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**Rationale for Components of a Scoring System of Developed
Country Support for International Investment Flows to
Developing Countries**

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Summary of Changes in the Index of Developed Country Support for International Investment Flows to Developing Countries

There are two major changes in the 2004-5 Investment Flows Index.

On December 14, 2004 the Advisory Board of the Center for Global Development reviewed the 2004-5 Investment Flows Index and suggested that more emphasis be placed on prevention of bribery and other corrupt practices. The 2004-5 index therefore now awards 30 points for performance on these issues, in contrast to the 25 points of the previous year (for the calculation procedures, see *infra*).

The second major change involves developed country “advocacy” on behalf of home country investors. The 2003-2004 Index awarded a favorable score to home country authorities that showed evidence of weighing in on behalf of home country investors to advocate fair play or remedy perceived mistreatment.

Several external evaluators objected that such intervention smacked of old fashioned neo-imperialism, and questioned whether the index could be used to separate out “appropriate” representations on behalf of foreign investors from “inappropriate” intervention in host country policy matters.

At the same time, new research on instances of “advocacy” raises questions about developed country officials devoting sufficient attention to whether proposed investment projects are beneficial for host country development, and about dispute settlement outcomes giving adequate weight to host country interests (as discussed *infra*).

For 2004-5 therefore the practice of awarding positive points for home country “advocacy” has been dropped.

The 2004-5 Index also looked in much more detail at the debate about how developed countries might most effectively avoid double taxation of home country investors in the developing world, but did not find sufficient evidence to suggest a scoring system different from the 2003-4 index (see discussion *infra*).

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Developed country support for international investment flows to developing countries in this scoring system involves: (1) measures relating to foreign direct investment, and (2) measures relating to portfolio investment.¹

I. Developed Country Measures to Support Foreign Direct Investment Flows to Low Income Countries

What measures can developed countries take to facilitate the flow of foreign direct investment to developing countries, in particular to the poorest developing countries, and ensure that the projects involved provide maximum benefit to host country growth and welfare?

Providing an answer to these questions involves a certain amount of conjecture.² Surveys of international investors often involve long wish-lists of subsidies and special favors that might or might not be decisive in influencing any given investment decision, and might or might not be desirable to help host country development. Measurements of “additionality” – the amount of “extra” investment generated by a given developed country policy tool, the amount of reduction in investment that would take place “but for” the provision of a given developed country action – have been notoriously difficult to construct. Developed country policy actions that are strongly advocated by the multinational investment community sometimes – as reported infra – show no statistical correlation whatsoever with the actual outcomes of international investment flows.

Complicating the assessment of what are appropriate ways for developed countries to “facilitate” foreign direct investment flows is a growing awareness that not all foreign direct investment projects contribute positively to host country growth and welfare.

¹ Portions of this investigation also appear in the author’s “Foreign Direct Investment and the Development of Low Income Poorly Performing States” (Washington, DC: Center for Global Development, forthcoming 2005). The examination of many of these issues, and others, will be expanded in the author’s monograph for CGD on foreign direct investment and development, forthcoming 2005.

² The analysis that follows draws upon discussions with senior representatives of the OECD, 2004-5, and with international investors, lenders, and political risk insurers in the “Working Group on Reforming OPIC for the 21st Century”, at the Institute for International Economics, 2002-2003. For a pioneering investigation, see *Promoting Foreign Direct Investment in Developing Countries*, (Paris: Organization for Economic Co-Operation and Development, 1993).

During the heyday of the “Washington consensus” a decade or so ago, conventional wisdom held that foreign direct investment was “good”, and “the more the better”. But the Washington consensus has proven to be woefully inadequate in depicting the relationship between foreign direct investment and development.

Foreign direct investment in natural resources may constitute a “curse” that locks the host economy into inefficient rent-seeking behavior, finances wars and dictatorships, and seldom trickles down to poorer segments of the population.³ Foreign direct investment in highly protected import substituting projects may divert resources into inefficient uses and harm development prospects. Carefully constructed cost-benefit analysis of the impact of non-extractive foreign direct investment projects on host country welfare, valuing all inputs and outputs at world prices, consistently show that heavily protected and/or subsidized sugar projects, auto kit assembly plants, and boutique petrochemical facilities actually subtract from national income.⁴ Foreign direct investors, and their subcontractors, may wreak environmental damage, and ignore core labor and human rights standards.

An index of developed country “support” for foreign direct investment flows to the developing world therefore cannot complacently subscribe to the “more is better” message. The index must also record developed countries’ efforts to ensure that the projects involved contribute to sustainable local growth and social-and-economic welfare in the host country.

Despite the uncertainties of which developed country instruments affect outward flows of international investment to developing countries by how much, the empirical literature points to four categories of measures by which developed countries can facilitate outward flows of FDI from the home market to the developing world, and help ensure a beneficial impact. The first three categories involve: 1) provision of quasi-official political risk insurance (with careful screening mechanisms regarding impact); 2) procedures to avoid double taxation of profits earned abroad; and 3) regulations to prevent bribery and other corrupt practices. The fourth category involves a disparate array of other measures to support foreign investors moving to developing countries, including assistance with

³ William Ascher, *Why Governments Waste Resources: The Political Economy of Natural Resource Policy Failures in Developing Countries* (Baltimore: Johns Hopkins University Press, 2000). Michael L. Ross, “The Political Economy of the Resource Curse,” *World Politics*, Volume 51, Number 2, January 1999, pp. 297-322. Jeffrey Sachs and Andrew Warner, “The Curse of Natural Resources”, *European Economic Review*, vol. 45 No 3, June 2001. Emil Salim, *Striking a Better Balance* (Washington, DC: The World Bank Group, January 12, 2004).

⁴ Dennis J. Encarnation and Louis T. Wells, Jr., “Evaluating Foreign Investment”, in *Investing In Development: New Roles for Private Capital?* (Washington, D.C.: Overseas Development Council, 1986). Bernard Wasow, “The Benefits of Foreign Direct Investment in the Presence of Price Distortions: the Case of Kenya,” draft, May 2003.

identifying investment opportunities, help with creating developing country investment promotion agencies, and appropriate mediation to resolve investment disputes.

