

Compilation and Facilitators' Proposals: 10 November 2008

Mobilizing international resources for development: foreign direct investment and other private flows

14. [EU: Insert “Recognizing the potential value of foreign direct investment for development, ~~W~~we..”] We [G77: insert: recognize that private international capital flows, particularly foreign direct investment, can be a vital complement to national and international development efforts.”] welcome the rise in private international capital flows to [EU: Insert “and between”] developing countries since the Monterrey Conference [US: Insert “and the improvements in business climates that have helped achieve this objective”][G77: “welcome the rise in private international capital flows to developing countries since the Monterrey Conference”]. At the same time,[G77: “At the same time,”. Insert “We need to ensure that international capital flows genuinely assist development efforts and in this regard encourage flows like foreign direct investment rather than volatile short term capital flows”] we will try to [G77: “we will try to”. Insert “We will”][SWZ: “At the same time, we will try to”. Insert “While working to”] substantially broaden the number of countries and sectors receiving such flows [G77 insert “,as well as take measures to ensure international financial stability”] [SWZ: Insert “we will uphold mutually agreed environmental and social standards”]. Special efforts should be undertaken at the national, bilateral and multilateral [CANZ: “bilateral and multilateral”. Insert “regional and global”] levels to [EU: Insert “facilitate and attract”] increase [EU: ~~increase~~] private capital flows [G77 insert “to developing countries”], particularly foreign direct investment to Africa[G77 “Africa” Insert “African countries”], the [G77: “the”] least developed countries, landlocked developing countries and small island developing States[G77 insert “including through the provision of technical, financial and other forms of assistance, promotion of and strengthening of partnerships and cooperation arrangements at all levels. We also consider that it is necessary to reverse the net outflow of financial resources from developing countries. We emphasize the importance of orderly and well sequenced measures in regulating capital flows. We also underline the importance of addressing the constraints of low income developing countries in attracting these private flows.”]. [US: “At the same time, we will try to substantially broaden the number of countries and sectors receiving such flows. Special efforts should be undertaken at the national, bilateral and multilateral levels to increase private capital flows, particularly foreign direct investment to Africa, the least developed countries, landlocked developing countries and small island developing States.” Insert: “Efforts should continue at the national, bilateral and multilateral levels to support private foreign direct investment and other private flows, particularly to Africa, LDCs, LLDCs, and SIDS”.]

[G77 proposed 14 ter “We also appreciate the growing importance of South-South capital flows and their role in increasing investment in developing countries. We support measures to further strengthen these flows, while recognizing their distinct and complementary nature to North-South capital flows.]

[G77 proposed 14bis (new). “We also recognize the need for undertaking special efforts to increase private capital flows, particularly FDI to low and middle income developing countries to address their social, economic and development needs.”]

Facilitators' Proposal for Para 14: We recognize that private international capital flows, particularly foreign direct investment, can be a vital complement to national and international development efforts. We welcome the rise in private international capital flows to and between developing countries since the Monterrey Conference and the improvements in business climates that have helped achieve this objective. We will strive to ensure that international capital flows genuinely assist development efforts and substantially broaden the number of countries and sectors receiving such flows. We will strengthen efforts at the national, bilateral and multilateral levels to facilitate and attract private capital flows to developing countries, particularly foreign direct investment to African countries, least developed countries, landlocked developing countries and small island developing States including through the provision of technical, financial and other forms of assistance, promotion and strengthening of partnerships and cooperation

arrangements at all levels. We emphasize the importance of enhancing the stability of such flows, including through orderly and well sequenced regulatory measures.

