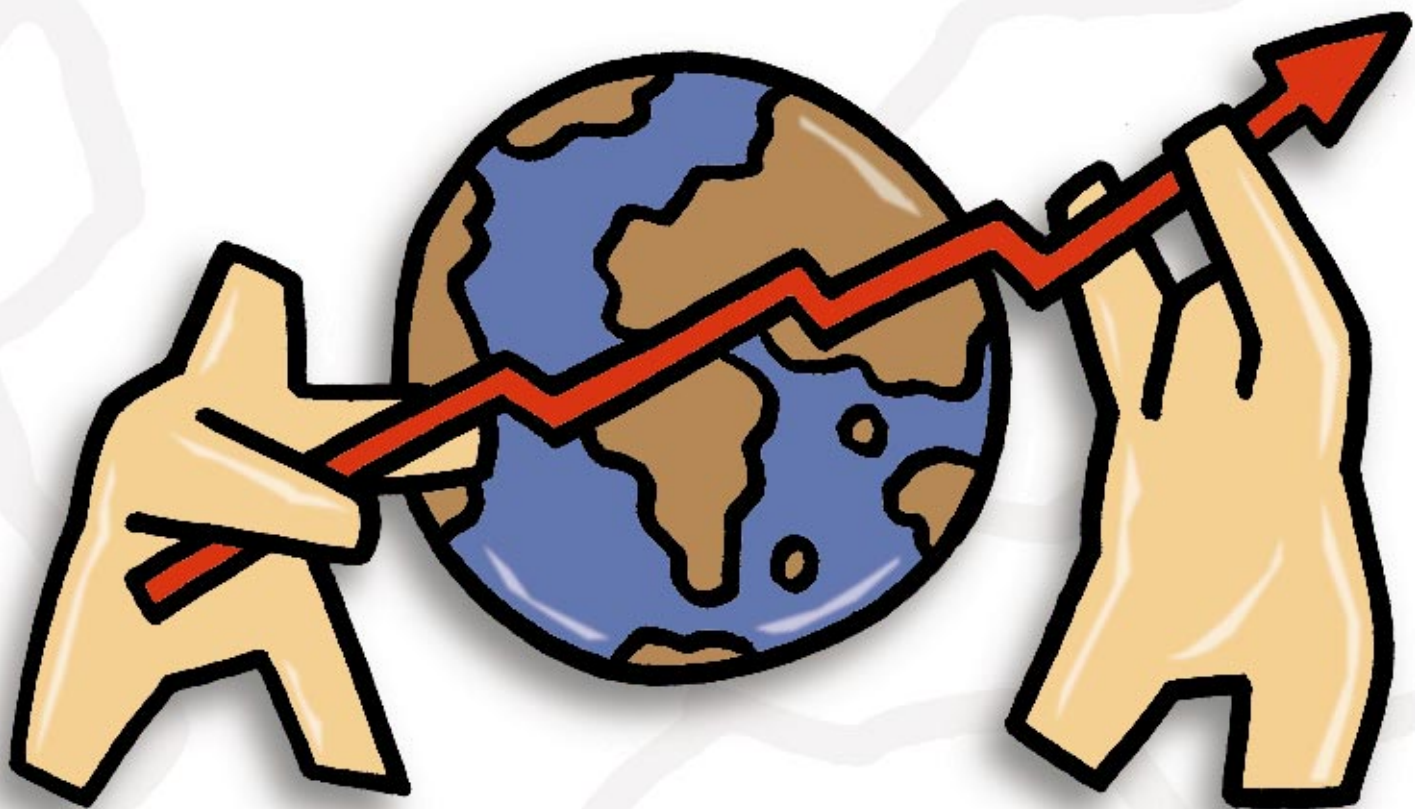


# Investing for **sustainable** development

Getting the conditions right



Deutsche Bank 

**IUCN**  
The World Conservation Union



Partnership for  
Environment and  
Development

WORLD BANK INSTITUTE  
Promoting knowledge and learning for a better world



World Business Council for  
Sustainable Development



A partnership publication

## preface

This report is based on the discussions and recommendations of a workshop, *Better Local Governance for Sustainable Development: Creating an Enabling Environment for Investment*, held in Paris on June 26-28, 2002. Convened by IUCN - the World Conservation and the World Business Council for Sustainable Development (WBCSD), in partnership with the World Bank Institute, LEAD International and Deutsche Bank, it brought together 40 expert representatives from the private sector, civil society, development agencies and multilateral organizations. Participants (see list on last page) made their contributions under Chatham House Rules, commenting in an individual capacity but drawing on the experience of their institutions.

## disclaimer

The information contained in this report reflects the discussions held during a three-day workshop of experts on *Better Local Governance for Sustainable Development: Creating an Enabling Environment for Investment*.

While the experts drew on their professional experiences to contribute to the discussions, the views expressed do not necessarily correspond to the opinions of the organization they represent, nor do they entail any commitment on the part of the organizations represented.

The report has been reviewed by the partner organizations that coordinated the workshop, as well as by the workshop's participants. Although this process ensures a greater consensus, it does not mean that every participant, or organization represented, agrees with every word.

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### **IUCN – The World Conservation Union - [www.iucn.org](http://www.iucn.org)**

Founded in 1948, The World Conservation Union brings together States, government agencies and a diverse range of non-governmental organizations in a unique world partnership: nearly 980 members in all, spread across some 140 countries.

As a Union, IUCN seeks to influence, encourage and assist societies throughout the world to conserve the integrity and diversity of nature and to ensure that any use of natural resources is equitable and ecologically sustainable. A central secretariat coordinates the IUCN Programme and serves the Union membership, representing their views on the world stage and providing them with the strategies, services, scientific knowledge and technical support they need to achieve their goals.

The World Conservation Union builds on the strengths of its members, networks and partners to enhance their capacity and to support global alliances to safeguard natural resources at local, regional and global levels.

### **World Business Council for Sustainable Development - [www.wbcsd.org](http://www.wbcsd.org)**

The World Business Council for Sustainable Development (WBCSD) is a coalition of 160 international companies united by a shared commitment to sustainable development via the three pillars of economic growth, ecological balance and social progress. Our members are drawn from more than 30 countries and 20 major industrial sectors. We also benefit from a Global Network of 40 national and regional business councils and partner organizations involving some 1000 business leaders globally.

Our mission - to provide business leadership as a catalyst for change toward sustainable development, and to promote the role of eco-efficiency, innovation and corporate social responsibility.

Our aims - our objectives and strategic directions, based on this dedication, include:

Business leadership – to be the leading business advocate on issues connected with sustainable development.

Policy development – to participate in policy development in order to create a framework that allows business to contribute effectively to sustainable development.

Best practice – to demonstrate business progress in environmental and resource management and corporate social responsibility and to share leading-edge practices among our members.

Global outreach – to contribute to a sustainable future for developing nations and nations in transition.

### **World Bank Institute - [www.worldbank.org/wbi](http://www.worldbank.org/wbi)**

The World Bank Institute was created to help share the World Bank's expertise and that of its member countries with policy-makers and decision-makers throughout the developing world. As the learning arm of the World Bank, WBI designs and delivers courses and seminars aimed at reducing poverty and promoting economic opportunity and growth. WBI technology initiatives like the Global Development Learning Network link training centers around the world and promote the exchange of cutting-edge information. The Institute also trains World Bank staff and clients together, allowing the two groups to exchange information and experience.