Working in the opposite direction, developed countries may offer substantial packages of locational incentives to attract multinational investors to their own economies – or to keep them from leaving – that dampen and discourage outflows of FDI from the home country. Developed countries may also endorse questionable mechanisms of investor-host dispute settlement. For reasons discussed infra, it is unlikely that developed country behavior in these two areas can be included in the current scoring system.

Finally, there is a significant interaction between trade liberalization and the facilitation of foreign direct investment. Multilateral trade liberalization and bilateral or regional trade agreements have as a byproduct the stimulation of foreign direct investment flows among the participants. At the same time, developed country agricultural subsidies and protection against imports undermine the ability of international investors to use poor host economies as platforms for export. Antidumping regulations that are filed for reasons other than international price discrimination have the protectionist effect of deterring foreign investment in industries such as processed seafood and fruit juices, as well as in manufacturing and assembly operations, chemicals and petrochemicals. The design of commercial policies to support the poorest developing states will be left, however, to the trade component of the “commitment to development” index.

1. The Scoring Components for the Provision of Quasi-official Political Risk Insurance

Why is provision of quasi-official political risk insurance an important measure to facilitate foreign direct investment flows to the developing world? Can multilateral or national political risk insurers perform crucial functions that private political risk insurers cannot?

All international investors can purchase political risk insurance from private providers, such as AIG, Zurich, or Lloyds of London. The providers offer compensation if host countries take political actions that damage the project covered, such as expropriation or denial of ability to convert local currency into dollars (or other hard currencies). The existence of private insurance policies is often kept secret, so that host authorities do not single out well-covered projects for harsh treatment (knowing that the investor will not actually suffer large losses).

Quasi-official political risk insurance, such as that provided by multilateral lending agencies like the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group, or by regional development banks such as the Inter-American Development Bank, or by national agencies such as the Overseas Private Investment Corporation (OPIC) of the United States, also offer compensation. But their “extra” facilitative support for investors comes in the form of deterrence against hostile actions on the part of the host authorities, since host governments are reluctant to require MIGA, or the IDB, or OPIC to pay for a loss suffered by a major firm. A claim against MIGA may adversely

influence lending decisions of the IBRD or the IFC. For the same reason, the host government wants to keep on good terms with the Inter-American Development Bank, the Asian Development Bank, and the EBRD, all of which offer political risk insurance (the African Development Bank does not). A claim against a national political risk insurance agency like OPIC may sour relations with the US Embassy, AID, Department of Defense, and other US agencies. A host government may take extra steps to try to work out investment disputes with companies covered by official political risk insurers in a reasonable fashion.

As a result, besides simply bringing pressure to bear on behalf of an injured investor, the quasi-official agency – especially MIGA, or the counterpart in a regional multilateral development bank like the Inter-American Development Bank, Asian Development Bank, or EBRD – can sometimes help mediate potential disputes behind the scenes before they become actual claims.

In more formal analytics, the inability to make credible commitments about the treatment of foreign investors that endure from one minister to the next, or from one government administration to the next, constitutes a market failure for many developing countries.⁵ An agreement with multilateral or national political risk insurers aids in overcoming this market failure by helping host authorities to “bind the hands” of themselves and their successors, to limit opportunistic behavior.

Some countries offer quasi-official political risk coverage to any firm that has a significant presence in their home market. Other countries require that recipients of quasi-official political risk insurance be majority-owned by home country nationals.

The performance of developed countries in facilitating foreign direct investment to low income countries should be evaluated as a function of whether the country involved provides home country firms with access to political risk insurance and guarantees from multilateral lending agencies, provides home country firms with access to political risk insurance from the country’s own political risk insurance agency, and provides all firms with a significant presence in their economy with either or both of these kinds of coverage. US investors can take advantage of the services of MIGA since the United States is a member of MIGA, for example, while New Zealand investors cannot since New Zealand is not a member of MIGA. All investors with a significant presence in Canada can purchase political risk coverage from Export Development Canada whereas only investors with majority ownership by US nationals can purchase political risk coverage from OPIC.

⁵ For an analysis of the dynamics of the “obsolescing bargain”, the difficulties for host authorities in making long-term credible commitments, market failure, and the externalities associated with multilateral or national political risk insurers, see Theodore H. Moran, *Reforming OPIC for the 21st Century* (Washington, DC: Institute for International Economics, 2003).

There are additional important distinctions to be made in scoring the provision of access to multilateral or national political risk insurers by individual developed countries.

Many quasi-official political risk insurers screen projects to ensure they meet environmental standards, worker treatment standards, human rights standards, and have positive social impacts – as do MIGA and OPIC. Others do not. The performance of developed countries in facilitating foreign direct investment to low income countries should also be evaluated in terms of whether their quasi-official agencies perform such screening.⁶ Some quasi-official political risk insurers can provide coverage to any project that is commercially viable, including import substitution projects that are harmful to host country development and rely on trade protection to generate a profit. The performance of developed countries in facilitating foreign direct investment to low income countries should be evaluated negatively if coverage of such projects is allowed.

Some quasi-official political risk insurers, such as OPIC, are forbidden to consider support for outward investment in projects in “sensitive sectors” of the home economy, such as textiles, footwear, electronics, auto parts, and steel. The performance of developed countries in facilitating foreign direct investment to low income countries should be evaluated negatively if such exceptions are present.

Some quasi-official political risk insurers may require that investors promise not to lay off workers or close plants in the home country – or promise to consult with local authorities – in order to be eligible for coverage. This could act as an obstacle to outward investment, and reflects negatively on developed country performance in facilitating foreign direct investment to low income countries. The appropriate “home country economic interest” test is whether the home economy would be better off if the outward investment took place, or worse off – net – not whether any single plant is closed or any single worker loses a job.⁷

2. The Scoring Components for Mechanisms to Avoid Double Taxation

A foreign investor may be exposed to double taxation if the investor is required to pay an income tax or royalty to the host government, and then again to the home government when the income from the developing country project is remitted or consolidated with its home country earnings. A tax sparing agreement, or the use of a foreign tax credit, can avoid this.

⁶ Reinforcing the point made earlier that this index cannot simply record developed country measures that facilitate foreign investment flows, many multinational corporations consider these screening procedures burdensome and time-consuming.

