



**Asia-Pacific
Economic Cooperation**

Advancing Free Trade
for Asia-Pacific **Prosperity**

Workshop on Sustainable and Inclusive Investment Policies within the APEC Region

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Executive Summary

A two-day Workshop on Sustainable and Inclusive Investment Policies within the APEC Region was hosted from 11–12 August 2018 within the margins of Senior Official Meeting (SOM3) in Port Moresby, Papua New Guinea. The event was hosted by the PNG Investment Promotion Authority (IPA) with support from the PNG APEC Secretariat. Key government officials from APEC member economies and experts from international organisations, enterprises and academia participated in the formulation and implementation of sustainable and inclusive investment promotion, facilitation and retention strategies that will contribute towards inclusive growth and improving people's standard of living. Session themes explored sustainable and inclusive approaches to investment, promotion, facilitation and retention; creating local linkages and knowledge spill-overs; inclusive growth through sustainable sectors; strengthening regional ties; and gender and SME inclusiveness. Case studies were also presented by government representatives of Australia, Chile and the Philippines.

During break out sessions, participants reflected on the presentations by experts and developed recommendations in response to various challenges. The key recommendations are:

- (1) IPAs should co-ordinate with other government agencies to become a one-stop-shop for information on local regulations, treaty obligations, labour and environmental policies.
- (2) IPAs should ensure a balance between horizontal efforts and sector/company specific support. Increased collaboration between the public and private sector is required to enhance the ecosystem and competitiveness of specific sectors.
- (3) Governments can support outbound investment by hosting trade fairs, exhibitions and creating platforms to bring together local knowledge, technical capacity and other government ministries.
- (4) Local linkages can be supported by bringing together various stakeholders including local companies, foreign investors, academia and local communities.
- (5) Investment policies that do not work often arise due to a lack of transparency, fragmented sources, poor communication between government agencies, frequent changes to policies and regulatory imbalances/chill due to pressure from investor-state disputes.
- (6) Several complementarities exist between the agriculture and tourism sectors such as fair-trade promotions and harvest festivals that attract tourists. There is also potential to use local culture and natural environment to attract tourists.
- (7) International co-operation between IPAs could take place through MoUs, training, matchmaking, information sharing and workshops on best practices.
- (8) Investments into sub-domestic regions can be supported by having a centralised government agency to co-ordinate investment at federal level, having a domestic development plan that lays out priorities and centralised investment incentive approval.
- (9) Global value chains can encourage sustainable, inclusive investment by developing local capacity and supporting domestic MSMEs.

Introduction

The Workshop on Sustainable and Inclusive Investment Policies brought together government officials from APEC economies, experts from international organisations, enterprises and academia to engage in a robust discussion on the formulation and implementation of sustainable and inclusive investment policies. Case studies were also presented by government representatives of Australia, Chile and the Philippines. The Main Discussion section below summarizes the key outcomes arising from each session.

At the end of each day, participants were divided into groups to discuss the implications of presented material to their home economy context and to develop recommendations on specific topics. The Conclusion section below summarizes the outcomes of these breakout sessions.

Main Discussion

The workshop began with welcoming remarks by Mr Leon Buskens, the Chairman of Investment Promotion Authority of PNG. Mr Buskens highlighted the importance of investment policies to meet the Sustainable Development Goals (SDGs) in order to strengthen human and economic growth in APEC economies. He noted that APEC is well placed to develop principles that recognise the different levels of development amongst member economies and their different priorities. Mr Buskens officially opened the Workshop and encouraged participants to actively interact with each other and promote discussions on how best we can drive IEG focus on creating appropriate investment policies for APEC region.

Session 1. Overview of the Workshop: Sustainable and Inclusive Investment Policies

Mr Aaron Soans from the Australian APEC Study Centre at the RMIT University discussed the changing role of investment promotion agencies (IPAs) in meeting sustainable development needs. He argued that in-order for economies to meet the substantial investment required for the SDGs, IPAs must adapt by (1) going wide and (2) going deep. Going wide means moving beyond economic objectives to include social and environmental as well; offering SDG investment incentives; and developing partnerships to create a pipeline of projects. Going deep means providing after-care support and having in place investment retention and dispute prevention policies.