Government officials, academics, business leaders, journalists, and other interested parties in 149 countries took part in courses on such issues as HIV/AIDS, pollution, corruption, pension reform and water use. WBI works with its partners at the World Bank, multilateral organizations, and in the private sector to expand services to meet increasing client demand.

### **LEAD International - [www.lead.org](http://www.lead.org)**

Leadership for Environment and Development International (LEAD) is a not-for-profit global network of national and regional non-governmental organizations, committed to sustainable development. Its 1200 members from nearly 70 countries are drawn from business, media, public sector, universities and non-government organizations.

LEAD's mission is to create, strengthen and support networks of people and institutions promoting change towards sustainable development that is economically sound, environmentally responsible and socially equitable. Membership of LEAD is gained through a competitive process, which assesses applicants' leadership skills, and their commitment to sustainable development and social equity. LEAD provides successful applicants – called LEAD Associates – with an innovative leadership training program. With their training complete, LEAD Associates become LEAD Fellows and thus enter an influential network of peers.

Sponsors and employers report that their LEAD-affiliated staff return enriched with new skills, and the ability and confidence to take on more responsibility. Equally importantly, their experience helps them develop creative ideas and their global contacts of LEAD Fellows enable them to put those ideas into action.

### **Deutsche Bank - [www.db.com](http://www.db.com)**

Deutsche Bank regards its commitment to sustainable development as a key strategy focused on the long-term increase in the Bank's value as well as a primary part of global governance, reflected between NGO's, governments and businesses. Moreover, the active pursuit of responsible sustainable development is an integral component of Deutsche Bank's corporate policy and a major factor influencing business decisions. Considering the global networking of economic and social life, Deutsche Bank respects the high degree of responsibility placed on globally active companies.

# foreword

This publication is an addition to the current search for better ways to attract investment into least developed economies and create synergy with other forms of development assistance.

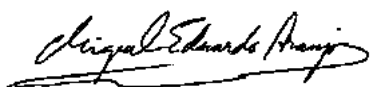
It reports on an expert workshop held in Paris at the end of June 2002. Convened by IUCN – World Conservation Union, with the World Business Council for Sustainable Development (WBCSD) the workshop received significant material and expert support from the World Bank Institute and Deutsche Bank. LEAD International also contributed several experts from its alumni network. Simon Upton, chairman of the OECD Round Table for Sustainable Development, facilitated the entire proceedings. We are also indebted to the group of experts who generously contributed time and knowledge to a lively and constructive debate.

By their very mission, the organizations involved in the debate centered their discussions on investments that foster sustainable development and progress towards the UN Millennium Development Goals.

While the workshop was mainly about the conditions of local governance that draw investors to host countries, the recommendations also address the broader context of investors' ethics and behavior, multilateral frameworks and partnerships between private and public actors in both the North and the South.

Making progress towards the Millennium Development Goals requires the mobilization of funds of the magnitude of several global Marshall Plans. This can happen only through a purposeful cooperation among all actors involved, including local government, the private sector, civil society and international donors. Together they need to improve the opportunities and security for private investment flows in vital goods, services and infrastructures; together they need to incubate and stimulate successful enterprises in economies that work.

This discussion on governance is not unique. Many of the recommendations have been made before. It is time, more than ever, to move from rhetoric at the global level to action and implementation on the ground. May this report stimulate the necessary partnerships and institutional networks to make this happen.



**Miguel Araujo**

Director  
Corporate Strategy,  
Partnerships and Communications  
IUCN



**Claude Fussler**

Director  
World Summit on Sustainable Development  
WBCSD



# executive summary

Creating the stable framework conditions that will attract foreign direct investment (FDI) to developing countries — and align that investment with sustainability goals — demands the combined imagination, commitment, expertise and resources of business, civil society, development agencies, governments and lending institutions. Working in concert, and through complementary means, these stakeholder groups, both in host nations and in the developed world, have the power to achieve far more than the sum of their individual efforts.

The barriers to greater co-operation between the various actors are small compared to the myriad of hurdles that discourage long-term investment. By clearing pathways to partnership, leaders in the private, public and NGO sectors will have the opportunity to help shape an investment-friendly environment for the benefit of local communities and economies, as well as distant shareholders.

Recognizing this is the easy part: the challenge now is to identify coherent ways of building better local governance, through which deterrents to FDI are gradually replaced with a climate that enables the kind of investment that countries want and need for sustainable development. This report offers recommendations for some immediate multi-stakeholder action.

### Why FDI?

Foreign direct investment, typically less volatile than some more speculative private capital investment flows, is considered a major driver for economic development. But its mere presence in an economy is no guarantor of anything positive beyond growth. Properly hosted and justly managed, however, it can and should be a major driver for sustainable development. Quality, not quantity, must be the goal of capacity-building programs.

### Channeling the flow

FDI to developing countries has quadrupled over the past decade, reaching a record US\$241 billion in 2000<sup>1</sup>. However, 80 percent of this investment inflow goes to just ten countries: China, Brazil, Mexico, Singapore, Thailand, Argentina, South Korea, Poland, Chile and Venezuela<sup>2</sup>. Of the thinly distributed stream that makes its way elsewhere, a mere trickle,

representing 0.3 percent of the world's total FDI, finds its way into the poorest nations of Africa<sup>3</sup>.

Stakeholders have to find new ways to contribute to building investment-friendly environments, and to make markets work for all. Development aid — even if it were to reach the target 0.7 percent of GDP — could never alone ensure that the UN's Millennium Development Goals (see appendix p 22-23) are reached.

### Spreading the benefits

Everyone stands to gain from action to foster an enabling environment for foreign direct investment. The fair, transparent and stable conditions that FDI requires will equally favor local entrepreneurship. Investment that brings jobs, that upgrades local skills and technological capabilities, that sets and honors environmental and labor standards, will reinforce and inspire local development efforts. Creative partnerships may improve the effectiveness of aid and investment at relatively low costs.

Commitment of public resources demands broad participation in investment decisions, transparency in planning and execution, and careful monitoring and reporting of results. Meanwhile, creating opportunities to bring all sides to the table for dialogue on policy change, institutional reform and project-implementation, is the best guarantee of achieving more transparent processes and more workable, sustainable outcomes.

<sup>1</sup> IMF: *Foreign Direct Investment in Africa – some case studies*. p6

<sup>2</sup> ODI: *Policies towards foreign direct investment in developing countries: emerging best-practices and outstanding issues*. p56

<sup>3</sup> IMF: *Foreign Direct Investment in Africa – some case studies*. p6





## key recommendations

Convened to identify specific joint initiatives through which development agencies, NGOs and business could promote framework conditions that might attract FDI in a way conducive to sustainable development, the experts' workshop recommended that:

### Greater co-ordination between FDI and ODA policies and practice

- donor agencies make better use of ODA to leverage private investment;
- donor agencies report regularly and publicly on their success in leveraging private-sector capital;
- a workshop be organized back-to-back with an appropriate meeting of the OECD's Development Assistance Committee, or its subsidiary bodies, to discuss the 'huge spectrum of opportunity' for involving more private-sector capital in development cooperation programs;
- businesses, NGOs and development agencies work in close collaboration with governments in defining investment priorities and synergies between public and private finance for development programs.