⁷ For the analysis of appropriate and inappropriate tests for whether a national political risk insurer should support a given outward investment project, or not, see *Reforming OPIC for the 21st Century*, *op. cit.*

In addition, a tax sparing agreement helps the developing country to attract foreign direct investment by offering a low tax rate or a tax holiday. If a host country granted a 10% tax rate to foreign investors, or granted a “pioneer status” tax holiday to foreign investors, the home country would simply collect the difference between the host country rate and the home country rate when the foreign earnings were repatriated or consolidated if there were no tax sparing arrangement.

Some tax regimes that avoid double taxation are more efficient than others, but the details can be quite complex and it may not be easy to grade alternative efforts. Some researchers have found that tax sparing regimes make a large difference in facilitating foreign direct investment in comparison to foreign tax credit regimes; others dispute this and argue that the two are not very different in practice.⁸

For 2004-5, the Index depends upon direct contract with the major figures in this field – including Gary Hufbauer, John Mutti, James Hines, and Harry Grubert. Hines’ work shows that tax sparing is more effective. Hufbauer, Mutti, and Grubert argue that the two systems are about equivalent, but they do not have data that directly refutes Hines.

The 2004-5 Investment Index therefore continues the practice of the previous year: the performance of developed countries in facilitating foreign direct investment to low income countries is evaluated positively if they provide tax sparing or a foreign tax credit to avoid double taxation, with a slightly higher score to the former. Their score is penalized if their tax regulations deny investors the benefits from favorable developing country tax treatment.

Developed countries that rely solely upon bilateral investment treaties (BITs) to deal with double taxation, however, are almost surely much less friendly to outward investment to developing countries, and should receive a lower score. In addition, while multinational corporate representatives place a high priority on negotiating BIT-like dispute settlement arrangements within trade agreements,⁹ there is (surprisingly) little indication that such arrangements actually stimulate foreign direct investment flows. In 1998, UNCTAD tested whether the number of BITs signed by any given host was correlated with the amount of FDI it received. It found no evidence that BITs increased flows of foreign direct investment.¹⁰ In 2002-2003, Hallward Driemeier tried a retest that examined the bilateral flows of OECD members to 31 developing countries over twenty years.¹¹ The

⁸ To be expanded for 2004-5, with citations and evaluations of the work of James Hines, Harry Grubert, Rosanne Altschuler, Gary Hufbauer, John Mutti, Louis Wells, Jr. et al.

⁹ “Businesses Call for Ambitious FTAA in Light of Failed WTO Talks”, *Inside US Trade*, September 10, 2003, p. 1.

¹⁰ UNCTAD (United Nations Commission on Trade and Development), *World Investment Report* (New York: United Nations, 1998).

¹¹ *Global Economic Prospect and the Developing Countries 2003: Investing to Unlock Global Opportunities* (Washington, DC: The World Bank, 2003), p. 129.

analysis showed that countries that had concluded a BIT were no more likely to receive additional foreign direct investment than were countries without such a pact. Driemeier then investigated whether a BIT might act as a signaling device that would draw attention multinational investors' to a particular country, generating an increase in flows following completion of the BIT agreement. But there was no significant increase in foreign direct investment in the three years after a BIT was signed in comparison to FDI during the three years preceding the negotiation. Finally, investigating whether the presence of a BIT affected the relative amount of FDI from a given developed country to a given developing country, no statistically significant correlation emerged.

3. Scoring Components of Developed Country Efforts to Prevent Bribery and Corrupt Practices

The 2003-2004 Investment Index “rationale” dwelt on the “resource curse” literature that natural resource abundance often leads to the perversion of the public policy process, rent-seeking behavior, and slow growth.

The 2004-2005 Investment Index “rationale” benefits from a closer look at the “resource curse” literature – including studies that show how natural resources can be a highly beneficial driver of development under appropriate policy conditions.

William F. Maloney has found, for example, that – contrary to the Sachs-Warner tradition – there is no single fixed relationship between the abundance of natural resource reserves and developing country growth performance. Along the same lines, Gavin Wright and Jesse Czelustra trace modern mineral success stories in Latin America, including Chile, Peru, and Brazil. Oil and natural gas exploitation in some countries – such as Thailand – has been much better managed than the notorious poor cases, like Nigeria.

With regard to infrastructure, new studies have shown that privatization and increased competition have generally been associated with strong growth in access.¹² Case studies of the effects of private participation in water and sewerage find increases in access for poor people. Provision of electricity among those with no formal education rose in three of four Latin American countries after privatization.

CGD reports that privatization of local water companies in Argentina lowered child mortality 5-7 percent in municipalities that privatized their water services compared to those that retained public services.¹³ The most striking results were found in poorer locales: privatization of water services led to a 24-percent reduction in child deaths by

¹² Penelope J. Brook and Timothy C. Irwin, eds., *Infrastructure for Poor People: Public Policy for Private Provision*, Washington, DC: The World Bank, p. 9

¹³ John Nellis, Rachel Menezes, and Sarah Lucas, “Privatization in Latin America: the rapid rise, recent fall, and continuing puzzle of a contentious economic policy”, Policy

infectious and parasitic diseases caused by dirty water. In Bolivia, access to telephone lines rose dramatically following privatization, concentrated among lower-income users.

In promoting flows of FDI into natural resource development and infrastructure privatization, the role of quasi-official political risk insurance has remained crucial.¹⁴ The 2004-2005 Investment Index therefore continues to emphasize whether or not developed country investors have access to national political risk guarantee agencies and to multilateral political risk guarantee agencies.

At the same time, the need for increasingly tough anti-bribery and anti-corruption measures remains paramount, for the 2004-2005 Investment Index. The category of prevention of bribery and other corrupt practices has been weighted more heavily in the 2004-5 index (25 points instead of last year's 20). These extra five points come from Political Risk Insurance (25 points instead of 30), in which 15 points are given for having a national political risk insurance and guarantee agency (instead of 20 points).

To enhance transparency in the disposition of natural resource revenues, various NGOs – and George Soros – have urged that investors in extractive industries be required to publicize all taxes and fees paid to host governments before being allowed to list their shares on the US or other major stock exchanges.¹⁵ The British government has launched an initiative to explore options to promote transparency in extractive industries.¹⁶ The Group of Eight meeting in Evian in June 2003 endorsed the objective of improving information disclosure to fight corruption.

