

REVIEW SESSION ON CHAPTER B OF THE MONTERREY CONSENSUS
Mobilizing International Financial Resources for Development
Talking Points – 2/15/08

- 1) **Codes and Standards for Foreign Direct Investment (FDI)**
 - a. Draft a unified set of international principles to guide national regulations detailing rights and obligations of both foreign investors and governments of developing countries including legal, judicial, accounting and tax structures, as well as positive social and environmental impacts. Such an initiative will attract foreign direct investment that will contribute to development and discourage capital flight and the use of offshore tax havens. Investors should act according to “Corporate Social Responsibility” standards.
 - b. Ratification of “The UN International Convention against Corruption and Transnational Organized Crime” by all countries. While an important step forward, it requires consistent international enforcement.
 - c. Adopt widely “Extractive Industries’ Transparency Initiative” standards. Since much of the growth in FDI in developing countries has been in natural resources, it is especially important that these investments contribute fully to development.
 - d. Promote the ILO’s “Decent Work” agenda through the compliance of foreign investors to a mutually agreed upon standard of conduct. International cooperation for living wages and humane workplace conditions is essential.
- 2) **Innovative Structures for FDI**
 - a. Expand public/private partnerships, under appropriate supervision, between governments and foreign corporations to develop key industries and infrastructure. Two important areas are in the extractive industries and in public infrastructure, both of which require massive financial resources. While private development of basic infrastructure such as water has been problematic, some partnerships have been shown to work well for the common good.
 - b. Devote a priority role for FDI to develop new and innovative sectors where foreign expertise and marketing networks might be needed to make a project successful. While Asia, and Latin America, to some extent, has experienced such diversification of foreign investment, African development is still premised on natural resources. Any commodity market downturn leaves these countries and their foreign investors in distress. Both would be better served by the facilitation of a wider variety of investment opportunities.
 - c. Adoption by foreign investors of a pro-poor agenda: a set of commitments involving technical assistance, worker training, health initiatives and pollution abatement policies, all of which provide not only a more successful investment climate, but also greater social good.
- 3) **Mechanisms to Address International Economic Crisis**

In times of international economic turbulence, such as wide exchange rate swings, sudden decline of financial flows, recession or falling commodity prices, poor people and poor countries are the first to suffer. Developing countries cannot be expected to absorb such risks.

 - a. Governments should experiment with issuing bonds whose yield to GDP and/or commodity prices better share risks with creditors.
 - b. Transparency and regulation of hedge funds, sovereign wealth funds and other private capital funds is essential and should begin immediately.
 - c. Establish an effective and inclusive international forum for policy coherence that gives greater attention than current IMF surveillance practice to the impact of policies of the Group of 7 on poor country development.

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