## Priority action on combating corruption

- businesses take account of the World Bank list of companies that have contravened corruption codes, and to work with other multilateral and bilateral organizations, including NGOs such as Transparency International and Global Witness, on creating a global network for sharing such information;
- WBCSD encourages companies to adopt a zero tolerance stance on corruption, and to work with others to document the negative impacts of corruption on sustainable business development;
- development agencies and the private sector work together to improve the proficiency of the legislative, judicial, law enforcement and administrative systems in developing countries.

## Good governance for sustainable development to be promoted through education and information exchange

- IUCN and WBCSD facilitate workshops on better local and corporate governance for sustainable development in developing and developed countries;
- the private sector engages with the United Nations Institute for Training and Research to extend programs to raise media awareness and understanding of sustainable development issues;
- IUCN organizes an experts' conference to explore how the experiences of the World Commission on Dams might be applied to other infrastructure issues and to the setting of common standards;
- the private sector sponsors round tables in host countries at which business, together with development agencies, NGOs and government representatives, can discuss existing constraints and contribute to the shaping of new policies that create a framework of good governance for sustainable development — particularly those relating to investment and taxation.

## Stimulation and support of local enterprise

- the creation of 'entrepreneurial incubators' — with support from the World Resources Institute (WRI), the Global Environment Facility (GEF), United Nations Industrial Development Organization (UNIDO), IUCN, WBCSD, LEAD International, local business associations and NGOs — to build entrepreneurial capacity and deepen local supply and demand chains for sustainable activities;
- the use, where appropriate, of 'debt-conversions' or 'debt-asset swaps' to complement efforts under the Heavily Indebted Poor Countries (HIPC) initiative, and to help countries outside the program to build transparent and well-managed investment promotion tools in partnership with aid agencies and local or foreign businesses.



# introducing the challenge

Globalization has made sustainable development an imperative, not an option. The forces of commerce that have blurred borders, defined new business practices and bound together the interests of once-distant and diverse communities, now have a vital role to play in globalizing opportunity, responsibility and accountability.

*“Private capital is a coward. It flees from corruption and bad policies. It doesn't want to go where there's a conflict. It doesn't want to go where there is corruption. It doesn't want to go where there is unpredictability. Private capital stays away from ignorance, disease and illiteracy, and it especially stays away from those places where it seems that no one is doing anything about ignorance, disease and illiteracy.”* Colin Powell, US Secretary of State<sup>4</sup>

## Investment for good

Of all the forms of international private capital that wash into developing countries, only foreign direct investment (FDI) has contributed to fulfilling the hope that private flows could increasingly supplement official development assistance (ODA) in the service of economic growth. But FDI's contribution remains highly skewed, leaving many countries crying out for water, sanitation, energy and infrastructure.

Furthermore, the economic growth that is driven by FDI does not automatically create better livelihoods for the poor. Poverty can be successfully alleviated only where growth is closely and consciously aligned with sustainability.

Developing countries need foreign investment that brings greater market access, facilitates a transfer of skills and technology, and encourages, for example, the adoption of higher environmental and social-responsibility standards. They need FDI that supports the UN's Millennium Development Goals and the sustainable development strategy of the host region — often encapsulated in its Poverty Reduction Strategy Paper (PRSP)<sup>5</sup>.

But best-case scenarios can become reality only in the presence of better frameworks. The challenge is therefore two-fold: to create political, economic and social climates that will attract and retain investment; and to give special attention to the types of FDI that foster greater sustainability through low environmental, and positive social, impacts.

## Change for the better

The many factors that influence a company's decision to invest in a particular country are well documented — even if consensus on the relative importance of these factors is limited. Capital may be swayed by the size and proximity of markets, availability of resources, labor costs, skills and productivity, the degree



of openness of the economy, quality of infrastructure, efficiency and integrity of fiscal and regulatory regimes, and the risks associated with political and economic instability.<sup>6</sup>

The health of the population and the condition of a country's environment will matter, too — not least to an increasing number of consumers and shareholders. The policies of development agencies may also play a role. Meanwhile, the nascent group of venture capitalists seeking profit from sustainable enterprise, will be persuaded by the availability and visibility of suitable projects.

Governments in developing countries, increasingly interested in attracting FDI, are taking steps to make conditions more favorable. Initiatives aimed at

instigating change in that direction include the Cross Border Initiative (see box, page 18) in eastern and southern Africa, UNCTAD's Investment Policy Reviews, the UNCTAD-ICC Investment Guides, UNIDO's Guidelines for Investment Promotion Agencies and the International Finance Corporation's Private Enterprise Partnership.

Many developing countries have adopted 'business facilitation measures', ranging from macroeconomic stabilization and structural reforms to privatization policies and relaxation of rules on FDI. According to the International Chamber of Commerce<sup>7</sup>, at least 143 countries had frameworks for FDI in place by 1997, and more than 95 percent of regulatory changes since 1990 had helped create a more favorable investment climate for FDI.

***"There is a sharp distinction to be made between FDI for development and FDI for sustainable development."***

**Ethan Kapstein, Paul Dubrue  
Professor of Sustainable  
Development, INSEAD**

<sup>4</sup> Remarks by Secretary Colin Powell at State Department Conference, July 2002

*Making Sustainable Development Work: Governance, Finance and Public-Private Cooperation.*

<sup>5</sup> These PRSPs are prepared by the State in conjunction with the World Bank, the IMF, civil society and development partners.

<sup>6</sup> ODI: *Foreign Direct Investment Flows to Low-Income Countries*

<sup>7</sup> ICC: *Investment and partnership – the pursuit of a square deal for developing countries.* p2

A review of FDI in Africa by the International Monetary Fund<sup>8</sup> suggests that a stable and investor-friendly environment — characterized by economic and political stability, adequate infrastructure and an effective judicial system — will bear more weight than specific incentives, such as tax breaks, in determining investment location.

Improvements in these key areas are, however, expensive and the least developed countries that struggle to attract a small percentage of FDI lack the financial resources to undertake such far-reaching reforms. Smarter collective thinking on the part of development agencies, NGOs and the private sector could deliver beneficial change at little or no extra cost. One specific and important opportunity lies in making better use of ODA to attract private investment. Others will be found, as this paper seeks to illustrate, in greater co-operation and strategic alignment between the sectors — and, crucially, with local governments.

### Improved governance for all

While some of the factors determining investment flows are beyond the control of public authorities, others — such as economic and political stability — will be affected by the policies promoted by government and other institutions. Standards of governance, within government and other institutions and organizations, will therefore have a bearing on the decision to invest in a particular country.

Governance, simply defined, is “the process of decision-making and the process by which decisions are implemented (or not).”<sup>9</sup> If good governance is to be “inclusive, transparent and accountable,”<sup>10</sup> it requires openness to a wide range of viewpoints. Stakeholders should therefore seek, initiate and contribute to any formal and informal partnerships that will encourage the institutionalization and practice of good governance.

Although this paper does not focus on the issue, it is considered implicit that the need for good governance applies not only at local and national level, but regionally and internationally as well. The quality of institutions and governments must likewise be mirrored by the quality and foresight of companies.