There are complex issues surrounding “publish what you pay” recommendations and whether they should be implemented in the absence of “publish what you receive and how you spend it” obligations on the part of host governments. There is the question of contractual requirements of confidentiality, insisted upon by host authorities. Private international companies fear that publicly traded corporations would be placed at a competitive disadvantage to state-owned companies that still play a large role in the oil

Brief, Center for Global Development and Inter-American Dialogue, January 2004, volume 3, issue 1.

¹⁴ "The Role For Political Risk Insurance in the Future of Project Finance"
Frederick E. Jenney, Morrison & Foerster LLP, to be presented at International Political Risk Management: Looking to the Future
Identifying and Managing the Critical Challenges Facing the Market
November 12, 2004

Georgetown University
Washington, DC

¹⁵ See the Publish What You Pay Campaign at www.globalwitness.org.

¹⁶ www.dfid.gov.uk

industry, for example.¹⁷ They also fear that an international agreement – as opposed to a voluntary compact – might expose them to suit in US courts under Alien Tort Claims Act if they operate in countries where there are human rights abuses.

Thus, while the Publish What You Pay initiative started as a developed country-led effort to use access to stock market listings to force MNCs to publish what they pay, there has come to be broad agreement that not only was this incomplete, because it did not require host governments to show what they did with the revenues, but it would allow different MNCs within a given country unequal competitive position (i.e. Russian, Chinese, Turkish investors, etc., would not have to meet the standards of US, Canadian, UK investors).

EITI in contrast is an effort to put pressure on host countries to require all investors (equally) to publish what they pay and the host authorities show what they do with the revenues.

A crucial unanswered question is whether this must be done in the aggregate, or in disaggregated (company by company) fashion. If EITI decided that an aggregation at the national level was all that was required, the NGO community would object. If EITI decided that company-by-company was required, all or most of the MNCs would object. So the uneasy compromise has been to leave this decision to individual host governments.

Beyond these measures, how to score developed country responses to transparency initiatives is a difficult question.

Karin Lissakers (chief advisor to George Soros) and Krista Hendry (Director, Human Rights & Business Roundtable of the Fund for Peace), as well as senior officials in the Business Alliances Team / Extractive Industries Transparency Initiative/ UK Department for International Development have pointed out that only countries with extractive companies that operate overseas are eligible to participate in the EITI. Switzerland, for example, expressed strong interest in taking part, but since the country does not have an extractive MNC they were not invited to the table. There has been a concern among the leaders of the EITI movement – the UK, US, Netherlands, and Norway – to build up “Southern” participation in the Initiative; thus, there has been a deliberate slowdown in recruiting other DAC countries.

Figuring out how well individual DAC countries have performed on the EITI – or related measures such as the Kimberly Process to control “blood diamonds” -- according the Lissakers, Hendry, and UK officials is largely anecdotal, and the result of insider knowledge about their efforts to mobilize their home companies and to push countries

¹⁷ Jeff Gerth, “US and Oil Companies Back Revised Effort on Disclosure”, *The New York Times*, Friday, September 19, 2003, p. w1. Emil Salim, *Striking a Better Balance* (Washington, DC: The World Bank Group, January 12, 2004).

with which they have close relations to take part in the initiative (Nigeria, Ghana, Timor, Azerbaijan, Trinidad-Tobago). Objective indicators include 1) whether the DAC countries have contributed to the World Bank Trust Fund to combat bribery or provided funding for the IFC's Corporate Citizenship Facility, 2) whether they place responsibility for responding to the EITI in their ministry of industry or in their ministry of foreign affairs/ office of head of government, and 3) whether they provide official aid for capacity building for LDC governments or NGOs (e.g. how to do audits), funding for audits themselves. In addition to reports from experts about the performance of developed countries on the EITI, these objective indicators are used to the extent evidence can be found in the 2004-5 Index.

Turning to OECD efforts to combat bribery, in the past there were blatant differences in how home countries treated potential bribery and corrupt practices on the part of home country investors in overseas markets. The US considered this a criminal offense, for example; others did not consider this either a criminal or a civil offense, and allowed the deduction of payment of possible bribes as a business expense.

In 1996 the OECD published Tax Recommendations on the Non-Deductibility of Bribe Payments, and in 1999 the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions entered into force. Since 1999, Phase 1 of a monitoring process has begun to examine each OECD country's legislation to assess whether the standards of the Convention have been adequately transposed in national law. This produces recommendations, whose adoption is in turn monitored. Phase 2 then studies the structures and institutional mechanisms in place to enforce the implementing legislation.

The performance of developed countries in facilitating foreign direct investment to low income countries should be evaluated as a function of the extent to which the home country has regulations and is participating in these OECD processes to prevent bribery and other corrupt practices.

The OECD Anti-Bribery initiative with peer reviews to systematically assess legislation, regulations, and enforcement performance of OECD member states has continued to move ahead. In February 2004, the OECD Council approved funding for the Working Group on Bribery, providing stable support through 2007.

All the members of the G-8 have signed on to the G-8 Anti-Corruption and Transparency Action Plan, but it is unclear what this means in concrete terms.

Unfortunately, there has been no new iteration of Transparency International's "Bribe Payers' Index). This year will be the last year that the Index draws on the 2002 evaluation.

The most important "new" discovery – ready for the 2004-2005 Investment Index – is evidence showing precisely how US MNCs have been able to engage in what amounts to bribery without violating the Foreign Corrupt Practices Act. There is dramatic new

evidence that US investors have discovered, and used, “deferred gift” measures to bribe and corrupt LDC officials that do not put them in violation of the Foreign Corrupt Practices Act.¹⁸

At the same time there are indications that the US government has devoted insufficient attention to investigating cases of potential corruption and graft. In 1994 Commerce Secretary Ron Brown in the Clinton presidency played a personal role in assembling Ex-Im finance for Paiton I even though the Asian Development Bank had declined to put up capital, due to concerns about the involvement of President Suharto’s family.¹⁹ US Ambassador Robert Gelbard sought to stop the case President Habibie filed in local courts, alleging corruption and violation of authorizing decrees on the part of the previous administration (of Suharto).