15. [G77: insert “ The support by the international community in promoting resources mobilization is critical.”]Developing countries and countries with economies in transition [G77: ~~“Developing countries and countries with economies in transition”~~. Insert “We”] should enhance efforts to [Rus: Insert “to promote real sector investments as well as”] mobilize investment in [Rus: Insert “Information and Communications Technology”] transport, [G77: insert “energy,”] communications and other physical [SWZ: Insert “environmental”] and social [G77: ~~“physical and social”~~] [JPN:”social”]Insert “institutional”] infrastructure [EU: Insert “and human resources”] that serve to strengthen their [G77: ~~“their”~~. Insert “the”] business [EU: Insert “and trade] environment[G77: Insert “and competitiveness in developing countries and countries in transition.”]. [G77: Insert “We also recognize the importance of sharing best practices in promoting and attracting private investment in infrastructure.”] The support of bilateral and multilateral partners in this task is critical. There is also a need to enhance the tools used by multilateral and bilateral donors to mitigate the risks faced by business investors in critical sectors in developing and transition economies and to devise ways by which official development assistance (ODA) [EU: Insert “and other public mechanisms such as guarantees and participations (inter alia PPP)”] can play a catalytic role in the mobilization of private flows [CANZ: ~~“and to devise ways by which official development assistance (ODA) can play a catalytic role in the mobilization of private flows”~~.] [G77: ~~“There is also a need to enhance the tools used by multilateral and bilateral donors to mitigate the risks faced by business investors in critical sectors in developing and transition economies and to devise ways by which official development assistance (ODA) can play a catalytic role in the mobilization of private flows”~~ – last part of sentence modified and moved to para 16] [JPN: Insert “We will also strive to support development of local currency bond markets and promote South-South investment.”] We will also strive to enhance the stability of private capital flows through encouraging the implementation of counter-cyclical policies [SWZ: Insert “sound macroeconomic policies”] and making [SWZ:“making”] efforts to promote South-South investment. [G77: ~~“We will also strive to enhance the stability of private capital flows through encouraging the implementation of counter-cyclical policies and making efforts to promote South-South investment.”~~] [JPN: ~~“We will also strive to enhance the stability of private capital flows through encouraging the implementation of counter-cyclical policies and making efforts to promote South-South investment.”~~] [US: ~~“The support of bilateral and multilateral partners in this task is critical. There is also a need to enhance the tools used by multilateral and bilateral donors to mitigate the risks faced by business investors in critical sectors in developing and transition economies and to devise ways by which official development assistance (ODA) can play a catalytic role in the mobilization of private flows. We will also strive to enhance the stability of private capital flows through encouraging the implementation of counter-cyclical policies and making efforts to promote South-South investment.”~~ Insert “While governments are responsible for creating an enabling environment for investment, multilateral and bilateral donors can provide technical assistance to governments on a range of issues, including risk mitigation.”]

Facilitators’ Proposal for Para 15: Developing countries and countries with economies in transition should enhance efforts to mobilize investments in human resources, transport, energy, communications, information technology and other physical, institutional and social infrastructure that serve to strengthen the business environment, enhance competitiveness and expand trade. The support of bilateral and multilateral partners in this task is critical. We recognize the importance of sharing best practices in promoting and attracting private investment in infrastructure. There is also a need to enhance the tools used by multilateral development agencies and bilateral donors to mitigate the risks faced by business investors in critical sectors in developing and transition economies and to devise ways by which official development assistance (ODA) and other public mechanisms such as public/private partnerships can play a catalytic role in the mobilization of private flows. Moreover, we will strengthen efforts to promote South-South investment.