Sound corporate governance is considered vital in ensuring that FDI is both sustainable and promotes sustainable development in its host country. Indeed, if a corporation's long-term commercial success is linked to the sustainable development of the communities within which it operates, then a balance has to be struck between the increasingly convergent interests of shareowners and stakeholders.

Managing this equilibrium is an integral aspect of good governance and a major challenge for any board. It will be achieved only where there is active engagement with all stakeholders and where proper attention is paid to health, safety and environmental issues. Because inclusiveness will form the basis of a company's license to operate, and help inform strategic planning and risk management, it is important for companies to develop measurement criteria and control processes that identify the true performance objectives of their stakeholders.

#### Common deterrents to FDI

- Poorly administered taxation system
- Corrupt bureaucracy
- Political and macro-economic instability
- Human rights abuses
- Inadequate infrastructure
- Inappropriate macro-economic policies
- Lack of skilled labor and supply-chain capacity
- Excessive or uncertain regulations

<sup>8</sup> IMF: *Foreign Direct Investment in Africa – some case studies*. p7

<sup>9</sup> Global Development Research Center: UN-ESCAP *What is Good Governance?*

<sup>10</sup> IUCN: *IUCN and Governance for Sustainable Development*. p4



### Dialogue for action

Fair and workable development strategies demand input from governments, development agencies, civil society, the research community — and business. Yet until now, the voice of the latter has been almost entirely absent. Donors and NGOs increasingly admit the need for a forceful private-sector view. Discussions on investment-friendly policies in general, and taxation reform, infrastructure funding and skills-building in particular, are far more likely to produce tenable, efficient and relevant outcomes if business is at the table.

The remedy in many cases is no more complicated than a preparedness to exchange the wealth of information, expertise and experience that both business and the public sectors individually possess. The potential for public-private partnerships to deliver development projects is almost certainly being vastly under-exploited because of the failure to communicate.

Likewise, failure to involve all stakeholders in the debate risks compromising ‘country-ownership’ — increasingly regarded as a *sine qua non* for development strategies and projects. Attempts to develop a generic model for better investment climates must be complemented by efforts to develop country-specific initiatives.

***“The education process is key between the public and private sectors. These are two different cultures that have to learn to speak each other’s languages.”***

Saima Qadir, Global Environment Facility

# clearing the hurdles



Deficiencies in political, fiscal, social and macroeconomic policy breed numerous impediments to foreign investment. This paper highlights a subset of those obstacles for which the workshop was able to proffer practical, achievable antidotes. In particular, it focuses on action involving multiple parties — partnership being regarded as the surest route to improved governance and the best means of achieving a better deployment and quality of private investment. The issues here are not new, only the responses.

## Tackling Taxation

Levels of taxation are rarely decisive in determining where foreign direct investments are made. What does matter greatly, however, is the stability, transparency, efficiency and impartiality of a country's tax system. One that is skittish, that imposes its taxes retroactively and favors local firms over international investors, will almost inevitably cause foreign capital to take fright.

Companies particularly want to see a fair remittance of dividends, an efficient administration of sales tax, the even-handed application of corporation tax and — key for development — a just treatment of leasing. Ideally, treaties will also be in place to avoid double taxation, while the rules on transfer pricing and remittance of royalties will follow OECD guidelines. A tax regime that is supported by legal instruments will naturally be preferred.

Taxation is, of course, linked to a range of other internal issues that are relevant to outside investors — and the pursuit of sustainability goals. Inadequate public revenues will likely mean weak infrastructure, inferior educational facilities and poor health and environmental conditions. It is vital, therefore, that taxes are not only fair but collected to the full.

The proper remuneration of tax officials, by the state, will help secure both these outcomes. Employees who are insufficiently rewarded are more prone to corruption and less inclined toward efficiency, while tax agencies funded by fines are liable to be unjustly punitive. Increasing the salaries of its tax collectors can, as Peru has discovered, elicit a proportionate swell in public coffers.

Beyond such imperatives, a tax system must be constructed to secure more sustainable development outcomes. It must work to internalize external costs and eliminate perverse subsidies. While tax incentives play, at best, only a marginal role in attracting foreign investment, those inducements that do exist should be short-term and focused in areas where the country expects to have a long-term competitive edge. Those applied to boost exports need to be complemented by incentives for investment for import substitution. Meanwhile, incentives geared toward research and training, and to eco-friendly investments, should be encouraged.

If the aim is to design and operate a tax system that works for all — and works transparently — the reform process must include all relevant stakeholders, including one largely invisible group: business. Communication and co-operation between the private sector and host governments — and development agencies assisting in the review process — is now considered essential.

It is recommended that business take the initiative to sponsor multi-stakeholder conferences on proposed tax legislation. This practical, low-cost contribution would round the debate and introduce crucially missing perspectives in an open forum. Promoting such conferences may also help host countries build the capacity for hearings on other legislation.

### Creative concessions

When it comes to 'smart' tax incentives, Singapore may offer a model for developing countries.<sup>11</sup> As part of its successful strategy to promote FDI, the government used tax concessions to encourage production of innovative goods and services. In Africa, concessions could be offered to local or foreign investors researching and developing products to address the needs of the poor.

<sup>11</sup> ODI: *Policies towards foreign direct investment in developing countries: emerging best-practices and outstanding issues*. p25



## Countering Corruption

Corruption is a scourge that can affect every layer of governance, from core government officials to bureaucrats and law-enforcement authorities. It exists in developed and developing countries, in the public and private realms, and can take various forms — from the acceptance of bribes for the shortening of processing times, to kickbacks to secure government contracts.

Corruption is a major deterrent to FDI, not least because it is perceived as an added tax on private investment. And while it is not always feasible, nor fair to local employees, for a company to withdraw from a country in which it is already established, this does occasionally happen. Unilever, for example, pulled out of Bulgaria in 1996 for precisely this reason.

One of the great breeding grounds for corruption is in the complexity of government procedures. As the scope of an investment project expands, the number of administrative and other procedural steps is also likely to increase. If each step entails another ‘tax’ to proceed, the project’s anticipated profitability could be significantly reduced.

The IFC suggests that corruption also has a considerable negative impact on public investment, as bribes tempt corrupt officials to authorize more and larger public investment projects.<sup>12</sup> Quantity, in such instances, almost inevitably means quality will suffer. In the case of infrastructure projects in particular, private firms hired to implement a project will often have to pay ‘commission’ to secure a contract. This will either raise the cost of the project or reduce standards of workmanship as companies try to recoup their losses. This has wider

implications for FDI, which is often deterred by poor infrastructure.

While ‘grand’ corruption involving powerful individuals may depend for its remedy on evolutionary political change or the culprit’s departure from office, cures are available for the systemic corruption that lurks in the interface between business and government. Action must begin with administrative reform across government aimed at keeping discretionary decision-making to a minimum. Transparency at every step is of equal necessity. So, too, is the proper remuneration of civil servants.

The international donor community, and Transparency International, have already come some way in putting corruption onto the political agenda, but their efforts would benefit from the support of business in three key ways.

First, the private sector could support capacity building for greater professionalism in legislative, judicial, law-enforcement and administrative systems. Second, it could show greater courage in disclosing attempts at bribery, and reporting business associates that collude in corruption. To this end, the adoption of a ‘zero-tolerance for corruption’ declaration by leadership companies is considered highly desirable.

Third, it could work with NGOs to help develop the ability of civil society, including the media, to act as counterforces to corruption through vigilance and demands for accountability.