In 2001 the website of the Advocacy Center of the US Department of Commerce listed interventions on behalf of Enron in India, Nicaragua, and Turkey among the Center’s “success stories”. In September 2002 these “success stories” were withdrawn from the roster, without explanation. For the first time in its history, OPIC belatedly decided to refer the case of Enron in India to the Justice Department for investigation of possible corruption in securing the contract.

In contrast to previous conventional wisdom that the United States and US companies were perforce “purer” than other DAC investors, there is justification for penalizing the United States for its performance in this category.

At the same time the 2004-5 Investment Index awards special points for especially outstanding anti-bribery efforts (such as Tony Blair’s EITI initiative).

4. Scoring Components of Other Measures to Facilitate Foreign Direct Investment Flows to Developing Countries

There is a diverse assortment of other measures that developed countries can take to facilitate foreign direct investment flows to developing countries, and ensure that they contribute to host country growth and welfare. Some can be included in the scoring index; others – including some important ones – are probably not ready to be included.

Assistance in Identifying FDI Opportunities

The Foreign Service or Commercial Service of some developed countries may be trained to help home country firms to find investment opportunities (as well as export

¹⁸ Forthcoming book on Indonesia by Louis T. Wells, Jr., of the Harvard Business School.

¹⁹ See material released under the Freedom of Information Act, posted at <http://www.softwar.net/paiton2>.

opportunities) in the developing world. Others are not. The performance of developed countries in facilitating foreign direct investment to low income countries should be evaluated positively if they use the Foreign Service or Commercial Service to help locate investment opportunities in developing countries.

Help with Creation and Functioning of Investment Promotion Agencies

Some developed countries help developing countries to set up and provide effective management to investment promotion agencies. The Lesotho National Development Corporation (LNDC), charged with attracting and promoting foreign direct investment, for example, is 90 percent owned by the Lesotho Government and 10 percent by the German Finance Company for Investments in Developing Countries.²⁰ This will receive a positive score.

Appropriate and Inappropriate Advocacy by the Home Country Embassy and Governmental Authorities on Behalf of Foreign Investors

The home country authorities may weigh in on behalf of home country investors to advocate fair play or remedy perceived mistreatment. This may happen when a claim on the home country's political risk insurance provider is pending, but it can also take place simply because the investor complains to the home government without purchasing political risk insurance coverage.

While pressure from developed countries on behalf of investors involved in disputes with the host government is controversial and subject to abuse, the performance of developed countries in facilitating foreign direct investment to low income countries was last year evaluated positively if home country authorities tried to resolve investment disputes in a mutually beneficial fashion that serves the broader public interest.

But new research on "advocacy" raise questions about whether developed country officials devote sufficient attention to whether proposed investment projects are beneficial for host country development, or dispute settlement outcomes give adequate weight to host country interests.²¹

In the Paiton I electrical generation facility in Indonesia, Vice President Quayle in Bush I pressed the Indonesian government in 1991 to award the project to Intercontinental Energy, a firm with no experience in building any power plants abroad, much less a plant of Paiton's size (\$2.5 billion).

²⁰Sanjaya Lall, "Lesotho Integrated Framework Study: Foreign Direct Investment", working paper, the World Bank, 2002, op. cit.

²¹ Louis T. Wells, Jr., "Protecting Foreign Investors in the Developing World: A Shift in US Policy in the 1990s?", draft, January 5, 2004.

In the case of a gas line to a proposed steel plant in Mozambique, the US embassy threatened to cut off AID in 1995-6 if a US company did not get the contract. The host country Minister in charge of the negotiations argued that he was being pressured to sign a deal that was “not good for Mozambique”.²²

At the urging of the IMF in 2000, Turkey decided not to guarantee new power deals and to reduce guarantee offers on projects under discussion from 20 to 10 years. The US embassy intervened on behalf of the investors.²³

In light of this conflicting evidence about “advocacy”, the 2004-2005 index has eliminated this as a general scoring category.

On the other hand, home governments that intervene on behalf of foreign investors for purposes that clearly contravene core labor standards or other international norms – such as the pressure from the Japanese and Korean governments on Bangladesh to place legal restrictions on freedom of association and right to collective bargaining in export zones²⁴ – receive a special negative score.

Developed Country Implementation of International Investment Dispute Settlement Mechanisms

Accompanying the proliferation of BITs has been the emergence of a conventional wisdom that endorses the use of commercial law arbitration procedures for the settlement of investor-host government disputes, utilizing ICSID (International Center for the Settlement of Investment Disputes) and UNCITRAL (United National Center for International Trade Law).

Since the Asian financial crisis of the late 1990s, however, there has been a growing appreciation of the limitations of these arbitration procedures from the perspective of

²² Credited by CNSNews, March 18, 2002, to the *Houston Chronicle*.

²³ Louis T. Wells, Jr., “Protecting Foreign Investors in the Developing World: A Shift in US Policy in the 1990s?”, *op. cit.*, p. 24.

²⁴ The ambassadors from Japan and Korea made official representations to the government of Bangladesh to prevent the possibility of trade unions from being organized in export zones where their companies were considering investments; only countervailing representations from the United States accompanied by a threat to withdraw GSP prevented their success. Economist Intelligence Unit, *Bangladesh: Country Report* (April 2001), p. 19. Bangladesh is now in the midst of a five-year phase-in of the right to organize trade unions in the country’s Export Processing Zones.

developing countries.²⁵ These limitations have been apparent in trying to determine which parties in infrastructure should be required to absorb commercial risks associated with fluctuations in supply and demand for services, and to bear commercial risks associated with fluctuations in foreign-local currency valuations. Foreign investors in Asia and Latin America have typically insisted – as a condition of making an investment – that host authorities make major commitments to supply inputs, or purchase outputs, and to guarantee the conversion value of payments made in local currency. When host authorities have been unable to meet these commitments due to downturns in the regional or international economy, the resulting defaults have been considered political acts (unwillingness to make good on obligations) rather than commercial acts (inability to make good on obligations).