16. Experience of recent years [G77: ~~“of recent years”~~] [EU: ~~“of recent years”~~] has shown that providing an enabling business [G77: ~~“business”~~. Insert **“domestic and international”**] environment [CANZ: Insert **“based on good governance and the rule of law”**] is fundamental to fostering domestic and foreign [G77: ~~“domestic and foreign”~~] private investment. We will continue [US: ~~“We will continue”~~. Insert **“Developing countries can benefit by continuing to strengthen efforts”**] to [EU: Insert **“further improve our efforts to”**] put in place transparent, [G77: ~~“,”~~. Insert **“and”**] [EU: Insert **“socially and environmentally responsible”**] appropriate [EU: Insert **“gender sensitive”**] and enforceable [G77: ~~“and enforceable”~~] regulations and laws for doing business, improve the availability of finance for enterprise, upgrade the skills and technical capabilities of human resources and [SWZ: ~~“and”~~. Insert **“,”**] facilitate public-private consultative mechanisms [SWZ: Insert **“and promote corporate social responsibility”**]. [G77: ~~“and laws for doing business, improve the availability of finance for enterprise, upgrade the skills and technical capabilities of human resources and facilitate public-private consultative mechanisms.”~~ Insert **“at the national and international levels.”**] [JPN: Insert **“Bilateral investment treaties can promote private flows by providing legal stability and predictability to investors.”**] Developed countries can also encourage private flows to developing countries through bilateral investment treaties, tax treaties [LICH: Insert **“addressing, inter alia, double taxation”**] and other tax measures [EU: Insert **“taking into account regional and multilateral cooperation (concertation) as to avoid detrimental tax practices”**]. [JPN: ~~“Developed countries can also encourage private flows to developing countries through bilateral investment treaties, tax treaties and other tax measures.”~~] [MEX: Insert **“We acknowledge the importance of supporting capacity building in developing countries aimed at improving their abilities to negotiate bilateral investment treaties. We are aware of the issues deriving from the differences among the multiplicity of investment treaties and, therefore, we call for a better coordination and convergence in the negotiation of these international instruments”**] [US: ~~“Developed countries can also encourage private flows to developing countries through bilateral investment treaties, tax treaties and other tax measures.”~~ Insert **“Bilateral investment treaties can also encourage private flows to developing countries”**] We call on bilateral and multilateral agencies to continue assisting interested countries to formulate policies and measures to attract international private capital flows, including through public-private partnerships. [G77: ~~“Developed countries can also encourage private flows to developing countries through bilateral investment treaties, tax treaties and other tax measures. We call on bilateral and multilateral agencies to continue assisting interested countries to formulate policies and measures to attract international private capital flows, including through public-private partnerships.”~~ Insert **“We agree that developed countries should provide concrete incentives to companies investing in developing countries in order to encourage private flows to these countries, where appropriate. In this regard, increased official development assistance (ODA) can play a catalytic role in the mobilization of private flows.”**]

[EU proposed 16 bis: **“Sovereign wealth funds play a positive role for the States which own them and for the long term financing of the global economy and development. International efforts aiming at defining good practices on governance, transparency and responsibility of sovereign wealth funds should be encouraged. In this regard, the work undertaken by the OECD on developing guidelines for recipient countries’ policies towards sovereign wealth funds and the IMF generally agreed principles and practices for sovereign wealth funds, should be supported”**]

Facilitators’ Proposal for Para 16: Experience has shown that providing an enabling domestic and international business environment is fundamental to fostering domestic and foreign private investment. Developing countries can benefit by continuing to strengthen efforts to put in place transparent and effective regulations and laws for doing business, upgrade the skills and technical capabilities of human resources, improve the availability of finance for enterprise, facilitate public-private consultative mechanisms and promote corporate social responsibility. Bilateral investment treaties can promote private flows by providing legal stability and predictability to investors. It is important that bilateral investment treaties, as well as tax treaties and other tax measures to facilitate foreign investments, take into account regional and multilateral cooperation in order to avoid detrimental tax practices. We acknowledge the importance of supporting capacity building in developing countries aimed at improving their abilities to enter into investment agreements. We also call on developed countries to explore incentives to increase the

flow of foreign direct investment to developing countries and bilateral and multilateral development agencies to continue assisting interested countries to formulate policies and measures to attract international private capital flows, including through public-private partnerships.

