GUIDING PRINCIPLES

FOR INVESTMENT POLICYMAKING

For the Countries of the D-8 Organization for Economic Cooperation

JOINTLY DEVELOPED BY UNCTAD AND THE D-8 ORGANIZATION FOR ECONOMIC COOPERATION

UNITED NATIONS
UNCTAD

DEVELOPING 8 COUNTRIES
D-8
D-8 ORGANIZATION FOR ECONOMIC COOPERATION

GUIDING PRINCIPLES FOR INVESTMENT POLICYMAKING FOR THE COUNTRIES OF THE D-8 ORGANIZATION FOR ECONOMIC COOPERATION

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1. Background and Rationale

The Guiding Principles come at a time of mounting economic, social and environmental challenges, which highlights the critical need for and role of investment as a driver of equitable and inclusive socio-economic growth. The goals that the D-8 countries have set for themselves, such as the diversification and creation of new opportunities in international trade, enhancing their participation in international decision making, providing a better standard of living for their citizens and the other development objectives, call for policies – at the national and international levels – that effectively attract investment and help harness it for sustainable development.

The Principles, jointly developed by UNCTAD and the D-8 Organization for Economic Cooperation, draw on UNCTAD's Core Investment Principles which form an integral part of its Investment Policy Framework for Sustainable Development (2015). The Principles also build on UNCTAD's ongoing technical assistance and capacity building Programmes to D-8 countries in collaboration with various institutions and on the basis of key D-8 policy documents, notably the Istanbul Declaration of Summit of Heads of State and the D-8 fifth Summit Declaration (Bali, 2006).

The Principles come at a time when sustainable development-oriented reform has entered the mainstream of investment policymaking resulting in a large number of countries reforming their investment policies by adopting new approaches for national level action, developing new models for international treaty making, and concluding international investment agreements (IIAs) with provisions aimed at addressing sustainable development concerns.

It is against this backdrop of a dynamic, changing and challenging investment policy landscape that D-8 countries hereby propose the following non-binding principles:

2. The Guiding Principles

Area		Core Principles
"0"	**Investment for sustainable development**	• The overarching objective of investment policymaking is to promote investment for inclusive growth and sustainable development within the D-8 countries.
1	**Policy coherence**	• D-8 countries' investment policies should be grounded in a country's overall development strategy. All policies that impact on investment should be coherent and synergetic at the national, regional and international levels.
2	**Public governance and institutions**	• D-8 countries' investment policies should be developed involving all stakeholders, and embedded in an institutional framework based on the rule of law that adheres to high standards of public governance and ensures predictable, efficient and transparent procedures for investors.
3	**Dynamic policymaking**	• D-8 countries' investment policies should be regularly reviewed for effectiveness and relevance and adapted to changing development dynamics.

4	**Balanced rights and obligations**	• D-8 countries' investment policies should be balanced in setting out rights and obligations of States and investors in the interest of development for all.
5	**Right to regulate**	• Each D-8 country has the sovereign right to establish entry and operational conditions for foreign investment, subject to international commitments, in the interest of the public good and to minimize potential negative effects.
6	**Openness to investment**	• In line with each D-8 country's development strategy, investment policy should establish open, stable and predictable entry conditions for investment.
7	**Investment protection and treatment**	• D-8 countries' investment policies should provide protection to established investors. The treatment of established investors should be non-discriminatory in nature.
8	**Investment promotion and facilitation**	• D-8 countries' policies for investment promotion and facilitation should be aligned with sustainable development goals and designed to minimize the risk of harmful competition for investment.
9	**Corporate governance and responsibility**	• D-8 countries should advance investment policies that promote and facilitate the adoption of and compliance with best international practices of corporate social responsibility and good corporate governance.
10	**Cooperation among D-8 countries**	• D-8 countries should cooperate to address shared investment-for-development policy challenges. In light of their shared goals, collective efforts should also be made to avoid investment protectionism among them.

3. Annotations to the Principles

Principle "0" – the premise: Investment for sustainable development

This overarching principle defines the objective of D-8 countries' national and international investment policies, as they embark on implementing the landmark 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda and the objectives of the D-8 Roadmap. This principle recognizes the need to promote and facilitate investment not only for economic growth as such, but also for equitable, inclusive, balanced and sustainable economic growth and social development. It also calls for the mainstreaming of sustainable development issues in investment policymaking at all levels (national, regional, and international).

Principle 0 also recognizes the important role a dynamic private sector can play in strengthening the competitiveness of D-8 countries, facilitating their progressive integration into the global economy, strengthening trade flows, raising revenues and incomes, and creating jobs.

Principle 1: Policy coherence

This principle recognizes that investment policy should be integrated into an overarching development strategy. It also acknowledges that success in attracting and benefiting from investment depends not only on investment policy but also on a host of other investment-related policy areas including tax and trade policies or social and sectoral policies (e.g. fisheries, tourism, agriculture) which also contribute to creating a favourable investment climate. It recognizes that these policy areas interact with each other and that therefore there is a need for a coherent approach to make them conducive to sustainable development. Success in coherently integrating investment for development involves, for example, the establishment of special agencies with a specific mandate to coordinate the work of different ministries and government units, including the negotiation of IIAs.

Principle 2: Public governance and institutions

This principle recognizes the importance of good public governance as a key factor in creating an environment conducive to attracting investment. Good public governance refers to the efficiency and effectiveness of government services, including aspects such as accountability, predictability, transparency, rule of law, and the absence of corruption. This principle also stresses the significance of a participatory approach to policy development which also provides an element of transparency and facilitates dialogue between public and private sector stakeholders.

Principle 3: Dynamic policymaking

This principle recognizes that investment policies at the different levels (national, regional, and international) need flexibility to adapt to changing economic and social circumstances, while recognizing that a favourable investment climate requires stability and predictability. For one, different policies are needed at different development stages, an issue of particular importance for the D-8 Group in light of the different social and economic realities within the D-8 countries. The dynamics of investment policies imply a need for D-8 countries to continuously assess the effectiveness of existing instruments, including IIAs, in order to achieve their changing economic and social development goals".

Principle 4: Balanced rights and obligations

Investment policies need to serve two potentially conflicting purposes. On the one hand, they strive to create attractive conditions for investors by including features of investment liberalization, protection, promotion and facilitation. On the other hand, the overall regulatory framework of the host country has to ensure that any negative social or environmental effects are minimized (e.g. investment in sensitive sectors, such as natural resources and its impact on local communities). Pursuant to this core principle, the investment climate and policies of D-8 countries should strive to strike a balance between these competing goals.

Principle 5: Right to regulate

The right to regulate is an expression of a country's sovereignty. It is not only a State's right, but also a necessity. Regulation includes both the general legal and administrative framework of host countries as well as sector- or industry-specific rules. Without an adequate regulatory framework, a country will not be attractive for foreign investors, because such investors seek clarity, stability and predictability of investment