When Indonesia was incapable of honoring take-or-pay power purchase agreements due to drop in demand during the Asian financial crisis, and was required to cut back on proposed new foreign-investor-owned energy projects by the IMF, for example, the MidAmerican corporation took the host government to arbitration for contract infringement and won, leading OPIC to have to make one of the largest payments on political risk insurance ever awarded (\$290 million of a total award of \$572 million) and pursue the government of Indonesia for recovery.²⁶

Not only have experiences such as these have led to questioning about what genuinely constitutes political as opposed to commercial risk, and what responsibility international infrastructure investors should assume for the latter, but they have led to reassessment about whether commercial law arbitration procedures constitute a suitable mechanism for dealing with many kinds of contemporary infrastructure investment disputes.²⁷

The use of ICSID (International Center for the Settlement of Investment Disputes) and UNCITRAL (United National Center for International Trade Law) arbitration procedures – as specified in most Bilateral Investment Treaties (BITs), national investment guarantee agencies (like the Overseas Private Investment Corporation), and multilateral bank lending agreements – is in no sense like an appeal to an international Supreme Court to decide what best serves the public interest. Quite to the contrary, these arbitration procedures focus deliberately on narrow issues of contract compliance, and – as in the case of the MidAmerica in Indonesia – are likely to place a foreign exchange payment to

²⁵ Cf. *International Political Risk Management: The Brave New World* (Washington, DC: The World Bank for the Multilateral Investment Guarantee Agency, forthcoming 2004).

²⁶ Julie A. Martin, with Pamela A. Bracey, “OPIC Modified Expropriation Coverage Case Study: MidAmerica’s Projects in Indonesia – Dieng and Patuha”, in Theodore H. Moran, ed., *International Political Risk Management: Exploring New Frontiers*, Washington, DC” The World Bank, Multilateral Investment Guarantee Agency, 2001.

²⁷ Cf. Charles Berry, “Shall the Twain Meet? Finding Common Ground or Uncommon Solutions: A Broker’s Perspective”, in *International Political Risk Management: The Brave New World* (Washington, DC: The World Bank, 2003, forthcoming).

a foreign investor ahead of all other funding priorities, including importation of food and medical supplies for a population in the midst of crisis.

There are also indications that international investment arbitral panels provide aggrieved investors with awards far in excess of what they would receive under commercial law procedures in developed countries – this is a topic that needs further research for 2005-6.

There is also the surprising finding, reported above, that the growing availability of dispute settlement mechanisms incorporated within BITs has not had any empirically significant impact in stimulating foreign direct investment flows. Reforms of investor-host dispute settlement procedures would include broader provision for assessment of what best serves the public interest of the host state and of the international community, and greater attention to distinguishing commercial from political risk. There is no broad international consensus about this, as yet, however, and this area will require further analysis before inclusion in the scoring system.

Locational Subsidies

There has been an escalation in the packages of tax breaks, incentives, and subsidies – free land, below market office space, training grants – that home countries have offered to attract multinational investors and/or to keep home country investors in place.²⁸ Ireland was a leader. US states such as South Carolina, Alabama, and Kentucky became active players, as have the provinces of Canada. European countries – such as Germany for investment in the former East Germany – have increased their role.

Traditional analysis suggested that multinational investors did not base their locational decisions on tax considerations, and that there was little competition between developed country and developing country sites. Both of these are being challenged by contemporary econometric research, that suggests that multinational investors are becoming more responsive to locational incentives and that the competition between developed and developing country sites is growing.²⁹

The performance of developed countries in facilitating foreign direct investment to developing countries should be evaluated negatively to the extent that they deploy significant locational incentives to attract or hold international investors. For now, however, it may be extremely difficult to find accurate and comparable measures of locational incentives, in part because local and national authorities have an interest in

²⁸ Kenneth P. Thomas. *Competing for Capital: Europe and North America in a Global Era*. Washington, DC: Georgetown University Press, 2000. Cite Alan Krueger NYTimes.

²⁹ J. Mutti, *Taxation and Foreign Direct Investment*. Washington, DC: Institute for International Economics, 2003. Altshuler, R., H. Grubert, and S. Newlong. 1998. *Has US Investment Abroad Become More Sensitive to Tax Rates?* Working Paper No. 6383. Cambridge, MA: National Bureau of Economic Research.

concealing or quasi-concealing these measures from their own populaces as well as from outsiders.

II. Support for Flows of Portfolio Investment in Developing Countries

There is well-deserved controversy about the desirability, sequencing, and pace of liberalizing the capital account in developing countries. On the one hand, there is a legitimate concern that this might exacerbate exposure of developing countries with weak banking systems and regulatory institutions to financial instability and speculative attacks. On the other hand, the opening of stock markets to foreign investment has been associated with lower costs of capital, investment growth, and increases in the rate expansion of output per worker.³⁰

This index does not attempt to make a judgment about when developing countries might decide it is beneficial to take the risks associated with capital account liberalization. For countries that have taken the decision to open their economies to portfolio investment, however, the index will track developed country measures to help or hinder flows of portfolio investment to the developing world.

Some countries provide official support for design of effective developing country securities institutions and regulations. This will receive a positive score.

Many DAC countries increasingly supplant or supplement their state-run pension systems with pension funds that are allowed to invest in private equities. The managers of these funds are subject to various kinds of “prudent person” investment regulations governing diversification and exposure to risk. This will not receive any scoring penalty as long as the managers are allowed to diversify their risk by investing in emerging markets. If the regulations contain blanket prohibitions on investment in foreign securities (like some US states) or impose particularly heavy tax burdens on foreign holdings, this will receive a negative score.

Some countries have a policy of promoting portfolio investment in developing countries. For example, an official agency may provide loans or guarantees to home country investors/fund managers to invest in LDC equity markets (like the programs of OPIC and the IFC). This will receive a positive score.

³⁰ Peter Blair Henry, “Capital Account Liberalization, the Cost of Capital, and Economic Growth” (Cambridge, MA: The National Bureau of Economic Research, NBER Working Paper No 9488, 2003).

Developed Country Support for Investment Flows: A Scorecard

After careful consideration and trial-and-error with alternative weightings, the following combines the above considerations into a scorecard for developed country support for investment flows. As indicated earlier, two important areas -- escalating locational incentives, and inappropriate international arbitral procedures – have not been included.

