

Improving Governance and Fighting Corruption: New Frontiers in Public-Private Partnerships

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*The OECD approach to investment climate assessment and policy
capacity building*

Jonathan Coppel, OECD

Lead Manager, NEPAD-OECD Africa Investment Initiative

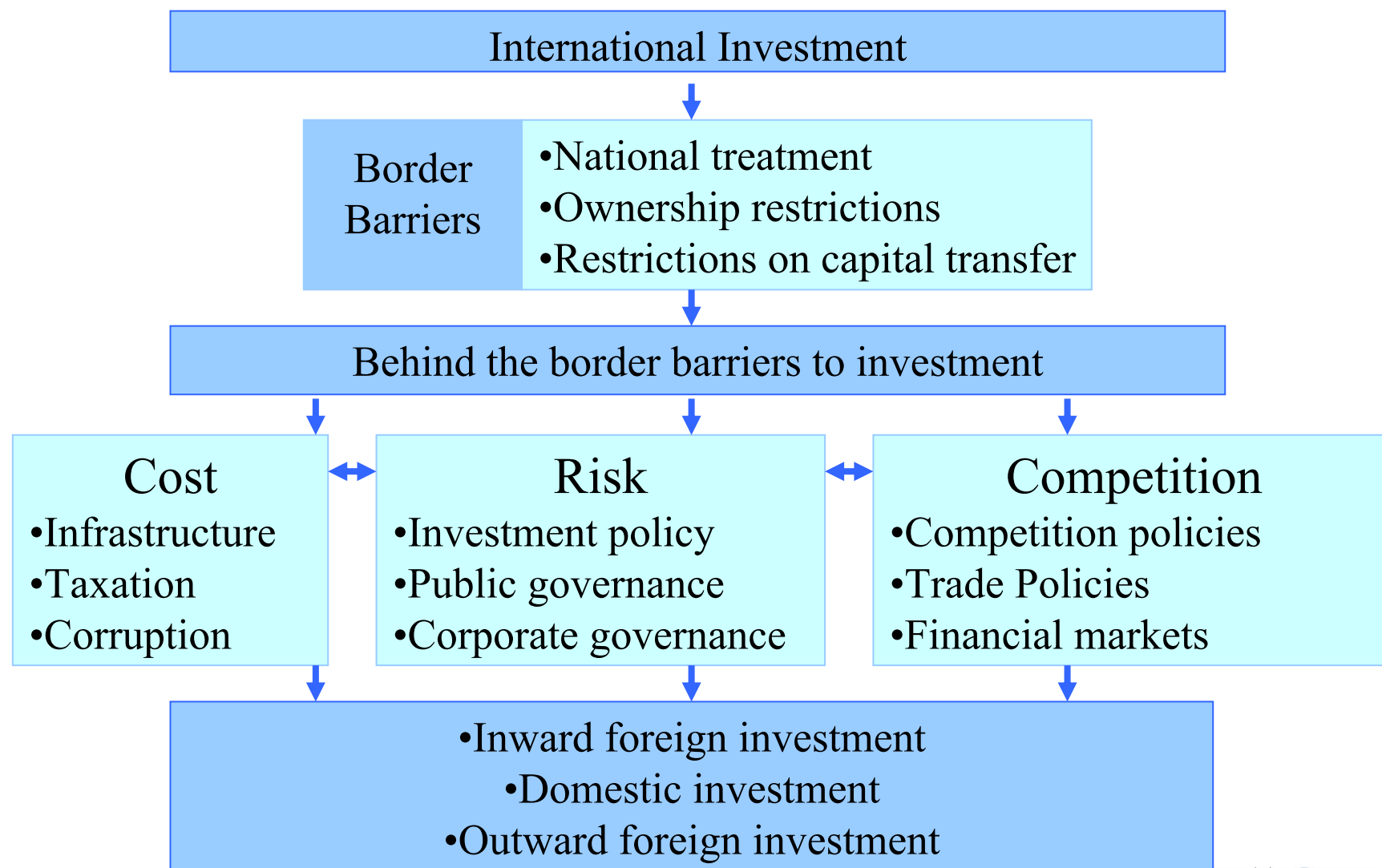
Outline

- The challenge for governments
- The OECD conceptual approach to investment climate assessment and policy capacity building
- PFI: a tool available to all in support of investment climate assessment and policy capacity building
- Lessons learnt so far from using the PFI
- Moving forward: specific actions to support investment policy capacity building

The challenge for governments

- Mobilising and attracting private investment
 - Sustained growth
 - Poverty reduction
 - e.g. World Bank estimates need for investment of US\$40 billion p.a for 10 years in African infrastructure, (9% of GDP) to meet the MDG
- This requires:
 - Identifying the bottlenecks to investment, both foreign and domestic in a coherent manner
 - Formulating the right policies and governance structures to address the obstacles
 - Effective implementation and monitoring of policy reforms
- Key issue: How to do this in countries where capacity is limited

The OECD conceptual approach to investment climate assessment



The OECD approach to investment climate assessment and policy capacity building

- OECD Investment Initiatives aim to improve the capacity of countries to identify and implement concrete policy reforms that strengthen the investment climate
- Key features of OECD Investment Initiatives
 - Nationally-owned *no one-size-fits-all*
 - Peer learning and sharing of experience *need not be alone*
 - Partnership based, providing guidance and structured evaluation Time-bound and result-oriented
- Policy assessment is:
 - Process oriented
 - Comprehensive and coherent
 - Flexible, but not prescriptive
 - Does not aim at country ranking
 - But provides a benchmark for comparisons among countries

PFI: a tool available to all in support of investment climate assessment and policy capacity building

- Key features of the PFI:
 - Good practices for all
 - Non-prescriptive
 - Domestic and international investment
 - Direct and indirect obstacles
- Models of PFI use being piloted
 - Investment Reform Index for South East Europe
 - Egypt and Vietnam for investment climate self-evaluation
 - Structure for OECD Investment Policy Reviews
 - Self-diagnostic tool to help prepare an APRM Action Plan
 - Mexico interested in PFI to organise a national/sub-national dialogue on investment promotion activities of Mexico's Provincial governments

Lessons learnt so far from using the PFI

- Potential to reinforce initiatives to improve the investment climate (e.g. investment related aspects of the APRM)
- Co-ordination device (e.g. Egypt self assessment)
- Combine qualitative and quantitative information in the assessment of the investment climate (e.g. IRI)
- Reference for public-private dialogue, which builds support for investment climate reforms
- Need guidelines for PFI implementation

Moving forward: specific actions to support investment policy capacity building

- A PFI Users' Handbook is being developed
 - Will need to test the *Handbook* in a developing country context, especially its relevance and user friendliness in situations where technical and implementation capacity is limited
- The PFI as a tool in support of the APRM process
 - Providing guidance and building capacity in African countries to develop their own APRM Action Plan related to investment climate reform eg guidance on developing monitoring and evaluation systems; sets of indicators for assessing investment climate area of APRM
- Strengthening peer review mechanisms in the area of investment climate assessment
 - e.g. Working with NEPAD, APRM and partners to support African commitment to improve their own peer review approaches in the area of investment climate assessment

The expected benefits

- Better informed decision-making
- Enhanced whole-of-government sensitivity to investment climate issues
- Public-private mutual trust
- More effective aid

Visit PFI at:
www.oecd.org/daf/investment/pfi