But the usefulness of multi-stakeholder alliances goes beyond their potential to influence structural issues, such as wages, legal frameworks, training competencies and enforcement mechanisms. Indeed, progress on these fronts will be limited without a change in a country’s political dynamics.

Concerted effort between the different sectors is key to this. Not only is collective action more credible and less easy to deflect than suits from individual agents, it also increases the likelihood of each being regarded as legitimate constituents to which governments must in future respond.

Finally, it is recommended that a proposal for the creation in the Democratic Republic of Congo<sup>13</sup> of an ‘international fund for investment and reconstruction’ be considered as a potential model for facilitating debt restructure — rather than debt forgiveness — here and in other heavily indebted countries. It is suggested that pre-conditions for implementation of such a strategy could be prefaced by anti-corruption measures.

## Simple solutions

Partnership strategies for increasing transparency need be neither costly nor complex. One recommendation is for development agencies, businesses and civil society to engage with host countries in reviewing public sector infrastructure priorities. While the private sector would benefit from early sight of proposals, and NGOs would gain a basis for monitoring project implementation, the ‘spotlight’ process might reel the public sector into debate. It would also help to identify unnecessary, corruption-breeding complexities. The same review mechanism could be extended to proposed administrative and legal changes at the local level.

<sup>12</sup> IFC Discussion paper No 44: *Trends in private investment in developing countries Statistics for 1970-2000 and the impact on private investment of corruption and the quality of public investment.*

<sup>13</sup> Frix and Kinzonzi: *Strategy for reinvigorating state-owned enterprises and restructuring the foreign debt of the Democratic Republic of Congo (DRC): Proposal for the creation of an international fund for investment and reconstruction in the Congo (FIRC).*

## One for the list

Responsible companies are urged to take account of a list containing the names of firms that have been banned from bidding for World Bank-financed contracts. Inclusion on the register, which is freely available on the Internet, indicates the firm has violated the fraud and corruption provisions of the bank's procurement or consultants guidelines during a previous bidding process. As well as using the service as a checking mechanism, businesses are recommended to work with other multilateral and bilateral organizations on creating a global network for sharing this type of information. [www.worldbank.org/html/opr/procure/debarr.html](http://www.worldbank.org/html/opr/procure/debarr.html)

## Investing in Infrastructure

Inadequate or absent infrastructure is one of the key impediments to foreign direct investment and sustainable development. Good transport, water, energy and telecommunication links are needed to enhance both the health and quality of life of individuals, and to improve competitiveness and opportunities for economic growth.

Host governments often perceive infrastructure programs as costly and time-consuming yet, along with bilateral and multilateral agencies, they are doing too little to leverage private-sector capital and expertise. Projects are frequently funded with the most readily available source of money, rather than through the most appropriate vehicle. Where soft loans are easy to obtain there is no incentive to seek private money. As a result, they fail to optimize use of scarce resources and to maximize the number of viable projects. The demand for better and more infrastructure in developing countries therefore represents a major opportunity for public-private partnerships.

Promotion of this paradigm comes with two caveats, however. First, private industry must take systematic account of sustainability and 'ownership' (including traditional rights) issues to minimize the negative externalities associated with infrastructure projects. Engagement with local stakeholders is critical from the design phase onwards

for ensuring plans are relevant to host communities. The rights and risks approach endorsed by the World Commission on Dams could be applied in this context. Meanwhile, donor agencies should consider expanding their financial and technical support to community-level initiatives for the delivery of infrastructure services.

Second, full-cost pricing has to be accepted for reasons of efficiency and the generation of proper returns — and where subsidies are made to the very poor they must be transparent and carefully targeted. As a proxy for full-cost pricing in the early years of a long-term project, development agencies should be ready to provide part of the revenue stream.

### Boosting funds, lowering risks

While the public sector is unable to fund all the infrastructure services that sub-Saharan Africa so urgently needs, the private sector — which might encourage better risk-sharing, more efficient project implementation and sound management of infrastructure facilities — is typically too risk-shy to try.

In a bid to resolve this predicament, the development agencies of the British (DFID), Dutch (FMO) German (DEG) and South African (DBSA) governments have joined with commercial banks to launch the Emerging Africa Infrastructure Fund<sup>14</sup> (EAIF). This innovative public-private partnership, set up in early 2002, aims to smooth business anxieties by providing long-term debt financing for commercially viable private-sector projects in the core areas of power, telecommunications, transportation and water. Only those companies bringing developmental benefits to the region will be considered.

EAIF's initial financing comprises committed equity capital of US\$100m, underwritten by DFID, US\$85m development finance debt from FMO, DEG and DBSA, and US\$120m of commercial debt from Standard Bank Group and Barclays. The fund aims to add another US\$150m on a similar level of gearing. The partners say the fund's innovative structure is designed to reduce the risk of lending to levels that will enable Emerging Africa to offer competitive long-term lending conditions within a 15-year period, to companies in 44 countries in the region. The majority of lending will be US-dollar based, although the fund may also offer guarantees to local banks to facilitate local currency loans where beneficial.

<sup>14</sup> DFID Press Release (2002): \$305M Financing Fund for African Infrastructure Launched

## Happy medium

The creation of 'industrial estates'<sup>16</sup> equipped with appropriate infrastructure is regarded as a medium-term alternative to the lengthy process of expanding and upgrading national infrastructure. Such estates have the added advantage of sheltering the local market from competition, while allowing FDI to enter the country. Several African countries have established export-processing zones on these lines — some, like Mauritius, with noticeable success.

Optimal use of the private sector in public investment programs will be achieved only through better strategic thinking. At the national level, host governments are urged to design their infrastructure plans in collaboration with business, to identify systematically those projects, or parts of projects, that are commercially viable.

To create an incentive for the explicit inclusion of private-sector funding, donor agencies should report annually on the extent to which they have been successful in attracting private capital. On the other side of the fence, the private sector should design a system for reporting annually on sustainability criteria.

Finally, use of "output-based" contracts - in which service delivery is independently measured - is considered desirable for ensuring the sustainable maintenance of the infrastructure service.

### New ways to run water

Suez, the French-headquartered energy, waste and water services company, is arguing for public funds to increase and maintain urgently needed water projects in developing countries.<sup>15</sup>

In a proposal made to the Monterrey Conference on Financing and Development, Suez suggested international financing institutions should finance part of publicly owned and privately managed water systems. This could include assisting in the provision of new infrastructure, improvements to services in low-income neighborhoods or the subsidization of water rates. The company also called for the finance institutions to encourage more public-private partnerships for water projects by providing long-term loans that reflected the life span of water networks and the time needed to amortize these assets. The international community was further urged to consider building an insurance framework to give short-term help to privately funded water projects affected by brutal variations of currency rates.

While one billion people still lack access to safe drinking water, Suez says the charging structures of existing water services too often produce insufficient revenues to pay for routine operation, let alone to support expansion. But it believes the private sector, in co-operation with local governments, can improve the efficiency of water services in developing countries — even if authorities have to provide temporary subsidies to the very poor, or introduce progressive charges for affluent customers. Once a system is placed on a business-like footing with adequate income, private banks and investors will, it reckons, be willing to lend large sums to meet the needs of the poor. NGOs could also play an essential role in raising awareness of the need for full-cost pricing of natural resources.

