Recommendation of the Council on the Policy Framework for Investment

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Background Information

The Recommendation on the Policy Framework for Investment (hereafter "the Recommendation") was adopted by the OECD Council on 13 May 2015 on the proposal of the Investment Committee, with the concurrence of the Development Assistance Committee (DAC).

OECD's work on investment climate reform – the Policy Framework for Investment

The Policy Framework for Investment (PFI) was developed in 2006 and updated in 2015 as a comprehensive and systematic approach for improving investment conditions. It provides the basis for OECD work on investment climate reform.

The PFI looks at 12 different policy areas affecting investment: investment policy, investment promotion and facilitation, competition, trade, taxation, corporate governance, finance, infrastructure, developing human resources, policies to promote responsible business conduct and investment in support of green growth, and lastly broader issues of public governance. These policy areas are widely recognised as underpinning a healthy environment for all investors, from small- and medium-sized firms to multinational enterprises.

The PFI emphasises the fundamental principles of rule of law, transparency, non-discrimination and the protection of property rights but leaves for the country concerned the choice of policies, based on its economic circumstances and institutional capabilities. It is used to help interested countries to design and implement policy reforms to create a truly attractive, robust and competitive environment for domestic and foreign investment.

Supporting the use of the PFI through the Recommendation

Almost a decade after its first release and on the occasion of its update, the PFI was embodied into an OECD Recommendation to further encourage the widespread use of the PFI and to outline the range of ways in which the PFI could be used.

For this purpose, the Council recommends that Adherents use the PFI to facilitate coherence at all levels of government for better policy formulation and implementation; as a tool for self-evaluation, peer reviews, knowledge and experience sharing, regional co-operation programmes and dialogues and multilateral discussions on investment-related policies; and as a source of international good practices on investment climate reforms. The Council further recommends that Adherents promote the PFI as a tool for development co-operation and policy dialogue with partner countries to foster investment and private sector development.

The Recommendation was developed by the Investment Committee in concurrence with the DAC, through the Advisory Group on Investment and Development (AGID) – which has since been dismantled.

For further information please consult: https://www.oecd.org/investment/pfi.htm.
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Implementation

2021 Report on the implementation of the Recommendation

In line with the Council's instruction to evaluate the implementation of the Recommendation, no later than five years following its adoption, a Report on the implementation, dissemination and continued relevance of the Recommendation was approved by the Investment Committee on 12 May 2021, following a consultation with the DAC.

The Report describes the main ways in which the PFI has been used in line with the Recommendation. The Recommendation is an inducement to use the PFI in a number of different ways and, as such, forms an integral part of discussions with non-Adherents on the potential benefits of using the PFI. It has therefore been disseminated to non-Adherents along with the PFI through conferences and capacity-building workshops to promote investment climate reforms based on the PFI, in dialogues with individual non-Adherents about undertaking an Investment Policy Review (IPR) using the PFI and in discussions with development partners about the role of the PFI in private sector development programmes. As such, its broad dissemination matches the growing use of the PFI globally. More could nevertheless still be done to encourage uptake by development partners in their own private sector development programmes. This is being addressed through further dialogue with development partners on both the PFI Recommendation and other initiatives. The report also concludes that more could be done to further support the implementation and dissemination of the Recommendation.

For this purpose, the OECD Secretariat and Adherents will continue to foster greater use of the PFI along the lines of the Recommendaton through roundtables, workshops and conferences and in both national and regional work related to investment climate reform.The Investment Committee, in consultation with the Development Assistance Committee, will continue to monitor the Recommendation’s implementation and report regularly to Council, as instructed by Council.

THE COUNCIL,

HAVING REGARD to Article 5 b) of the Convention on the Organisation for Economic Co-operation and Development of 14 December 1960;

HAVING REGARD to the Declaration on International Investment and Multinational Enterprises [C(76)99/FINAL] and related Acts;

HAVING REGARD to the OECD Ministerial Declaration on Policy Coherence for Development (PCD) adopted by Ministers of OECD countries at the Ministerial Council on 4 June 2008 [C/MIN(2008)2/FINAL], and the OECD Strategy on Development endorsed at the meeting of the Council at Ministerial level on 23-24 May 2012 [C/MIN(2012)6], which states that the OECD will provide a platform for dialogue with developing countries and key stakeholders on PCD issues, as well as on the increased relevance of PCD in developing countries in the spirit of mutual partnership as agreed during the Financing for Development Conferences in Monterrey and Doha;

RECOGNISING the contribution of investment to growth, employment, skills, innovation, and development;