Facilitating Investment Flows Scorecard (Revised for 2004-5)

I. Provision of Political Risk Insurance (25 points)

1. Membership in multilateral political risk insurance and guarantee agencies (10 points)

MIGA

IFC

Regional Development Banks (IDB, EBRD, Asian Development Bank)

Scoring Formula: A country will receive 5 points for membership in MIGA, 3 points for membership in the IFC (because ostensible IFC protections via B-loan syndications are useful to a much narrower array of investors than MIGA coverage), and 2 points for membership in appropriate regional development banks (e.g. one would expect Belgium to be a member of the EBRD, but not necessarily to be a member of the Asian Development Bank).

2. National political risk insurance and guarantee agency (15 points)

Does the national agency undertake environmental, labor standards, human rights screening and monitoring?

Does the national agency have sectoral restrictions on eligibility for “sensitive sectors” (eliminating textiles, apparel, footwear, agribusiness, steel, auto parts, electronics, from coverage)?

Does the national agency have inappropriate national economic interest tests for eligibility (not a single job lost? Consent of home country communities where investor is located required?) – beyond would-the-home-economy-suffer-as-a-result-of-this-particular-outward-investment rule?

Does the national agency restrict extension of coverage to inefficient and counterproductive import substitution projects (e.g. to protected and subsidized sugar projects, or to boutique CKD auto-kit assembly operations)?

Does the national agency afford eligibility to any firm with a significant presence in the home economy, or restrict eligibility to firms majority-owned by nationals?

Scoring Formula: A country will receive 15 points for having a national political risk insurance and guarantee agency. From this, 4 points will be subtracted if the national agency does not screen and monitor environmental, labor, and human rights standards; 2 points will be subtracted if the agency has restrictive sectoral constraints; 2 points will be subtracted if the agency has inappropriately restrictive home country impact constraints; 2 points will be subtracted if coverage of inefficient and counterproductive import substitution projects is allowed; 2 points will be subtracted if eligibility is limited to nationally-owned firms.

II. Treatment of Possible Double Taxation (20 points)

1. Does the country use Tax Sparing Provisions to avoid double taxation?
2. Does the country offer a Foreign Tax Credit to avoid double taxation?
3. Does the country rely on other measures (e.g. individual BITs) to avoid double taxation?

Scoring Formula: It turns out that there is considerable analytic controversy about whether and how much tax sparing provisions might be superior in facilitating foreign direct investment to the use of a foreign tax credit. This will require further investigation. For now, a country will receive 20 points if it uses tax sparing provisions, and 18 points if it uses a foreign tax credit. It will be penalized if it relies on individual BITs to avoid double taxation, depending upon the extent of BIT coverage. The country will be penalized 6 points if the home country tax system denies foreign investors the benefits of tax exemptions, incentives, or low tax rates in developing countries. It will be penalized 10 points if it allows foreign taxes as an expense, not a credit.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

1. Ratification of OECD Convention against Bribery of Foreign Public Officials in International Business Transactions, and Completion of Phase 2 Monitoring to evaluate whether countries are effectively implementing their laws in practice.
2. Participation in participation in the Extractive Industries Transparency Initiative, the G-8 Anti-Corruption and Transparency Action Plan, and other

initiatives such as the Kimberley Process to promote transparency in payments, taxes, receipts, and expenditures.

3. Provision of assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery or funding for the IFC's Corporate Citizenship Facility.

4. Score on "Bribe Payers' Index"

Scoring Formula: A country will receive 10 points (last year 14) if they have completed Phase II examinations by December 2004, 6 points to countries to countries whose Phase II examinations will not be completed until 2007, and zero points to countries that have not yet had Phase II examinations scheduled. A country will receive up to 16 points (last year 2) based on an assessment of its participation in the Extractive Industries Transparency Initiative, the G-8 Anti-Corruption and Transparency Action Plan, and other initiatives such as the Kimberley Process – depending upon the degree of participation in the initiative(s), level of effort in persuading developing countries to take part, provision of assistance to LDC governments and/or NGOs to conduct audits and other monitoring procedures, and contribution to the World Bank Trust Fund to combat bribery or funding for the IFC's Corporate Citizenship Facility. A country will receive 4 points if it scores in the first quintile (least reputation for paying bribes) on the Transparency International Bribe Payers Index, 3 points in the second quintile, 2 points in the third quintile, 1 point in the fourth quintile, 0 points in the fifth quintile. Countries that are not included in the Transparency International Bribe Payers Index will receive the same as the third quintile, 2 points. Unless there is a new Bribe Payers Index survey, this is the last year that this will be used.

There will be a special 3 point bonus for evidence of vigorous action to punish home country bribe payers, and 3 point penalty for evidence of negligence in identifying bribery and corrupt practices on the part of home country firms.

IV. Other Facilitation Performance Measures (5 points)

1. Official assistance to firms in identifying foreign direct investment opportunities?
2. Official assistance to developing country investment promotion agencies?
3. Possible negative advocacy (e.g. home government or embassy lobbying against host government legislation permitting freedom of association and right to collective bargaining in export processing zones)?

Scoring Formula: a country will receive 2 points for official assistance in identifying foreign direct investment opportunities, and 3 points for official assistance in providing official assistance to developing country investment promotion agencies. Up to 5 points will be subtracted from evidence that a country engaged in advocacy to prevent implementation of internationally recognized labor, environmental, or human rights standards within the previous four years. The category of positive scoring for advocacy on behalf of home country investors in investment disputes with developing country host governments has been dropped.

V. Facilitating Portfolio Investment (20 points)

1. Official support for design of effective developing country securities institutions and regulations?
2. Official support for outflows of portfolio investment?
3. Restrictions on portfolio investments in developing countries by home country pension funds (beyond the “prudent man” fiduciary rule)?

Scoring Formula: there is considerable dispute about the advisability and timing for developing countries to liberalize their capital account, in view of the possibility of speculative instability and financial crisis. Thus, there may be considerable variation in developing country determinations about their opening security markets to foreigners. The scoring system will focus on whether developed countries place impediments in the way of pension fund equity investments when developing countries desire them, with 12 points for no impediments. Countries will receive an additional 4 points for providing assistance to developing countries to design effective securities institutions and regulations, and an additional 4 points for providing official assistance for outflows of portfolio investment.

