GLOBAL FORUM ON RESPONSIBLE BUSINESS CONDUCT

SESSION NOTE

Responsible business conduct and infrastructure

Friday 30 June 2017 - 16:30-17:45
Room CC5 - OECD Conference Centre

Investing in modern, smart and clean infrastructure is critical in the next decade in order to achieve sustainable economic growth objectives. This is particularly important as infrastructure has typically suffered from chronic underinvestment since before the 2008 financial crisis.[1] The new OECD report *Investing in Climate, Investing in Growth* estimates that USD 6.3 trillion of infrastructure investment is required annually on average between 2016 and 2030 to meet development needs globally. An additional USD 0.6 trillion a year over the same period will make these investments climate compatible, a relatively small increase considering the short and long-term gains in terms of growth, productivity and well-being.

Infrastructure affects both economic activity and the quality of human lives. The quality and sustainability of infrastructure matters for the delivery of public services, such as transportation, health and educational services, and access to telecommunications. In order to deliver high-quality infrastructure, it is thus essential to integrating responsible business conduct across all the steps of infrastructure life cycle, and across the supply chain involved in infrastructure provision. Responsible investment and ESG factors can also impact the performance of infrastructure investment portfolios. Responsible investment practices thus need to be mainstreamed across investment decision making process in infrastructure projects and portfolios.

Given the scale of investment needs in quality and sustainable infrastructure, this session will discuss key issues in RBC and infrastructure. The session will discuss integrating environmental, social and governance issues in infrastructure provision, drawing on relevant OECD recommendations from instruments such as the OECD *Principles for Private Sector Participation in Infrastructure*, the OECD *Policy Framework for Investment* and the *OECD Guidelines for Multinational Enterprises*. The session will also consider responsible investment in infrastructure, drawing on relevant OECD work, including on green infrastructure investment, as part of the OECD Centre on Green Finance and Investment.[2] Elements to consider include:

Overview: Inclusiveness and responsible business conduct for private sector participation in infrastructure:

Collaborating with the private sector for infrastructure projects involves assessing needs, selecting partners and bidding, executing contracts and payments. The OECD *Policy Framework for Investment*[3] (PFI) and the OECD *Principles for Private Sector Participation in Infrastructure*[4] encourage governments to clearly communicate responsible business conduct expectations to their private partners. One of the main instruments companies can draw upon in their quest to embrace principles of

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responsible conduct is the *OECD Guidelines for Multinational Enterprises*. The OECD Guidelines are recommendations addressed by governments to multinational enterprises operating in or from adhering countries. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognised standards. The Guidelines are the only multilaterally agreed and comprehensive code of responsible business conduct that governments have committed to promoting. This is particularly critical for infrastructure projects. As highlighted by the OECD PFI, by connecting companies and people to information and markets, and improving access to services that enhance people's livelihoods, infrastructure projects can enhance business opportunities, support greater gender equity, and improve the well-being of vulnerable populations. This requires careful preparation of infrastructure projects in the upstream stages of project development, with the participation of private sector stakeholders, as well as local communities and other stakeholders, as discussed below, to ensure needs and risks are correctly assessed and addressed. Responsible business conduct also helps to ensure infrastructure projects benefit all parts of the society, by accounting for possible social, economic and environmental risks in infrastructure project preparation and development.

Integrity and transparency to fight corruption

The interactions between public and private sector in infrastructure projects make them prone to risks of fraud, corruption and waste. Integrity and transparency are key to fighting against bribery, bribe solicitation and extortion.[5] The *OECD Recommendation of the Council on Public Procuremen*t promotes integrity of the public procurement sustem through general standards and procurement-specific safeguards, such as through putting forward high standards of integrity and developing requirements internal controls, compliance measures and anti-corruption programmes for suppliers.[6]

Stakeholder engagement

The decision-making for infrastructure projects should involve local communities and other stakeholders who are or could be directly or indirectly affected by the infrastructure project. The *OECD Guidelines for Multinational Enterprises* recommend that stakeholders be involved in a meaningful way, i.e. that their views are taken into account in relation to planning and decision making for projects and activities that may significantly impact them.[7] As highlighted by the OECD PFI and the OECD Guidelines, the participation of stakeholders can help assess the different risks of adverse social and environmental impacts. It may also help gain environmental and social benefits such as stronger acceptance and trust, cost minimising and policy coherence, but also social cohesion, knowledge transfers and avoidance of conflict, as demonstrated by a 2015 OECD in-depth analysis on stakeholder engagement in water infrastructure projects.[8]

Responsible investment

Responsible investment and ESG factors also need to be integrated in infrastructure provision and investment decision-making process, in order to improve the performance of infrastructure investment portfolios. Several initiatives exist to encourage responsible investment in infrastructure investment, within private investors but also international and public stakeholders. In particular, the PRI signatories have committed to implementing responsible investment related policies and processes and assessing the impact of ESG issues for infrastructure investments.

Relevant links

OECD instruments and reports

- OECD Principles for Private Sector Participation in Infrastructure
- OECD Policy Framework for Investment
- OECD Guidelines for Multinational Enterprises
- Investing in Climate, Investing in Growth (OECD, 2017)

See also

- OECD Centre on Green Finance and Investment, including OECD work on investment in green infrastructure
- OECD work on clean energy infrastructure investment
- OECD work on RBC in the financial sector
- PRI work on infrastructure
- SWEN Capital Partners' ESG Best Practices Honours
- Iran Business Responsibility (IBR) project
- Colbun's activities (in Spanish)

Notes

1 OECD (2017), *Investing in Climate, Investing in Growth*, OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264273528-en

2 The OECD has established a Centre on Green Finance and Investment, to catalyse support the transition to a green, low-emissions and climate-resilient global economy, through the development of effective policies, institutions and instruments for green finance and investment. The Centre will leverage the OECD's convening power and unique, systematic reach across government to share knowledge and address key policy and market challenges in close collaboration with industry and other stakeholders. The 4th Green Investment Financing Forum, now the main annual global event for the OECD Centre, will gather on 24-25 October 2017 senior policy makers and key actors to advance the global green finance agenda.

3 OECD (2015), *Policy Framework for Investment*, www.oecd.org/investment/pfi.htm

4 The 2007 *OECD Principles for Private Sector Participation in Infrastructure* encourage responsible business conduct pp. 26 -27, www.oecd.org/daf/inv/investment-policy/38309896.pdf

5 *OECD Guidelines for Multinational Enterprises*, chapter VII. Combating Bribery, Bribe Solicitation and Extortion, https://mneguidelines.oecd.org/guidelines/

6 *OECD Recommendation of the Council on Public Procurement*, www.oecd.org/gov/ethics/OECD-Recommendation-on-Public-Procurement.pdf

7 *OECD Guidelines for Multinational Enterprises*, II. General policies, page 20.

8 OECD (2015), *Stakeholder Engagement for Inclusive Water Governance*, http://dx.doi.org/10.1787/9789264231122-en