Suez is involved in partnership projects in major cities in Argentina, Bolivia, South Africa and Morocco, says Suez senior executive vice-president Gérard Payen.

<sup>15</sup> SUEZ: *Increasing the number of viable water projects in developing countries.*

<sup>16</sup> CBI: *Road Map for Investment Facilitation.* p15

## Strengthening Skills — Encouraging Entrepreneurs

It is not enough for foreign direct investment to enter a country; it must also stay there. The lack of skilled labor and entrepreneurial competency that can deter FDI in the first place, may also drive it out unless technical, managerial and supply chain capabilities are continuously upgraded. However, the expertise that is needed to ensure this happens is unlikely to be available if governments are too strict in issuing work permits and visas.

While some multinationals have a strong record of encouraging local supply chains, the picture across the developing

world is very mixed. Indeed, efforts by governments, NGOs and donor agencies to build human capital typically lack the input of private sector expertise in countries that need that expertise most. Large enterprises, impelled by skill shortages or social responsibility goals, should be working with local intermediary associations and professional institutions to assist local firms and entrepreneurs in upgrading proficiency. There is also a role for partnerships in helping public institutions understand, and adapt to, the needs of local firms and larger companies.

The creation of 'entrepreneurial capacity incubators' is recommended as a practical, multi-partner method for deepening and expanding local supply chains, and facilitating entrepreneurial networking. With the support of international organizations — such as GEF, IUCN, LEAD, UNEP, UNIDO, WBCSD and WRI — and local business, civil society and technological associations, it is envisaged that these centers would offer support on contractual and planning issues, guidance on technology procurement, and advice on securing finance.

Debt conversion and debt asset swaps should also be considered, wherever possible, to give heavily indebted countries the chance to create well managed institutional capacities for the promotion of the private sector. Joint capacity-building programs should be extended for the training of civil servants (not least to reinforce the state's ability to secure contract enforcement) and for assisting in the development of the accountancy, banking and legal professions

Confidence in the judicial system — the last recourse for investors in the case of conflict — is especially important for investment decisions. Any measures aimed at creating a fair, efficient and predictable legal system must therefore be encouraged.

### Nothing ventured...

Venture capitalists are an important source of FDI — but only for those people and places that can offer attractive investment opportunities. One initiative seeking to connect investors with bankable — and sustainable — enterprises is New Ventures<sup>17</sup> a project of the Washington-based World Resources Institute. Launched in Latin America as the first collaborative effort of its kind, New Ventures is helping to accelerate the transfer of private capital to the region in three ways:

- by identifying enterprises that are highly profitable, socially responsible and environmentally beneficial;
- by providing business mentoring services to help local companies improve their business plans; and
- by introducing sustainable business leaders to potential investors.

Every six months, New Ventures 'feeders' identify hundreds of sustainable enterprises, which are then rigorously evaluated by environmental experts, sector specialists and WRI and financial analysts to produce a field of up to eight finalists. These so-called New Ventures Entrepreneurs present their business plans to investors, multilateral organizations and corporations at an annual investor forum. So far, the finalists have lured US\$2.7m, and are in negotiation for a further US\$3.7m.

"There is no lack of entrepreneurial spirit in the developing world, only of entrepreneurial management skills — and building up these skills is vital," says New Ventures director Luiz Ros. "We need to create a strong pipeline of good projects so that, once FDI comes in, there are projects for investors to put their money in. Otherwise there is very little hope for sustainable development."

The success of the project in Latin America has led to its expansion into Asia, beginning fall 2002.

*"The primary deterrent to FDI flow, and perhaps to investment of capital from within the country, is the lack of good projects. It's caused by a lack of understanding - and a great suspicion - on the part of the governments and civil society of the role of the market."*  
David Hales, Stakeholder Forum on our Common Future

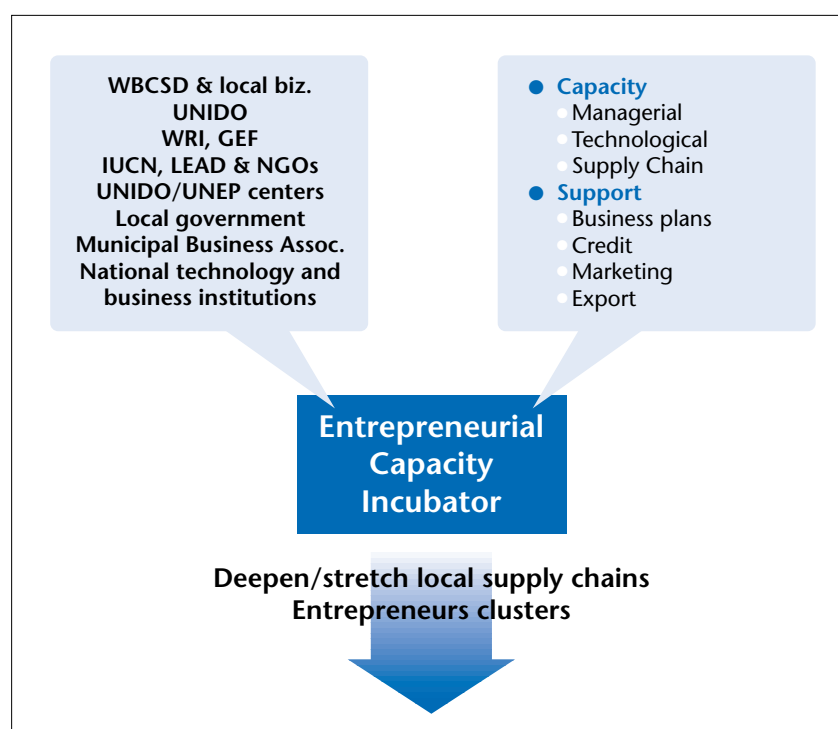
<sup>17</sup> New Ventures: A New Way of Doing Business

### Eco-efficiency made easier

Many corporations are pursuing global outsourcing strategies with the aim of reducing costs and improving the quality of products and services. The potential for developing countries to be integrated into those supply chains depends not only on their crucial ability to upgrade technological and managerial competencies, but also increasingly on their adherence to environmental standards. However, the money and expertise needed to analyze the eco-efficiency of products and production process is beyond the reach of most developing-country SMEs — a fact that threatens to marginalize them further.

To help smaller companies overcome these constraints, UNIDO is working with German-headquartered chemicals group BASF in a Global Compact project to create a comprehensive yet easy-to-apply eco-efficiency analysis tool that can be applied through the UNIDO/UNEP network of National Cleaner Production Centers (NCPC). The center in Morocco is participating in a pilot phase to develop — with BASF, UNIDO and local enterprises — a customized version of the analysis tool. If the tool proves useful, it will be added to the range of services that NCPCs provide to SMEs in more than 20 developing countries.

### Entrepreneurial Capacity Incubator



### Lease of (business) life

Countries seeking to stimulate homegrown enterprise might consider promoting leasing. This option gives start-ups and SMEs — whose plans are often thwarted by lack of capital or credit — the chance to acquire equipment and facilities without incurring large up-front costs.