Mr Wayne Kasou of Oil Search PNG spoke about the importance of working with governments to ensure they understand private sector expectations. He noted the various ways the oil and gas industry has contributed to the PNG economy. His company Oil Search makes a firm commitment to support the domestic and social development of PNG through providing local medical and health services, social programmes, local community infrastructure projects and earthquake relief. A tax credit scheme was highlighted as a policy that incentivised local projects. Mr Kasou reiterated the importance of private companies looking beyond shareholder value to also include shared values and maintaining their social license to operate through meaningful and ongoing engagement with community and government. The importance of engagement at all levels – domestic, provincial and local was considered crucial.

Session 2. Sustainable and inclusive approach to investment promotion, facilitation and retention strategies

Ms Soo Hyun Kim from United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), called for private sector representation and overall policy coherence in integrating the SDGs into investment policies. Ms Kim focused on the role of International Investment Agreements (IIAs) and highlighted their fragmented nature because of the lack of a multilateral system resulting in a noodle-bowl effect. She covered recent trends in sustainability provisions in IIAs which is a relatively recent phenomenon. Many IIAs now include environmental and labour standards as well as sustainable development provisions for least developed economies. Developing economies still lag behind in creating model BITs and IIAs and achieving policy coherence between the agency negotiating IIAs and domestic development strategies. Ms Kim also referred to reforms underway to modernize IIAs. Greater discussion between the private sector, academia and policy makers can be fostered at the Asia Pacific FDI Network and the Asia Pacific Business Forum.

Mr Sean Doherty from the World Economic Forum, spoke about the importance of sustainable investment promotion, facilitation and retention; meeting investor needs and delivery of activities. He pointed to various forums interested in facilitating sustainable investment including the E15 Initiative, Sustainable Investment Policy Dialogue and Global Alliance for Trade Facilitation. Four main attributes for sustainable investment were identified: Economic (e.g. employment, jobs technology, infrastructure, etc); Environmental (e.g. water, biodiversity, air pollution and carbon emissions); Social (e.g. human rights, education, health); and Governance (anti-corruption, consumer protection). Mr Doherty questioned whether IPAs could adequately target investments and called for greater horizontal reforms. While indicating the importance of collaboration between the private and public sector, he also warned that PPPs are not always easy as different actors have different incentives. He called for greater focus on practical domestic efforts.

Case Study: Presentation by Australia

Mr Warren Hauck from the Australian Department of Foreign Affairs delivered a presentation on Australia's approach to investment attraction. Australia continues to incorporate sustainability and inclusiveness in its trade and investment policies. Mr Hauck noted two areas Australia wanted to highlight through the seminar were boosting gender equality and investments role in community development. Empowering women contributes to economic growth and development. It is a core principle of Australia's development assistance program and in APEC, Australia had established a Women and the Economy sub-fund to promote female entrepreneurship across the region. The private sector could also play an important role in developing local communities. The Australian mining sector, for example, has a strong history of inclusive consultation and governance mechanisms to work with local groups in developing health and education services. Mr Hauck then noted that securing public support for foreign investment was important, drawing on case studies of micro, small and medium enterprises (MSMEs) to tell the story of foreign investment in a way that resonates with local communities was a useful step.

Session 3: Approaches to better management of FDI: Local linkages and knowledge spill-overs

Ms Sherry Stephenson from the Pacific Economic Cooperation Council (PECC) raised the importance of linkages to ensure that investment leads to positive outcomes in the host economy. Investment in

the context of services can take many forms such as strategic partnerships, joint ventures, licensing, contract manufacturing or research collaborations. Linkage opportunities are determined by a complex set of factors including host economy characteristics and regulatory regime, domestic supplier capacity and know-how, and investor characteristics such as motivation and position in GVC. Governments also face various challenges to facilitate linkages including information failures, lack of local entrepreneurship and institutional failures. Ms Stephenson then laid out an action plan to address these challenges which included reducing restrictions on investment, creating incentives to foster linkages, establishing a local supplier database and developing training programs to fill skills gaps.