17. The quality of foreign direct investment plays ~~[US: “The quality of foreign direct investment plays”]~~ Insert “Sustainable infrastructure, applied technology, and job creation play” an important role in enhancing the development impact of these ~~[US: “these”]~~ Insert “foreign direct” investments. ~~[JPN: Insert “Given the increasing importance of sovereign wealth funds and their potential to support development, good practices of these funds which are conducive to development should be collected and emulated.”]~~ We will strengthen efforts to maximize linkages with domestic production activities, the transfer of technology and the training of the local labour force ~~[EU: Insert “, including women and young people”].~~ ~~[US: “We will strengthen efforts to maximize linkages with domestic production activities, the transfer of technology and the training of the local labour force.”]~~ We will make stronger ~~[G77: “stronger”]~~ Insert “greater” efforts to promote ~~[US: “make stronger efforts to promote”]~~ Insert “support” corporate social responsibility and good corporate governance, and seek ~~[EU: “seek”]~~ ~~[Mex: “and seek”]~~ Insert “seeking” to ~~[G77: “seek to”]~~ ensure that adequate ~~[G77: “adequate”]~~ Insert “appropriate” ~~[NOR: “adequate”]~~ Insert “human rights,” labour and environmental protection standards ~~[G77: “and environmental protection standards”]~~ Insert “,environmental, anti-corruption laws and regulations” are upheld everywhere. We encourage ~~[US: Insert “the use of market-based incentives and business standards and support”]~~ the work undertaken in ~~[G77: “in”, “by”]~~ the United Nations, including ~~[G77: Insert “through”]~~ the Global Compact, in this regard. ~~[EU: Insert “We welcome the promotion of internationally agreed corporate social responsibility standards such as the ILO Tripartite Declaration and the OECD Guidelines for Multinational Enterprises. We call for ratification of international social and environmental standards and agreements, social and environmental clauses in public procurement and development of socially responsible investment funds”]~~ Measures should be devised to avoid over-exploitation of natural resources, while enhancing ~~[LICH: “enhancing”]~~ Insert “ensuring” transparency and accountability of revenues from extractive industries, both national and foreign-owned, ~~[EU: Insert “as well as assuring optimal use of the proceeds of natural resources for sustainable development. We favour”]~~ taking into account, where appropriate, the implementation of relevant initiatives on extractive industries ~~[EU: Insert “, in particular, we encourage joint international initiatives such as the Kimberley process, the EITI and FLEGT action plan. In addition, efforts to improve good financial governance along the value chains in the extractive sector should also be pursued vigorously”]~~ ~~[CANZ: Insert “including the extractive industries transparency initiative”].~~ ~~[SWZ: Insert “We will promote measures to enhance transparency and accountability of all transnational companies and their subsidiaries”]~~ ~~[G77: “Measures should be devised to avoid over-exploitation of natural resources, while enhancing transparency and accountability of revenues from extractive industries, both national and foreign-owned, taking into account, where appropriate, the implementation of relevant initiatives on extractive industries.”]~~ ~~[US: “Measures should be devised to avoid over-exploitation of natural resources, while enhancing transparency and accountability of revenues from extractive industries, both national and foreign-owned, taking into account, where appropriate, the implementation of relevant initiatives on extractive industries.”]~~ ~~[Libya: “Measures should be devised to avoid over-exploitation of natural resources, while enhancing transparency and accountability of revenues from extractive industries, both national and foreign-owned, taking into account, where appropriate, the implementation of relevant initiatives on extractive industries.”]~~ Or add industries additional to extractive industries]

[US proposed 17 bis: “Market-based incentives that reflect social as well as financial costs and benefits in the extraction and use of natural resources should be applied where needed to avoid over-exploitation, while enhancing transparency and accountability of revenues from extractive industries, both national and foreign-owned, taking into account, where appropriate, the implementation of relevant initiatives on extractive industries.”]

Facilitators’ Proposal for Para 17: The quality of foreign direct investment plays an important role in enhancing the development impact of these investments. We will strengthen national and international efforts to maximize linkages with domestic production activities, the transfer of technology and the training

of the local labour force, including women and young people. We will make greater efforts to promote corporate social responsibility and good corporate governance to ensure that labour and environmental protection standards and anti-corruption laws and regulations are upheld everywhere. In this regard, we encourage the work undertaken at the national level and by the United Nations, including through the Global Compact, and the promotion of internationally agreed corporate social responsibility standards such as the ILO Tripartite Declaration. We will promote measures to enhance transparency and accountability of all transnational companies and their subsidiaries. Also, measures should be devised to avoid over-exploitation of national resources, while enhancing transparency and accountability of revenues from extractive industries, both national and foreign-owned, taking into account, where appropriate, the implementation of relevant initiatives on extractive industries.