The International Finance Corporation (IFC), which works to promote sustainable private investment in emerging economies, claims success through such an approach in Russia. With funding from the Canadian International Development Agency, IFC's Private Enterprise Partnership has spearheaded development of the Russian leasing sector, facilitating multi-stakeholder consultations to ensure new tax codes made leasing affordable. Today, the country's leasing market stands at US\$1.2bn — three times its size in 1999. And IFC estimates that with every US\$10,000 of leased equipment comes one new job.<sup>18</sup>

<sup>18</sup> IFC: *The Partnership Perspective*, Winter 2002.

*“Encouraging respect for human rights and social responsibility represents a perfect opportunity for business and NGOs to work together. The WBCSD, for example, could team up with organizations that are active on human and labor rights to fund some independent research. This type of collaboration has proved successful in Peru.”* Jorge Caillaux, IUCN Environmental Law Program, South America

*“If you don’t have political and macro-economic stability, don’t be surprised when investors fail to show up.”* Frank Sader, Foreign Investment Advisory Service

## Building the Best Possible Framework

Action in each of the areas already highlighted is vital for attracting and retaining FDI — and for optimizing ODA. But it is by no means sufficient for creating the most reliable and sustainable framework. Coherent progress on the following boundary conditions is also considered essential.

### Political stability and human rights

Peace and stability are pre-requisites for any business operations — local, national or international. Where regimes are fragile, foreign investors face extra costs for security and protection. Where regimes fail to honor human rights, foreign investors increasingly face negative pressure from investors, customers and the media. Although good governance alone will not ensure political stability, it will strengthen the legitimacy of decision-making processes. This is especially true when public participation, transparency and accountability are encouraged.

*“Democracy and sustainable development are linked, even if democracy and FDI are not.”*

Ethan Kapstein, Paul Dubrue  
Professor of Sustainable Development, INSEAD

Foreign investors must set an example by striving to ensure that environmental, social and corporate governance standards that are applied — and reported upon — at home, are honored equally in developing country operations. In this, the Global Reporting Initiative is recommended as the focus and basis of efforts. Accessibility and contestability of information is considered essential for preserving individual rights. NGOs should work further with media organizations to broaden the capacity for reporting abuses of power.

Notwithstanding the fact that some very ‘imperfect’ regimes have been very successful in attracting FDI — suggesting political stability is more important to business than democracy — long-term disenfranchisement and abuse of human rights will create instability, which might deter FDI in the long term. It will also fail to maximize the human capital and life chances on which sustainable development depends.

### Macroeconomic policies

Economic stability is crucial for fostering additional FDI and encouraging economic growth. Development and implementation of macroeconomic policies that promote stability will benefit both foreign and local investors. Across developing countries, the recent trend reflects an attempt to liberalize trade policies and enhance the competitiveness of the marketplace.

Development of capital markets is likewise necessary to provide long-term financing for both foreign and local investors and to stimulate local entrepreneurship. This calls for the strengthening of financial markets through the development of the commercial banking sectors and the provision of prudential management and bank regulations.

Donor agencies are urged to do more to build capacity in macroeconomic policy-making, and any such programs should be endorsed by business in home-country legislatures. As discussed elsewhere, private-sector participation in policy negotiations is also important for making the process more democratic.



### Human and environmental health

Neglect of human health and the environment acts as a brake on foreign investment. Not only does it affect quality of resources and availability of labor, but the absence of regulations that insist on certain health and environmental standards contributes to an unstable operating environment.

The private sector must work together with development agencies and governments to identify the basic standards needed to attract investment. They must also promote their generally higher occupational health and safety standards to local SMEs. While developing countries are encouraged to ratify ILO conventions to provide universally recognized working conditions, the majority of standards must be adjusted to the realities of the country.

Legislation in this field is unlikely to be an option in the short-term. Imposing surprise standards on smaller players may threaten their survival and thereby the country's sustainable development.

### Legal systems

The legal areas that require the most attention to attract and retain FDI include corporate law, contract law, bankruptcy, labor law, property rights and — especially important for guiding investment that results in sustainable development — environmental law. A major objective of these reforms should be to eliminate discrimination against certain types of investors. Yet amending existing laws, or drafting new ones, is not enough: the judicial system must be strengthened to ensure the timely processing of claims and the consistent application of the relevant laws.<sup>19</sup>

Commonly agreed legal guarantees and protection should include:

- non-discrimination between foreign and domestic private investors;
- the right to own, or have long-term lease, on investment site;
- guarantees against expropriation (nationalization) — scale and timing of compensation at market rates, and in original currency;
- free and guaranteed repatriation of profits or original investment capital;
- internationally accepted procedures for dispute resolution.

### Work in progress

Many initiatives have been undertaken with a view to improving the legal framework for attracting investment. Reports indicate that African countries participating in the Cross Border Initiative, as well as many least developed countries (LDCs), have liberalized FDI regulations. According to UNCTAD, all 49 LDCs have entered into bilateral investment treaties, while many have concluded bilateral treaties for the avoidance of double taxation. Thirty-eight LDCs have fully ratified the ICSID Convention, giving them access to the arbitration of the International Center for Settlement of Investment Disputes, while 40 are also members of the Multilateral Investment Guarantee Agreement (MIGA), a branch of the World Bank that offers risk insurance to investors and lenders.<sup>20</sup>

<sup>19</sup> CBI: *Road Map for Investment Facilitation* (1999). p9

<sup>20</sup> UNCTAD: *FDI in Least Developing Countries at a glance*. p18



### Regulatory frameworks

Excessive or unnecessarily complex regulations can impede FDI flows. They can lead to substantial complications regarding entry requirements for new business, hiring of local labor, use of expatriate labor and access to land. In some African countries, such as Tanzania, Mozambique, Ghana or Uganda, it can take up to three years to make a legitimate new business operational.<sup>21</sup>

Acknowledging that excessive regulations can cause considerable hitches for potential foreign investors, governments have gone a long way in revising regulations that directly affect FDI. One of the most visible initiatives has been the establishment of Investment Promotion Agencies (IPAs), or 'one-stop shops,' that provide services such as investment approvals, tax registration, work permits, business licenses, access to land, site development and utilities connections.

To relax entry requirements and speed up registration procedures, UNIDO suggests that public authorities or IPAs use a 'negative list' to screen applications for approval instead of evaluating investment applications individually.<sup>22</sup> Likewise, the African states participating in the Cross Border Initiative have agreed to establish one-stop shops that will process all applications within 45-60 days, and grant automatic approval in the absence of objections at the end of that period. If tax concessions are to be granted with the approval of new investments, UNIDO recommends that these should be automatic, across-the-board concessions rather than project-specific ones.<sup>23</sup>

As a general recommendation, rules and regulations should be simplified and made more transparent. This applies to work permits and visas, as well as to other procedures linked to the establishment of a new business venture.

### Development agency policies

Development cannot take place without private sector growth. Without jobs, education will lose its relevance. Without decent income, there can be no sustainable development process. Business needs full recognition as a critical corner stone for sustainable development.

Greater dialogue with the private sector would give development agencies a fuller understanding of finance, economics and financial markets. At country or project level, it would help to optimize use of public funds, to identify commercial opportunities and to deliver more efficient development for host countries.

Consideration might also be given to equalizing the terms of public loan maturities. Private entities are typically granted loans over much shorter periods than public bodies, making it difficult for FDI to fund long-term projects. Donor agencies are also urged to work with business and NGOs to improve methodologies for measuring the impact of development loans on Millennium Development Goals and other social and environmental targets.

