetings organised
- number of event attendees
- referrals to local partners
- client satisfaction

Careful: only get measured what you can deliver – risk of overpromising!

Performance and evaluation

International good practice:

IDA Ireland

- Broad and sophisticated set of indicators
- Beyond the activities of the IPA, **assess the impact of investment** on national economic and development objectives

IDA Ireland Indicators	
Indicator	**2013 Value**
Total No. of Investments Approved	**164**
No. of Greenfield Projects	**78**
No. of Expansion Projects	**59**
No. of Research, Development & Innovation Projects	**27**
Investment in Research, Development & Innovation Projects	**€467m**
% of Investments Located Outside Dublin and Cork	**30%**
% of Jobs Approved Outside Dublin and Cork	**35%**
% Jobs Approved with Salaries in excess of €35,000	**76%**
Average Salary in New Investments	**€45,770**
Annual Corporate Tax Payments of IDA Client Companies	**€2.8bn[a]**
Total R&D inhouse Expenditure	**€1.3bn[a]**

- Reflect the agency's **strategic objectives** outlined in the *IDA Ireland Strategy - Horizon 2020*
    - attracting investment outside the largest cities
    - attracting investment in the areas of research, development and innovation

Encouraging linkages and clusters

Fostering relations between foreign investors and local suppliers, MNEs and SMEs – enhancing the positive impact of FDI on a host economy

Clusters: geographic concentration of firms, higher education and research institutions, and other entities to facilitate collaboration on complementary economic activities

Linkages: Backward (supplier), forward (customers), horizontal (competitors) and relations with non-business institutions

Benefits:

- Transfer of skills, knowledge, capital, technology
- Upgrading supplier capacity, moving up the value chain
- Specialisation
- Innovation

Increased competitiveness

Encouraging linkages and clusters

Cluster and linkages policies

Incentives for promoting **knowledge and skill transfer** to local counterparts

Interministerial cooperation : Invest in Canada's works with Industry Canada to identify clusters and local partners, size and profile of structure / functions

SME programmes and meet-the-buyer events: supplier development programme supported by the World Bank and supervised by MNEs to upgrade participant SMEs' production and management; events to promote MNE-SME linkages (Serbian Investment and Export Promotion Agency)

Cluster support programme **subsidising cluster mapping** (surveys, studies, workshops by regional authorities, academic and R&D institutions); **cluster development** (joint projects costs, market analysis, consulting services)

Rationale for investment promotion

- Forty years ago, numerous countries protected their industries from foreign ownership, and investment promotion was not on the political agenda
- Today there are between 160 – 180 national investment promotion agencies, and between 350 subnational ones
- The world has globalized and improving standards is resulting in increasing number of qualifying locations

Corporate Facilities process: A step-by-step approach

Strategic Assessment

Phase 1

- Define project and goals
- Business requirements

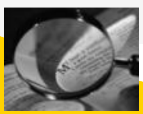
Project definition & goals and business requirements

- Country Risk Profiles
- Selection of location factors
- Weighting location criteria

Benchmarking analysis

Phase 2

- Project Analysis



Analysis and comparison of locations

- Data gathering
- Build model for location analysis
- Present rankings of locations
- Sensitivity analysis
- Exploration of incentives

Cost comparison

Phase 3

- Cost model input

Comparison of costs

- Set up cost model
- Cost differentials between locations

Community Evaluations

Phase 4

- Site visit resources

Site visits

- Prepare site visits
- Facilitate discussions with relevant governments and service providers
- Incentive negotiations