ACKNOWLEDGING the importance of an enabling policy environment to reap the full economic, social and environmental benefits of investment;

RECOGNISING the role assigned to private investment in the post-2015 development agenda, including financing for development;

CONSIDERING that the *Policy Framework for Investment* (hereafter the “PFI”) developed in 2006 as a component of the OECD Initiative on Investment for Development [C(2006)68, C/M(2006)9/PROV, Item 122 and C/MIN(2006)3] has been used extensively on a demand-driven basis to assist in improving business climates and enhance the benefits of private investment to society and sustainable development;

HAVING REGARD to the OECD Strategy on Development, which called for reassessing and adapting OECD frameworks and mechanisms for broader application in a more diverse set of developing country circumstances, and described the PFI as one exemplary tool to strengthen the enabling environment for domestic and foreign investment, adapted to a wide range of political contexts, and developed with the full involvement of many non-Members, and highlighted the need to place greater emphasis on learning from the experiences and development approaches of Partners [C/MIN(2012)6];

HAVING REGARD to the 2014 Ministerial Council Statement in which Ministers underscored the role of the OECD to improve Members’ understanding of investment flows and asked for an update of the PFI at the 2015 meeting of the Council at Ministerial level [C/MIN(2014)15/FINAL];

WELCOMING the 2015 update of the PFI through an inclusive and open consultative process to reflect users’ feedback and recent policy trends [C/MIN(2015)5];

RECOGNISING that the PFI covers a wide range of different areas, including: horizontal policies and practices; investment policy; investment promotion and facilitation; trade policy; competition; tax policy; corporate governance; responsible business conduct; human resources development; investment in infrastructure; financing investment; public governance and green growth, that policy makers need to take into account in elaborating and implementing their investment related policies; and that following the PFI approach can improve policy coherence as well as providing investors with a stable investment climate.

On the proposal of the Investment Committee, with the concurrence of the Development Assistance Committee (DAC):

I. RECOMMENDS that Members and non-Members adhering to this Recommendation (hereafter the “Adherents”) use, as appropriate, the PFI, and in particular:

i) to facilitate coherence at all levels of government for better policy formulation and implementation;

ii) co-operation programmes and dialogues, and multilateral discussions on investment-related policies, and

iii) as a source of international good practices on investment climate reforms.

II. **RECOMMENDS** that Adherents promote the PFI as a tool for development co-operation programmes and policy dialogue with partner countries to foster investment and private sector development.

III. **INVITES** the Secretary-General to disseminate this Recommendation widely.

IV. **INVITES** the Adherents to disseminate this Recommendation at all levels of government.

V. **INVITES** non-Adherents to take account of and adhere to this Recommendation.

VI. **INSTRUCTS** the Investment Committee, in co-operation with the DAC, to evaluate the implementation of this Recommendation, notably through the Advisory Group on Investment and Development, and to report thereon to the Council no later than five years following its adoption and regularly thereafter.

About the OECD

The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD Member countries are: Australia, Austria, Belgium, Canada, Chile, Colombia, Costa Rica, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Türkiye, the United Kingdom and the United States. The European Union takes part in the work of the OECD.

OECD Legal Instruments

Since the creation of the OECD in 1961, around 460 substantive legal instruments have been developed within its framework. These include OECD Acts (i.e. the Decisions and Recommendations adopted by the OECD Council in accordance with the OECD Convention) and other legal instruments developed within the OECD framework (e.g. Declarations, international agreements).

All substantive OECD legal instruments, whether in force or abrogated, are listed in the online Compendium of OECD Legal Instruments. They are presented in five categories:

- **Decisions** are adopted by Council and are legally binding on all Members except those which abstain at the time of adoption. They set out specific rights and obligations and may contain monitoring mechanisms.

- **Recommendations** are adopted by Council and are not legally binding. They represent a political commitment to the principles they contain and entail an expectation that Adherents will do their best to implement them.

- **Substantive Outcome Documents** are adopted by the individual listed Adherents rather than by an OECD body, as the outcome of a ministerial, high-level or other meeting within the framework of the Organisation. They usually set general principles or long-term goals and have a solemn character.

- **International Agreements** are negotiated and concluded within the framework of the Organisation. They are legally binding on the Parties.

- **Arrangement, Understanding and Others**: several other types of substantive legal instruments have been developed within the OECD framework over time, such as the Arrangement on Officially Supported Export Credits, the International Understanding on Maritime Transport Principles and the Development Assistance Committee (DAC) Recommendations.