Facilitators' Proposal for Para 17bis: Given the increasing importance of sovereign wealth funds and their potential to foster the long term financing of the global economy and development, good practices of these funds which are conducive to development should be collected and emulated. International efforts aiming at defining good practices on governance, transparency and responsibility of sovereign wealth funds should be encouraged.

18. We recognize that [EU: Insert “foreign direct investment is one of the factors through which”] technology transfer [CANZ: Insert “on mutually agreed terms”] is one of the key factors through which foreign direct investment can impact development [EU: ~~“is one of the key factors through which foreign direct investment can impact development.”~~ Insert “takes place”] [JPN: Insert “Adequate protection of intellectual property rights can foster such transfer.”] Such transfer can also be facilitated by the proactive innovation and transfer policies of the host country [EU: Insert “as well as effective property rights and their enforcement.”] [NOR: “including to secure that women get equal access to new technology”]. [G77: ~~“Such transfer can also be facilitated by the proactive innovation and transfer policies of the host country”~~]. Insert “Such transfers require proactive policies by developed countries to facilitate the transfer of technology to developing countries, including through appropriate incentives to companies owning such technologies.” [EU: Insert “Inclusive Ppublic-private...”] Public-private partnerships can play a crucial role in implementing those policies, as well as in fostering a dynamic small and medium-size enterprise sector. Many lessons have been learned on how these elements should be carefully taken into consideration in the formulation of national development strategies.[G77: ~~“Public-private partnerships can play a crucial role in implementing those policies, as well as in fostering a dynamic small and medium-size enterprise sector. Many lessons have been learned on how these elements should be carefully taken into consideration in the formulation of national development strategies.”~~ Insert “We acknowledge the role that public-private partnerships can play in this regard.”]

Facilitators' Proposal for Para 18: We recognize that foreign direct investment is one of the factors through which technology transfer can impact development. Such transfer can be facilitated by proactive innovation policies of the host country as well as by adequate protection of intellectual property rights and their enforcement. Proactive policies by developed countries to facilitate the transfer of technology to developing countries, including through appropriate incentives to companies owning such technologies, are also important. Public-private partnerships can play a role in facilitating technology transfer, as well as in fostering a dynamic small and medium-size enterprise sector. Many lessons have been learned on how these elements should be carefully taken into consideration in the formulation of national development strategies.

19. International financial institutions, particularly multilateral development banks, should continue to enhance their efforts to provide [US: “provide”. Insert “help countries put in place the appropriate”] incentives for private flows to developing countries and transition-economy countries. At the same time, these institutions should continue to explore innovative modalities to facilitate additional private flows to such countries.

Facilitators' Proposal for Para 19: International financial institutions, particularly multilateral development banks, should continue to strengthen their efforts to help countries put in place the appropriate incentives for enhancing private flows to developing countries and countries with economies in transition. At the same time, these institutions should continue to explore innovative modalities to facilitate additional private flows to such countries.

20. We are cognizant of the fact that the perception of a country's current economic conditions and prospects determine to a large extent the international private financial flows that it attracts. [G77: **Insert "In this regard, the information provided by credit rating agencies should be based on broadly accepted, strict, objective and transparent parameters. We emphasize the importance of establishing regulatory frameworks to oversee the activities of credit rating agencies, including their accountability."**] The provision of objective, high quality information is vital for informed decisions by potential foreign investors. [G77: **~~"The provision of objective, high quality information is vital for informed decisions by potential foreign investors."~~**] We will continue to strengthen modalities, including through [EU: **Insert "the country itself and"**] efforts of multilateral agencies [G77: **~~"including through efforts of multilateral agencies"~~**]. **Insert "including through the United Nations system"**, to enhance and improve [G77: **Insert "technical"**] information regarding a country's economic situation and outlook. The information provided by credit rating agencies, which is also useful for public sector policymakers, should thus be based on broadly accepted, objective and transparent criteria [RUS and IMF: **consider in the context of paragraph 55**]. [G77: **~~"The information provided by credit rating agencies, which is also useful for public sector policymakers, should thus be based on broadly accepted, objective and transparent criteria"~~**]

