

**COMMUNICATION FROM THE OECD**

The following communication, dated 26 April 2002, has been received from the OECD, further elaborating the statement made by the observer representative of the OECD at the meeting of 18 and 19 April 2002.

**OECD ACTIVITIES IN THE FIELD OF INVESTMENT CAPACITY BUILDING**

1. The OECD has long experience with investment capacity building. Based on decades of improvement, implementation and monitoring of the OECD Codes of Liberalisation of Capital Movements and Current Invisible Operations and the Declaration on International Investment and Multinational Enterprises (see [www.oecd.org/daf/investment](http://www.oecd.org/daf/investment)), the OECD has developed an approach to capacity building which has been successfully tested on its own Members, including the transition and emerging economies who have recently acceded to the Organisation.
2. The specific features of the OECD's approach to capacity building are as follows:
  - *Multilaterally-endorsed FDI policy benchmarking*, covering the many dimensions of an effective enabling environment for investment;
  - *Inter-governmental peer review*, which facilitates learning, contributes to the ownership and credibility of the resulting recommendations and avoids "one-size-fits-all" approaches;
  - *Progress reporting mechanisms*;
  - *Access to stable networks of inter-connected government officials from the thirty OECD countries*, for longer-term follow-up and assistance, through Committee processes and other similar structures.
3. The benefits of this approach have been extended to interested non-Members. In the broader sense, all OECD's non-member (or "outreach") activities in the field of investment are relevant in the context of capacity building, as are pieces of analytical work which relate to international investment outside the OECD area.<sup>1</sup>

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<sup>1</sup> A report entitled 'FDI for Development. Maximising Benefits -- Minimising Costs' will be published in the second half of 2002 by the OECD Committee on International Investment and Multinational Enterprises (CIME). The CIME is also working on the development of a draft Checklist of the policy choices and possible pitfalls facing both OECD and non-OECD countries engaging in, or considering, offering investment incentives. In June 2002, as part of its work programme on the OECD Guidelines for Multinational Enterprises, the CIME will organise a Roundtable on corporate responsibility within the supply chain to which representatives of developing countries will be invited.

4. There are four main categories of OECD investment capacity building activities, many of them supported through Members' voluntary contributions (more detail on selected outreach activities in 2002 and 2003 is provided in Annex I):

- *Non-Member Adherence to the Declaration and other country peer reviews.* Six non-Members – Argentina, Brazil, Chile, Estonia, Lithuania and Slovenia – have adhered to the OECD Declaration on International Investment and participate in related CIME work; Singapore, Israel, Latvia and Venezuela have applied. Other countries have expressed possible interest in similar applications. Work on a FDI Policy Review of China is starting in 2002. Country reviews are made public.
- *Global Forums.* OECD Global Forums have been designed to assume a Committee-like structure in order to enhance the capacity of non-Members to benefit from OECD work and have an influence on it.
  1. *Global Forum on International Investment.* The Forum's inaugural conference in November 2001 in Mexico was followed by a conference on FDI and environment in the mining sector in early 2002. The next arrangement will build on the Ministerial Declaration in Doha, the Monterrey FfD consensus and the Johannesburg World Summit on Sustainable Development. It will take the form of a conference in November 2002 in Asia under the general theme of "Attracting FDI for Development". The invitees will include senior government officials from OECD and non-OECD countries, multilateral and regional organisations (including ADB, ASEAN, APEC, EC Commission, IMF, UNCTAD, WAIPA, and the World Bank), business and labour representatives, and civil society organisations. The Forum conferences can be used to perform peer review sessions on specific issues (such as Transparency measures and practices in FDI regulations, or investment incentive policy evaluations in light of the CIME Checklist currently under development).
  2. *June 2002 Workshop of the Global Forum on Trade.* The OECD Trade Committee, in cooperation with the Government of Hong Kong, China, is organising a Global Forum on Trade workshop focusing on the Singapore issues to be held on 18-19 June. In organising the workshop, the Trade Directorate is working with the Trade and Industry Department of Hong Kong, China, non-Member economy representatives, invited NGO experts, other OECD directorates -- including CCNM, DAFFE, the Development Co-operation Directorate, and the OECD Development Centre -- and with international organisations (including WTO, the World Bank, UNCTAD, APEC) and Member country contributors.
- *Regional investment programmes.* Through the South East Europe Investment Compact, the OECD is contributing concrete capacity building assistance in the countries of the region. The programme has been advanced as a model of what might usefully be envisioned in the area of investment in neighbouring regions: combining in-country teams and monitoring (published Monitoring Instruments, country reviews, project team missions); and close involvement of the private sector throughout the process. More recently, a three-year Caribbean Rim Investment Initiative was launched.
- *Istanbul Centre for Private Sector Development.* The OECD is co-managing the Istanbul-based Multilateral Centre for Private Sector Development, which provides a central platform for co-operation between OECD and transition or emerging economies in the region on private sector development policies. The Centre's programme of work for 2002 includes *inter alia* the following initiatives in the field of foreign direct investment: (i) FDI in tourism; (ii) FDI in the oil and gas industries; (iii) FDI and environment; and (iv) international investment incentives.