Ms Devi Ariyani from the Indonesia Services Dialogue Council spoke about Indonesia's focus on improving investment indicators. A case study was presented on the Apple Developer Academy which was built to meet the government's local content requirements. The Academy works with local universities to improve digital skills. Ms Devi highlighted the importance of a tripartite collaborative effort between government, industry and academia in meeting sustainability and inclusiveness objectives. She stressed the importance of going beyond fiscal incentives to include non-fiscal incentives; engagement with local communities; incentives for training and R&D centres and protection of intellectual property.

Session 5: Fostering Inclusive Growth through Sustainable Economic Sectors

Mr Quan Zhao of the International Trade Commission (ITC) presented on investment for sustainable tourism. He highlighted the importance of the tourism sector for global GDP and particularly the least developed economies where they constitute 7% of exports. Yet in PNG the direct contribution of tourism is only 0.7% of total GDP which is low compared to neighbouring economies. Sustainable tourism is increasingly an area of focus where the goal is not maximise tourism arrivals but to maximise its value creation. The ITC has led several sustainable tourism projects including in Myanmar, Lao PDR and Brazil. The ITC Bilum Mama Project provides technical training on business and design skills, connects them to international high-end fashion buyers and established a PNG Bilum Export and Promotion Association. Mr Zhao also laid out several investment policies for sustainable tourism. These included avoiding local content requirements; improving linkages with smaller suppliers; improving information networks; support for improving quality; investing in skills; ensure a level playing field for SMEs when offering incentives for FDI; co-ordinate amongst agencies and ensure consistency in policies.

Ms Marjorie Andrews from the PNG Institute of National Affairs presented a paper on inclusive growth and sustainable economic sectors. The paper broadly focused on agriculture and tourism. It was noted that as agriculture was the largest employer it should be granted special attention for inclusion and poverty reduction. The paper called for the government to develop a domestic agriculture policy and action plan to promote exports and encourage foreign investment. On tourism the paper noted the large gains it could bring to the economy and identified several impediments that must be addressed. These include inadequate domestic infrastructure; insufficient human capital; lack of co-ordination across government; limited access to finance; limited engagement with local communities and law and order problems. The paper also presented recent trends in poverty indicators which found that although there have been improvements in recent years over 25% of the population remains below the food poverty line.

Session 6: Strengthening regional ties

Mr Ken Waller from ABAC PNG presented a proposal on creating an APEC Resources Industry Platform to support inclusive growth. The key objectives of the platform are to support developing and developed APEC economies to improve the social impact of the resource sector; support collaboration between the private and public sectors and other stakeholders; enhance collaboration between APEC Mining Task Force, APEC Business Advisory Council and other APEC groups in support of the APEC Mining Principles. The Platform is intended to serve as an annual dialogue allowing participants to share best practice, obtain expertise and report on progress.

Ms Tania Pierotic from the Ministry of Foreign Affairs of Chile spoke about investment policies that are beneficial for sustainable development. Ms Pierotic highlighted the many benefits of foreign investment to the host economy, local firms, and the source economy. She stressed that simply enacting measures to attract foreign investment are not sufficient without an emphasis on sustainable development, i.e. investment that contributes to the economic, social and environmental development of host economies. This she argued requires joint efforts between host economies, home economies and enterprise. Ms Pierotic called for further regional co-operation at APEC and other regional bodies to develop investment principles that support sustainable development and measures to increase harmonisation of international investment agreements.

Case Study: Presentation by Chile

Mr Juan Domingo from Chile presented a case study on investment in the energy sector in Chile. Up until four years ago the economy faced serious obstacles to developing energy projects resulting in low investment, high electricity prices and over-dependence on fossil fuels. In 2014 the government then developed a long-term energy policy – Energy 2050 – which focused on reliability, inclusiveness, competition and sustainability. The plan specified increases in the proportion of energy generated from renewable resources and developed robust transmission systems to incorporate renewable energy. These policy changes led to a substantial increase in investment into the energy sector and a reduction in prices offered by companies. It is projected that renewable energy will be a main source of energy for Chile.