Facilitators' Proposal for Para 20: The provision of objective, high quality information is vital for informed decisions by policy-makers, and potential domestic and foreign investors alike. We will continue to strengthen modalities, including through the country itself, the United Nations system and relevant multilateral agencies to enhance and improve the level and objectivity of information regarding a country's economic situation and outlook. We realize that the perception of a country's current economic conditions and prospects determine to a large extent the international private financial flows that it attracts. In this regard, the information provided by credit rating agencies should be based on broadly accepted, clearly defined, objective and transparent parameters. We emphasize the importance of establishing frameworks to oversee the activities of credit rating agencies, including their accountability.

21. [CANZ: **Insert "We recognize that capturing the full potential of remittances remains a challenge, though the flow of remittances across international borders, particularly to developing countries, is growing rapidly. Increasingly, remittances play an increasing role in the financing of development in the immigrant workers' home countries"**] [Mex: **Insert " We recognize the positive effects on development and economic growth of international migration, as well as the important challenges we face in dealing with this phenomenon, and the need for concerted action in the bilateral, regional and multilateral level, as appropriate, for ensuring that the potential benefits of international migration for development can be fully attained. We fully recognize that migrant workers' remittances are private flows, a product of the hard labor of migrant workers, who are their exclusive truthful owners, and that being so, remittances are of a totally different nature than ODA and thus cannot be, in any fashion, compared, assimilated or accounted as such. In that context we"**] We will [EU: **Insert "strengthen existing and"**] continue to explore measures [G77: **~~"continue to explore measures"~~**] to [CANZ: **Insert "create enabling environments and"**] lower the [G77: **Insert "transaction"**] [CANZ: **Insert "transition"**] cost of workers' [G77: **~~"workers"~~**] [CANZ: **~~"workers"~~**] "remittances [EU: **Insert "enhance transparency and improve the data collection in the transfer system"**] through increased cooperation between the originating and receiving countries. We will explore avenues for taking fuller advantage of the opportunities provided by remittances to satisfy not only families' consumption needs, but also to foster broader access to financial services and savings and [Mex: **Insert "to"**] promote development goals [CANZ: **Insert "including education, housing, and small business start-ups and expansion"**] [LICH: **Insert "through microfinance"**] [Mex: **Insert "including through mechanisms that provide incentives for the owners of remittances to invest in projects that**

have an impact in the sustainable development of recipient communities”]. We also need to be mindful that these are private flows over which Governments do not have direct control. [G77:“ ~~We will explore avenues for taking fuller advantage of the opportunities provided by remittances to satisfy not only families’ consumption needs, but also to foster broader access to financial services and savings and promote development goals. We also need to be mindful that these are private flows over which Governments do not have direct control.~~”] [Mex: “We also need to be mindful that these are private flows over which Governments do not have direct control.”] [IMF suggestion, paragraph should refer to “the conditions needed to foster greater competition between the firms offering transfer services”]

Facilitators’ Proposal for Para 21: We recognize that capturing the full potential of remittances remains a challenge, though the flow of remittances across international borders, particularly to developing countries, is growing rapidly. Remittances have played an increasing role in the provision of foreign exchange in the immigrant workers’ home countries. We recognize the essentially private nature of these flows and will strengthen existing measures to lower the transaction costs of remittances through increased cooperation between the originating and receiving countries. We will promote incentives for the owners of remittances to invest in projects that have an impact in the sustainable development of recipient communities.