5. Expanded OECD co-operation with other international organisations is intended to increase the quality of capacity building and achieve synergies. The co-operation may take several forms. There is a need to improve the sharing of information on respective capacity building activities. Memorandums of Understanding for Co-operation, as recently signed by the OECD with UNCTAD and the World Bank, should contribute to improving co-ordination. The World Bank, UNCTAD, WTO and other relevant international bodies could also be invited to take part in peer reviews of non-Members by the OECD. (They are already involved in OECD regional and Global Forum programmes). Mutual observership at respective reviews and other similar events may be usefully institutionalised, budget permitting.



Activity	Current Status	OECD/ Non-OECD Partners	Next Steps	Contact Persons
<b>COUNTRY PROGRAMMES</b>				
<b>CHINA</b>				
<ul style="list-style-type: none"> <li>Conference on FDI and China's Regional Development, Xian, 11-12 October 2001</li> <li>FDI Policies Study of China</li> </ul>	<p>Held</p> <p>Under preparation</p>	<p>OECD: CCNM, DAF, TDS MOFTEC, World Bank, ADB, UNIDO MOFTEC</p>	<p>Forthcoming publication, "FDI in China's Regional Development, Prospects and Policy Challenges". To begin in April 2002</p>	<p>M. Ögütçü K. Davies F. Benois</p>
<b>RUSSIA</b>				
<ul style="list-style-type: none"> <li>OECD-Russia Committee on Enterprise Development*, 22 January 2002, Moscow</li> </ul>	<p>Held</p>	<p>Eurasia Foundation, FIAS</p>	<p>Focus on the following actions:</p> <ul style="list-style-type: none"> <li>Regional pilot projects on removing obstacles to enterprise and investment in co-operation with Eurasia Foundation and FIAS.</li> <li>Innovative programmes to improve access to finance for small business.</li> <li>Simplification of the tax and accounting system for small business.</li> <li>Capacity building in investment promotion at the national and regional level, using the OECD Best Practices on Investment Promotion.</li> <li>Cross-border co-operation within the framework of the programme on enterprise development and investment promotion in North-West Russia.</li> </ul>	<p>M. Forst K. Travkina</p>

\*[www.oecd.org/daf/enterprise-development](http://www.oecd.org/daf/enterprise-development).

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<b>COUNTRY PROGRAMMES</b>				
<p><i><b>RUSSIA cont...</b></i></p> <ul style="list-style-type: none"> <li>Follow-up to Russia FDI Review</li> </ul>	<p>A Progress Report containing assessments/reporting by Russian Government, business and OECD – similar to that of Ukraine – could be undertaken.</p>		<p>The Russian Ministry of Economic Development and Trade (Deputy Minister Materov) and the Ministry of Foreign Affairs (Mr. Medvedkov) identified investment co-operation as a high priority in the OECD-Russia dialogue, requested follow-up work through a steering-group of Russian/Western experts and government officials.</p>	<p>M. Ögütçü</p>
<p><i><b>UKRAINE</b></i></p> <ul style="list-style-type: none"> <li>Follow-up to Investment Policy Review</li> <li>Inaugural Meeting of the OECD-Ukraine Forum on Investment and Enterprise Development, Kiev, 21-22 February 2002</li> </ul>	<p>Held</p> <p>Held</p>	<p>World Bank, IMF, EBRD, European Commission, BIAC</p>	<p>Ukraine's Deputy Prime Minister Rogoviy, asked for the continuation of the policy dialogue and co-operation with the OECD on best FDI policy practices and investment promotion under the OECD-Ukraine Forum on Investment and Enterprise Development.</p> <p>Main follow-up actions identified at the recent Forum in Kiev:</p> <ul style="list-style-type: none"> <li>Work on good governance to improve the general investment environment</li> <li>Promoting Ukraine as a destination for investors as Ukraine comes closer to OECD best practices</li> <li>Foreign investment for Ukraine's regional development</li> <li>Fostering enterprise development, with a focus on removing administrative barriers</li> <li>Improving tax administration, design of corporate taxes and incentives</li> <li>Following up work on corporate governance and competition policy</li> </ul>	<p>M. Ögütçü</p> <p>M. Ögütçü</p>

