Development Co-operation Report 2016

THE SUSTAINABLE DEVELOPMENT GOALS AS BUSINESS OPPORTUNITIES

The Development Assistance Committee: Enabling Effective Development

OECD

In my view: Pro-investment policies really matter!

Shaun Donnelly,
Vice President, Investment and Financial Services,
United States Council for International Business

Businesses – whether large or small, based in OECD nations or in emerging and developing countries – all realise that investing globally is critical for growth, competitiveness and even survival in a globalised economy. Today's foreign direct investment flows take on many forms and touch every sector of the economy, with trends and patterns that are far different from those of only a decade or so ago. Foreign direct investment is no longer one way, from the developed "North" to the developing "South". Countries like China, India and other emerging markets are major investors, and foreign direct investment offers "win-win" opportunities that can benefit the economies of both investor and host nations.

In my view, and more importantly listening to business leaders around the world, foreign direct investment flows into developing countries will continue to grow over the long term. For many years we will likely see these flows grow by double digits. But there will be ups and downs, and the competition will be strong. Firms, whether in OECD countries or emerging/developing economies, will make their investment decisions based on careful assessment of market opportunities, prospects of return on investment and risks. They will be deciding where to invest based on the presence – or absence – of some key characteristics in the host "investment climate":

- rule-of-law, independent judiciary and respect for private property, including intellectual property
- pro-business trade and tax regulatory frameworks at the federal and sub-federal levels
- incentive packages at the national and local levels
- strong anti-bribery and anti-corruption legislation, regulations and enforcement
- strong legal protection for investors, including through bilateral and other international investment agreements
- solid infrastructure, including information and communications technology and transportation
- links to global supply chains
- the presence of local/regional markets for the goods produced by the investment
- a skilled local workforce
- appropriate human rights, labour rights and environmental regulations
- access to natural resources.

All these factors come together to create an enabling investment climate in the individual country. The OECD, along with the World Bank, USAID and other organisations, has done path-breaking work to produce guidance on improving investment climates. In particular, the OECD's just-updated *Policy Framework for Investment* (OECD, 2015a; see "The way forward for foreign direct investment"; and Chapter 6) provides a clear and comprehensive checklist for all developing nations that are serious about improving their investment competitiveness.

Individual investors will, of course, continue to assess investment climates and weigh key factors in their own unique way. But in general, the message I'm hearing from major investors is that the quality of investment opportunities is increasingly important. It is not just a matter of choosing the lowest cost or the largest market. Investors want to invest not just in good projects, but also with "good" partners in "good" countries with "good" policies.