Session 7: Inclusiveness dimensions of FDI: Gender and SMEs

Ms Eli Webb of the Centre for International Private Enterprises (CIPE) presented an ongoing project to increase women's economic participation. The PNG Women's Business Resource Centre provides a supportive ecosystem for women to increase their involvement in entrepreneurship and SMEs. It does so by providing skills training, mentoring, vocational training and networking. The Centre also works to tackle adverse norms such as stereotyped gender roles and laws that re-enforce gender differences. Women still undertake three times more unpaid work than men and have few financial assets. Addressing these issues requires changing business culture and private practice, educating women to use laws that protect them, improving gender equality in government positions and increasing budget resources to improve economic empowerment of women.

Ms Mari Ellingson of AIDAN Limited spoke about her experience with Trade Expo Indonesia and the benefits that PNG SME's could receive from participating. These include B2B networking, sourcing cheaper products/supplies, reach international markets and learn about competing products. In partnership with the Indonesian Embassy and the Women's Business Resource Centre the TEI is being

promoted in PNG and interested participants are being provided the necessary information and support to attend TEI 2018.

Case Study: Philippines

Ms Melanie Llorca Moleno from the Philippines Department of Trade and Industry presented a case study on the barriers faced by SMEs in the Philippines and recent government policies to address them. SME's face various barriers such as access to finance, poor business environment, access to markets, awareness of standards and low productivity. Various government policies have been enacted to help address these barriers. The Magna Carta for MSMEs has created an MSME Development Council and provided opportunities for financing. The Barangay Micro Business Enterprises Act grants various benefits such as income tax exemptions, special credit window and marketing assistance. The Go Negosyo Act has created various Negosya Centres that promote ease of doing business and facilitate access to services for MSMEs. The government is also promoting inclusive business through the Investments Priorities Plan by providing various incentives, promoting engagement with low-income communities and provision of inputs and technology.

Conclusion and Recommendations

At the end of each day of the workshop, participants were divided into groups to discuss the implications of presented material to their home economy context and to develop recommendations on specific topics. The key findings are summarized below:

- (1) IPAs should co-ordinate with other government agencies to become a one-stop-shop for information on local regulations, treaty obligations, labour and environmental policies.
- (2) IPAs should ensure a balance between horizontal efforts and sector/company specific support. Increased collaboration between the public and private sector is required to enhance the ecosystem and competitiveness of specific sectors.
- (3) Governments can support outbound investment by hosting trade fairs, exhibitions and creating platforms to bring together local knowledge, technical capacity and other government ministries.
- (4) Local linkages can be supported by bringing together various stakeholders including local companies, foreign investors, academia and local communities.
- (5) Investment policies that do not work often arise due to a lack of transparency, fragmented sources, poor communication between government agencies, frequent changes to policies and regulatory imbalances/chill due to pressure from investor-state disputes.
- (6) Several complementarities exist between the agriculture and tourism sectors such as fair-trade promotions and harvest festivals that attract tourists. There is also potential to use local culture and natural environment to attract tourists.
- (7) International co-operation between IPAs could take place through MoUs, training, matchmaking, information sharing and workshops on best practices.
- (8) Investments into sub-domestic regions can be supported by having a centralised government agency to co-ordinate investment at federal level, having a domestic development plan that lays out priorities and centralised investment incentive approval.
- (9) Global value chains can encourage sustainable, inclusive investment by developing local capacity and supporting domestic MSMEs.

Closing Remarks

On behalf of the Investment Promotion Authority of PNG, Mr Clarence Hoot, the Acting Managing Director thanked participants for a lively and interactive session. It was noted that there were several important exchanges that participants would take home. Mr Hoot acknowledged the support of co-sponsoring economies especially Australia, Chile, Japan, New Zealand, and the Philippines and thanked the speakers and presenters from WEF, UNESCAP, PECC, private sector and academia. Mr Hoot concluded noting that workshop presented important ideas to allow the UN SDGs to be mainstreamed in investment policy.