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<p><b>LATIN AMERICA</b></p> <ul style="list-style-type: none"> <li>• Caribbean Rim Investment Initiative, May 2002, Jamaica</li> <li>• Meeting on Investment and Enterprise Development in South America</li> </ul>	<p>Plenary meeting of participating countries Planned</p>	<p>Inter-American Development Bank, CARICOM</p>	<p>Dates and venue to be determined</p>	<p>L. Beaty  M. Forst</p>
<p><b>EUROPE - CENTRAL ASIA</b> South East Europe Compact for Reform, Investment, Integrity and Growth (Investment Compact) (Regional Flagship Initiatives)</p> <ul style="list-style-type: none"> <li>• Workshop on Special Issues in the Negotiation of Tax Treaties", 14-18 January, Vienna</li> <li>• SEE Regional Roundtable on Investment Promotion, 14 February 2002, Istanbul</li> <li>• FDI in Slovenia and SEE, 19 March</li> <li>• "Building Institutions and Laying Foundations for International Co-operation", 25-27 March 2002, Belgrade</li> </ul> <p>Further SEE country monitoring and regional meetings</p>	<p>Held  Held  Held  Under preparation  Dates and venues to be determined</p>	<p>Co-organised with the Government of Slovenia Co-organised by competition authorities of Bulgaria, FYR, Macedonia and Slovenia</p>	<p>Implementation of 2002 Action Plan to improve SEE investment image and strengthen capacity of Investment Promotion Agencies</p> <p>Overall conclusions report including activity plans by SEE countries to be prepared by end May 2002.</p>	<p>D. Murphy  R. Parry  M. Caruso  L. Goranson J. Volkai</p>

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<p><b><i>OECD ISTANBUL CENTRE FOR PRIVATE SECTOR DEVELOPMENT</i></b></p> <ul style="list-style-type: none"> <li>• Capital Market Development in FEAS Countries, 5 April 2002, Istanbul</li> <li>• Investment, Public/Private Partnerships and Output Based Aid Schemes, 27-28 May 2002, Istanbul</li> <li>• Capital Market Development in FEAS Countries, October 2002, Kazakhstan</li> <li>• Workshop on Oil and Gas, Istanbul</li> </ul>	<p>Planned</p> <p>Planned</p> <p>Planned</p> <p>Planned</p>	<p>USAID, World Bank</p> <p>World Bank</p> <p>USAID</p> <p>IEA</p>	<p>Dates to be determined</p>	<p>H. Blommestein</p> <p>M. Forst</p> <p>H. Blommestein</p> <p>M. Ogutcu M. Forst</p>
<p><b><i>BALTIC REGIONAL PROGRAMME</i></b></p> <ul style="list-style-type: none"> <li>• Foreign Direct Investment Statistics</li> <li>• Baltic Forum for Enterprise Development and Finance Working Group I, April 2002, Tallinn</li> <li>• Baltic Forum for Enterprise Development and Finance Working Group II Meeting, September 2002, Tallinn</li> </ul>	<p>Second phase of the programme postponed</p> <p>Planned</p> <p>Planned</p>		<p>Proposals are: on site assistance resulting in the preparation of a draft guide on FDI statistics of the Baltic countries which will be discussed and finalised at a Workshop in early 2002. Possible co-operation with EUROSTAT.</p>	<p>A. Bertrand</p> <p>M. Forst</p> <p>M. Forst</p>