Implementation

Phase 5

- Real estate objectives and accommodation requirements

Real estate support

- Real estate transaction and acquisition support

IP instruments

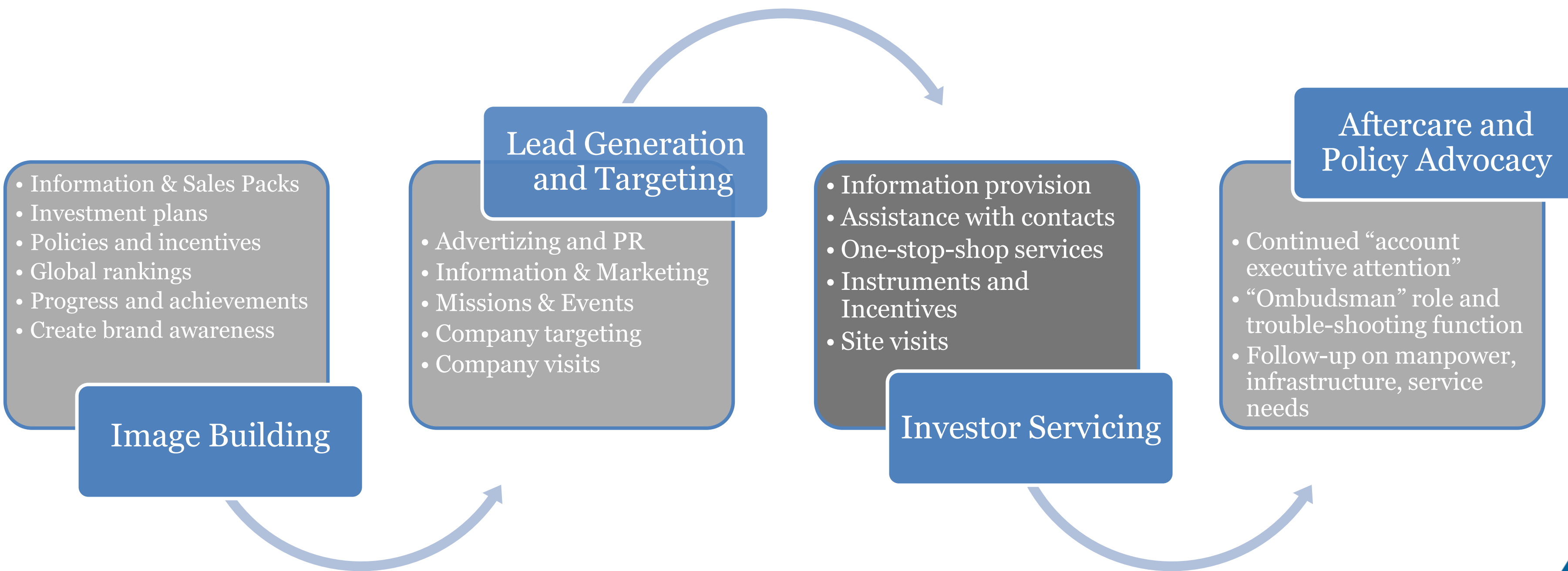
Investor

Support

Investment Consulting Associates (ICA)

Prioritising IPA activities

- Empirics show that IPA's follow a natural process – starting with a focus on image building to lead generation and targeting while most advanced IPAs prioritize Aftercare and Policy Advocacy



Investment Promotion Cycle – by Investment Consulting Associates 2013

Objectives in awarding incentives – refer to OECD checklist on incentives

- Different objectives based on situation:
    1. To overcome a **competitive weakness**
    2. To promote investment in **deprived areas**
    3. To attract **particular industries**
    4. To correct for **market failures** (e.g. R&D or emerging industries)
    5. To change the **image of a location**
- ….And
    - Because their competitors offer incentives i.e. simply to ensure that they are in the game: **prisoner's dilemma**

Risk 1 – Race to the Bottom and harmful taxation policies
Risk 2 – Uncertainty between costs and benefits
Risk 3 –Wrong types of investment are incentivized

Drivers behind IPA effectiveness

1. How does the **amount of spending** on investment promotion affect its effectiveness? Does an agency need to exceed a minimum level to have any effect on international investors?
2. To what extent does the **business environment** or the country's characteristics affect the effectiveness of investment promotion?
3. Does the effectiveness of investment promotion vary according to the **functions or activities** on which it focuses?
4. Is the effectiveness of investment promotion influenced by different agencies' characteristics such as their **structure, mandate, sources of funding, and institutional relationships**?

FINANCING FOR DEVELOPMENT

Monterrey Consensus (2002)

- Recognition that ODA insufficient:
  - Domestic financial resources
  - International resources: FDI and other private flows.
  - International trade
  - Financial and technical cooperation
  - External debt
  - Systemic issues: enhancing coherence and consistency of the international monetary, financial and trading systems

+ Good governance, accountability, equal opportunities

Doha 2008: Maintain ODA commitments post-crisis + new conference

Developments since Monterrey

- Strong economic growth in many developing countries
- New actors and global partnerships
  - BRICS, Turkey
  - Gates & Clinton Foundations
  - GAVI, Global Fund
- ODA (USD 135 bn) still crucial for some countries, but decreasing importance compared to other sources – covers only around 10% development finance:
  - FDI to developing countries quadrupled since 2002 (USD 759 bn., 52% of global FDIs)
  - domestic tax revenues increased from 13% of GNI to 18% since 2000 (OECD: 35%) – but only 0.07% of global ODA spent on tax measures
  - remittances: USD 418 bn. – average transaction costs: 8%

Developments since Monterrey (cont.)

- + USD 17.000 bn. in funds, of which 1% invested in infrastructucure/clean energy in developing countries
- Illicit financial flows: approximately 7 x ODA/year
- MDGs largely achieved – new challenges: climate and SDGs!

Expectations for Addis Ababa

- «Monterrey +»?
  - «framework» for development financing
  - new commitments?
  - recognize new developments, incl. sustainability
- Stepping stone towards UN SDG Summit (September in NY) and COP 21 (December in Paris)
- Facilitate financial flows *and* enabling environment
- ODA (commitments? catalytic use, increase LDC share)
- Domestic resource mobilization (tax, illicit financial flows)
- Investment gaps:
  - Provision of social services: health and education
  - Infrastructure, incl. energy
  - Agriculture

How can the OECD contribute?

- Already playing a crucial role
  - taxes/domestic resource mobilization
  - financial transparency
  - BEPS Action Plan
  - FDIs
  - ODA reform
  - statistics and other data

- Highly relevant expertise, knowledge, data and tools

Challenges

- Make FfD genuinely international– not a UN process!
- Come up with concrete «deliverables»
- If ODA commitments not met: pushback on DRM and IFF?
- SDG ambition of goal-by-goal «costing» («budgeting»)
- Interface with climate finance – «additionality»?
- “Responsibility” for good atmosphere for SDG meeting and COP21

MUCHAS GRACIAS

BETTER POLICIES FOR BETTER LIVES