### Opening the door

Foreign direct investment is an important driver for economic development and, if properly directed, for sustainable development. Many of the solutions lie simply in improving communication between the public and private sectors.

Only when doors are open, will the potential synergies between FDI and ODA be advanced into concrete action. And only then will there be a better deployment and quality of private investment to support development goals.

This paper has attempted to show the common interests between business, governments and NGOs. And its practical recommendations aim to turn those common interests into action.

<sup>21</sup> ODI: *Policies towards foreign direct investment in developing countries: emerging best-practices and outstanding issues*. p25

<sup>22</sup> UNIDO Guidelines for Investment Promotion Agencies: *Foreign Direct Investment flows to developing countries*. p8

<sup>23</sup> UNIDO Guidelines for Investment Promotion Agencies: *Foreign Direct Investment flows to developing countries*. p8

# appendices

## Millennium Development Goals (MDGs)

Goal and Targets (from the Millennium Declaration)	Indicators for monitoring progress
<b>Goal 1: Eradicate extreme poverty and hunger</b>	
<b>Target 1:</b> Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	<ol style="list-style-type: none"> <li>1. Proportion of population below \$1 (PPP) per day</li> <li>2. Poverty gap ratio [incidence x depth of poverty]</li> <li>3. Share of poorest quintile in national consumption</li> </ol>
<b>Target 2:</b> Halve, between 1990 and 2015, the proportion of people who suffer from hunger	<ol style="list-style-type: none"> <li>4. Prevalence of underweight children under-five years of age</li> <li>5. Proportion of population below minimum level of dietary energy consumption</li> </ol>
<b>Goal 2: Achieve universal primary education</b>	
<b>Target 3:</b> Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	<ol style="list-style-type: none"> <li>6. Net enrolment ratio in primary education</li> <li>7. Proportion of pupils starting grade 1 who reach grade 5</li> <li>8. Literacy rate of 15-24 year olds</li> </ol>
<b>Goal 3: Promote gender equality and empower women</b>	
<b>Target 4:</b> Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015	<ol style="list-style-type: none"> <li>9. Ratio of girls to boys in primary, secondary and tertiary education</li> <li>10. Ratio of literate females to males of 15-24 year olds</li> <li>11. Share of women in wage employment in the non-agricultural sector</li> <li>12. Proportion of seats held by women in national parliament</li> </ol>
<b>Goal 4: Reduce child mortality</b>	
<b>Target 5:</b> Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	<ol style="list-style-type: none"> <li>13. Under-five mortality rate</li> <li>14. Infant mortality rate</li> <li>15. Proportion of 1 year old children immunized against measles</li> </ol>
<b>Goal 5: Improve maternal health</b>	
<b>Target 6:</b> Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio	<ol style="list-style-type: none"> <li>16. Maternal mortality ratio</li> <li>17. Proportion of births attended by skilled health personnel</li> </ol>
<b>Goal 6: Combat HIV/AIDS, malaria and other diseases</b>	
<b>Target 7:</b> Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio	<ol style="list-style-type: none"> <li>18. HIV prevalence among 15-24 year old pregnant women</li> <li>19. Condom use rate of the contraceptive prevalence rate</li> <li>20. Number of children orphaned by HIV/AIDS</li> </ol>
<b>Target 8:</b> Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases	<ol style="list-style-type: none"> <li>21. Prevalence and death rates associated with malaria</li> <li>22. Proportion of population in malaria risk areas using effective malaria prevention and treatment measures</li> <li>23. Prevalence and death rates associated with tuberculosis</li> <li>24. Proportion of TB cases detected and cured under DOTS (Directly Observed Treatment Short Course)</li> </ol>
<b>Goal 7: Ensure environmental sustainability</b>	
<b>Target 9:</b> Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources	<ol style="list-style-type: none"> <li>25. Proportion of land area covered by forest</li> <li>26. Ratio of area protected to maintain biological diversity to surface area</li> <li>27. Energy use (kg oil equivalent) per \$1 GDP (PPP)</li> <li>28. Carbon dioxide emissions (per capita) and consumption of ozone-depleting CFCs (ODP tons)</li> <li>29. Proportion of population using solid fuels</li> </ol>

<b>Target 10:</b> Halve, by 2015, the proportion of people without sustainable access to safe drinking water	<b>30.</b> Proportion of population with sustainable access to an improved water source, urban and rural
<b>Target 11:</b> By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers	<b>31.</b> Proportion of urban population with access to improved sanitation <b>32.</b> Proportion of households with access to secure tenure (owned or rented)
<b>Goal 8: Develop a Global Partnership for Development</b>	
<p><b>Target 12:</b> Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system</p> <p>Includes a commitment to good governance, development, and poverty reduction – both nationally and internationally</p> <p><b>Target 13:</b> Address the special needs of the Least Developed Countries</p> <p>Includes: tariff and quota free access for LDC exports; enhanced programme of debt relief for HIPC and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction</p> <p><b>Target 14:</b> Address the special needs of landlocked countries and small island developing states</p> <p>(through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of 22nd General Assembly)</p> <p><b>Target 15:</b> Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term</p>	<p><i>Some of the indicators listed below will be monitored separately for the Least Developed Countries (LDCs), Africa, landlocked countries and small island developing states.</i></p> <p><u>Official Development Assistance</u></p> <p><b>33.</b> Net ODA, total and to LDCs, as percentage of OECD/DAC donors' Gross National Income</p> <p><b>34.</b> Proportion of total liberal, sector-allocable ODA of OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation)</p> <p><b>35.</b> Proportion of bilateral ODA of donors that is untied</p> <p><b>36.</b> ODA received in landlocked countries as proportion of their GNIs</p> <p><b>37.</b> ODA received in small island developing States as proportion of their GNIs</p> <p><u>Market Access</u></p> <p><b>38.</b> Proportion of total developed country imports (by value and excluding arms) from developing countries and LDCs, admitted free of duties</p> <p><b>39.</b> Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries</p> <p><b>40.</b> Agricultural support estimate for OECD countries as percentage of their GDP</p> <p><b>41.</b> Proportion of ODA provided to help build trade capacity</p> <p><u>Debt Sustainability</u></p> <p><b>42.</b> Total number of countries that have reached their HIPC decision points and numbers have reached their HIPC completion points (cumulative)</p> <p><b>43.</b> Debt relief committed under HIPC initiatives, US\$</p> <p><b>44.</b> Debt service as a percentage of exports of goods and services</p>
<b>Target 16:</b> In co-operation with developing countries, develop and implement strategies for decent and productive work for youth	<b>45.</b> Unemployment rate of 15-24 year olds
<b>Target 17:</b> In co-operation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries	<b>46.</b> Proportion of population with access to affordable essential drugs on a sustainable basis
<b>Target 18:</b> In co-operation with the private sector, make available the benefits of new technologies, especially information and communications	<b>47.</b> Telephone lines and cellular subscriber per 100 population <b>48.</b> Personal computers in use per 100 population and Internet users per 100 population

The Millenium Development Goals and targets come from the Millenium Declaration signed by 189 countries, including 147 Heads of States, in September 2000 ([www.un.org/documents/ga/res/55/a55r002.pdf](http://www.un.org/documents/ga/res/55/a55r002.pdf) - A/RES/55/2).

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