## Opening the Black Box of FDI and Development

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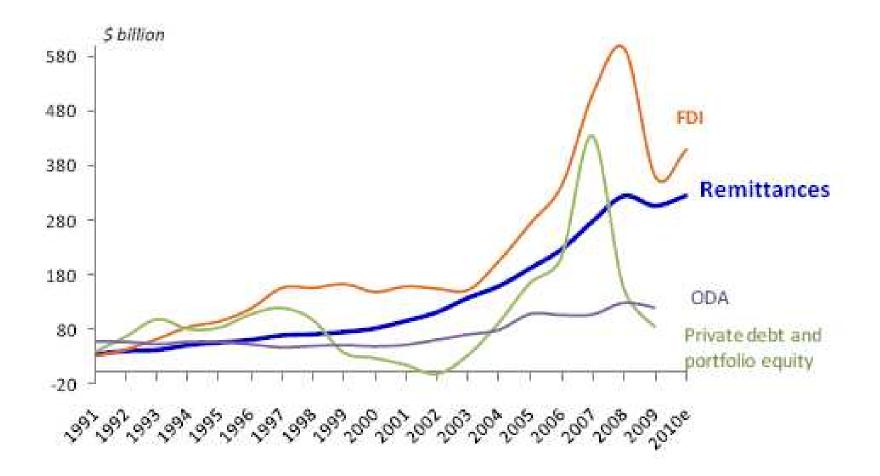
Working together to increase the development impact of aid

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### FDI remains resilient



Source: World Bank (2010), "Migration and development Brief 13", World Bank, November

## The long and winding road from FDI to development

#### **FACTORS**

- Policies (training, wage...)
- Strategy (greenfield/M&A, depedency on local assets...)
- Technology (labour intensity, technological gap...)

FDI

- Economic structure (market size, competitiveness...)
- Institutional framework (governance and transparency, norms on universal coverage...)

#### **MECHANISMS**

- Employment
- Economic activity
- Technological spillover
- Balance of payments
- Socio-political mechanisms

#### **PROCESSES**

- Structural change
- Balance of payments equilibrium
- Basic goods and services
- Non-basic goods and services
- Labour structure

# Linking development cooperation policies to development-friendly-FDI: influencing the factors

- Host country economic structure
  - □ Poverty reduction → market size
  - □ Training programmes → human capital qualification

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- Host country institutional framework
  - □ Technical assistance → governance and transparency
  - □ Policy coherence for development: donors' positions in international fora → labour and environmental legislation, nationality requirements, norms on universal coverage

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- Investment project
  - □ PPPs → clean technologies
  - □ Policy dialogue → relations with local communities

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