MAKING INVESTMENT WORK FOR THE SUSTAINABLE DEVELOPMENT GOALS
IMPLEMENTING THE POLICY FRAMEWORK FOR INVESTMENT
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- We need to take SDGs seriously. SDGs require significant investments which inevitably would involve the private sector:
    - 2014 World Investment Report by UNCTAD: ~4 Trillion USD only in developing countries
    - According to UN Sustainable Development Solutions Network: ~1.5-2.5% of the world GDP for global implementation

- Therefore, we need a systems approach: we need to establish an investment friendly playground and align overall incentive systems with the SDGs
    - Eliminate all incentives that counter SDGs
    - Overhaul tax systems with two goals:
        - Do not increase overall taxation (revenue neutrality)
        - Shift the basis of taxation from positive externalities to negative externalities (e.g. from employment and value added to gap in diversity and carbon emissions)
    - Motivate financial industry to incorporate SDGs into their decisions
        - Banks – To their credit evaluation criteria
        - Investors – To their investment criteria (UN PRI ~50 Trillion of funds)
        - Sustainable Stock Exchanges
    - Motivate major brand owners to incorporate SDGs into their buying decisions

- Embrace reporting best practice and encouraging market-led initiatives, such as **Integrated Reporting**, focused on communicating value creation and sustainability performance across the value chain, improving transparency and building trust.

- Value creation requires investments for an uncertain future. Predictable governmental actions enhance the investments as they enable risk premiums to decline. Therefore, **rule of law, public engagement, evidence-based public decision making, and fair implementation of regulations across players are key for governments to improve the business investment appetite**.

- This requires not only a strong culture of responsibility, but also an appropriate climate in which **good governance is exercised in all institutions, including the public, private, and civil society organizations**.

- Stakeholder engagement and efforts to create equal opportunities in public and private institutions for all are founding stones of building inclusive societies. **A strong involvement of relevant stakeholders should be part of an independent evaluation of the governance cycles, in particular in the implementation phase.** These are drivers for stakeholder buy-in and commitment in the implementation of regulations and contribute to the efficient monitoring of regulatory practices.

- Policymakers should also recognize that businesses operate globally, and there should be greater **alignment of regulations internationally in order to enable companies to operate more efficiently and effectively across borders**. This calls for improved international regulatory co-operation.

- There is a basic need for business everywhere to operate in a stable and predictable policy environment. **Sustainable regulatory policy** is a key driver for trust, and an indispensable condition for businesses to operate. This is the reason why BIAC strongly supports the **ground-breaking OECD work on Measuring Regulatory Performance**, as efforts made to encourage the **implementation of good regulatory policy**.

- A BIAC economic survey last year showed strong support to good and sustainable regulatory practice among businesses: 50% of the participants to the BIAC survey indicated that they had been using the **OECD *Recommendation on Regulatory Policy and Governance*** from 2012 to promote regulatory reform in their respective countries. But they deplored the **lack of implementation**.

- According to another survey on the business climate we did earlier this year, **regulatory burden and policy uncertainty are seen as major constraints to investment**. Businesses in many countries call for their governments to not only reduce or simplify regulation, but also to enhance trust and confidence in markets and policymaking if they want to unlock investment in their countries.

- The OECD has developed the "Trust Strategy", which recognizes **3 key drivers for business confidence**:
  1. First, **efficient governance and effective enforcement of legal frameworks** are important for trust among business and for the economy as a whole.
  2. Second, to operate and be successful, business depends upon **stable, transparent, predictable and efficient legal frameworks**. These elements are the basis for a level playing field and for a competitive, confidence-inducing business environment.
  3. Third, the **fair and consistent implementation** of rules is another key element for trust in business.

- In other terms, the OECD recognizes that **improving the effectiveness of regulatory processes, and the consistent implementation of good regulatory practices**, is absolutely key to secure business confidence.

- Stakeholder Engagement and Impact Assessment are key drivers to foster good regulatory practices. **Stakeholder engagement at all stages of the regulatory process** in particular is key to secure and monitor the implementation of good regulatory practices.

- Peer pressure and reviews of progress on regulatory reform and quality in OECD countries are an important instrument, but in many countries, the willingness of regulators to engage with the private sector has considerably suffered from the crisis. Policy capture is too often seen as a synonym for private sector involvement. **The very positive role the private sector can play in the analysis of existing regulations, in the assessment of relevant measures and as a key provider of expert advice, should not be disregarded**.

- Again, **better and fair implementation of proposed reforms would be stimulated by enhancing the effectiveness of regulatory consultation processes and impact assessments** as they contribute to improve the design of new regulations, to minimize enforcement and compliance costs, and help ensure key stakeholder support their implementation.

- The **OECD Regulatory Indicators** are a fantastic tool to follow up on the concerns expressed among the business community, and to monitor the progress made. It appears that many countries are weak on the *ex-post* evaluation of regulations, and that more work can now be done to better understand how impact assessment is used in practice.