



Paris, 08 May 2006

Final BIAC comment on the Policy Framework for Investment (PFI) – Letter to OECD  
Ambassadors

Dear Ambassador,

At its meeting on 11 May, the Council will be asked to adopt the Report C(2006)68 on the “OECD Initiative on Investment for Development: A Policy Framework for Investment (PFI)” and to invite OECD and non-member governments to make use of the PFI. As BIAC was very engaged in the development of the PFI, I would like to inform you about views regarding the product as it now stands.

The business community highly appreciates the manner in which the OECD has closely co-operated with non-OECD countries to reach a common understanding on policies to attract and retain investment and to jointly develop the Policy Framework for Investment.

Since the start of the PFI initiative, BIAC has very actively supported its development. Throughout the drafting process we have made it clear that for the PFI to provide added value for international business, governments need to make the promotion of domestic and foreign investment the central goal of the initiative. In order to promote investment effectively, BIAC has asked the countries to identify high quality policies in areas relating to government accountability and transparency, the rule of law and its enforcement, cost-effective regulatory frameworks, bribe solicitation and corruption, trade and investment regimes, labour market flexibility, intellectual property right protection, human resource and infrastructure development. BIAC’s view is that through a series of questions relating to these policy areas, the PFI should encourage governments to embrace and effectively implement best standards as a means to attract and retain investment that renders broad societal benefits.

BIAC believes that the result achieved so far is only partially satisfactory. In our view the PFI would better serve its objective if some of the questions and annotations strived for even more ambitious investment-related policies than those suggested in the PFI. Regarding the specific chapter on “Policies for promoting responsible business conduct”, BIAC stressed that the PFI – and in particular the related background text in the planned accompanying publication “A Review of Good Practices” – should more clearly distinguish between government policies that are necessary to enforce companies’ compliance with laws and those government policies that are appropriate to support non-binding business activities to respond to legitimate stakeholder concerns that go beyond stipulations made by laws. A clearer distinction between law enforcement and support for voluntary corporate responsibility initiatives would, in the business community’s view, better provide for recognizing and enhancing responsible business conduct in both areas.

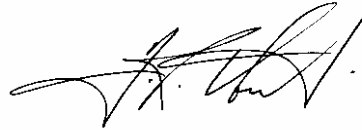
Notwithstanding these qualifications, BIAC believes that overall the PFI represents a significant step towards policy environments that are more conducive to investment. The Framework reflects the comprehensive approach that governments need to take in order to generate more investment, and we believe that most chapters adequately address the issues that are crucial for promoting

investment. Thus, the PFI has the potential to be instrumental in structuring the dialogue with non-OECD countries on investment and in making it more effective.

The acid test for the PFI, of course, will be the policy practice in non-OECD countries and the reaction by the markets. In order to make a real difference for global investment, the PFI must be valued tool that is effectively promoted, and governments need to be encouraged to apply the good practises identified in the document.

BIAC calls on the OECD to give high priority to these activities. In addition, we recommend regular reviews and updates of the PFI with participation of BIAC and other stakeholders to ensure that the PFI reflect future developments regarding high quality approaches towards investment in all relevant policy areas. BIAC is ready to support the OECD in both the promotion and the further substantive development of the PFI.

Best regards,

A handwritten signature in black ink, appearing to read 'T. Vant', with a stylized flourish extending to the left.

Thomas R. Vant  
Secretary General