Commitment to Development Index

Index of Support for Capital Flows to Developing Countries

Country Scorecards 2004-2005

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Scoring Australia

2004-2005 & 2003-2004 (using 2004-2005 criteria)

Provision of Political Risk Insurance (25 points)

2003-2004

Australia is a member of MIGA, the IFC, the ADB, and the EBRD. It receives all 10 points.

EFIC is Australia's official political risk insurer. It screens and monitors for environmental and community impact of projects. All sectors are eligible, there are no inappropriate national economic interest tests, and corporations owned by foreigners are eligible. EFIC does not deny coverage to inefficient and distortionary import substitution projects (minus 2 points). Total 13 of 15 points.

Total 23 points out of 25.

NEW Scoring '04-'05

Australia is awarded 5 points for membership in MIGA, 3 points for membership in the IFC, and 2 points for membership in regional development banks (ADB and the EBRD). Total 10 out of 10 points.

EFIC screens and monitors for environmental and community impact of projects. All sectors are eligible, there are no inappropriate national economic interest tests, and corporations owned by foreigners are eligible. EFIC does not deny coverage to inefficient and distortionary import substitution projects (minus 2). Total 13 of 15 points.

Total 23 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

2003-2004

Australia avoids double taxation through foreign tax credits and bilateral tax treaties.

Total 18 out of 20 points.

NEW Scoring '04-'05

Australia has eliminated tax sparing arrangements, and does not allow credit for developing country tax reductions below the Australian rate (minus 6 points). Australia uses the exemption method (per Jim Hines).

Total 14 of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

2003-2004

Australia has implemented the recommendations from the Phase I OECD evaluation, Phase 2 monitoring will be completed in 2005 (6 out of 10 points). Australia has

passively participated in the extractive industries transparency initiative workshop and follow-on's (10 points). Australia is in the first quintile on the Transparency International Bribe Payers Index 2002 (4 points).

Total 20 of 30 points.

NEW Scoring '04-'05

Australia is scheduled to undergo Phase II examinations in 2005 (6 out of 10 points). Australia participated in the extractive industries transparency initiative workshop and conference in 2003 (10 points for passive participation). "Australia has located responsibility in the Ministry of Industry, rather than the Ministry of Foreign Affairs, and has not yet spoken out forcefully on EITI as a matter of official policy. Australia has promised to help get Indonesia and East Timor involved" (from Sefton Darby). Australia is in the first quintile on the Transparency International Bribe Payers Index 2002 (4 points).

Total 20 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

2003-2004

Australia offers official assistance to firms in resolving investment disputes with host country authorities. Austrade helps Australian businesses identify investment opportunities (2 points). Australia does not help developing countries set up investment promotion agencies (0 of 3 points).

Total 2 of 5 points.

NEW Scoring '04-'05

Note: In 2004-'05 scoring based on providing official assistance to firms in resolving investment disputes with host country authorities has been dropped.

Austrade helps Australian businesses identify investment opportunities (2 out of 2 points). In light of responses to the 2004-'05 questionnaire which indicate that Australia provides official assistance to developing countries in setting up investment promotion agencies, it is awarded 3 out of 3 points.

Total 5 out of 5 points.

V. Facilitating Portfolio Investment (20 points)

2003-2004

There is no evidence that Australia provides official support for design of developing country securities institutions and regulations (0 of 4 points). Australia has no restrictions beyond "prudent man" fiduciary rules on pension fund portfolio investments in emerging markets (12 points). Australia does not provide official assistance for outflows of portfolio investment (0 out of 4 points).

Total 12 of 20 points.

NEW Scoring '04-'05

Responses to the 2004-'05 questionnaire indicate that Australia provides official support for design of developing country securities institutions and regulations (4 of 4 points). Australia does not impose restrictions on pension fund portfolio investments in emerging markets (12 out of 12 points). Australia does not provide official assistance for outflows of portfolio investment (0 out of 4 points).

Total 16 out of 20 points.

Australia Total

2004-2005: 78 points of 100

2003-2004: 75 points of 100

Summary of changes in scoring from '03-'04 to '04-'05, by section.

Section III: Australia uses the exemption method (per Jim Hines), which would award it 20 points in section II, yet it has come to light that Australia has eliminated tax sparing arrangements, and does not allow credit for developing country tax reductions below the Australian rate for which it loses 6 points. Australia's score in this section drops from 18 in '03-'04 to 14 in this section in '04-'05.

Section IV: Information in '03-'04 indicated that Australia did not provide official assistance to developing country investment promotion agencies. Responses to the 2004 questionnaire suggested that Australia does indeed provide official assistance to developing countries in setting up investment promotion agencies. Thus, Australia receives 3 additional points in this section in '04-'05.

Section V: Responses to the 2004-'05 questionnaire indicate that Australia provides official support for design of developing country securities institutions and regulations (4 of 4 points), whereas questionnaire responses in '03-'04 suggested the contrary. Thus Australia has 4 additional points in this section in '04-'05.

The 2004-2005 criteria place greater weight on countries' participation in the EITI initiative and in their efforts to prevent bribery and other corrupt practices.

Scoring Austria

2004-2005 & 2003-2004 (using 2004-2005 criteria)

I. Provision of Political Risk Insurance (25 points)

2003-2004

Austria is a member of MIGA, the IFC, the IADB, and the EBRD. It receives all 10 points.

OeKB is Austria's official political risk insurer. It screens for environmental and "socio-economic consequences" of projects. OeKB provides political risk insurance to all companies in Austria. There is no evidence whether all sectors are eligible (minus 2 points), or whether there are no inappropriate national economic interest tests (minus 2 points), or whether coverage is denied to inefficient and distortionary import substitution projects (minus 2 points).

Total 19 points out of 25.

NEW Scoring '04-'05

Austria is awarded 5 points for membership in MIGA, 3 points for membership in the IFC, and 2 points for membership in regional development banks (IADB and the EBRD). Total 10 out of 10 points.

OeKB screens for environmental and "socio-economic consequences" of projects. OeKB provides political risk insurance to all companies in Austria. There is no evidence whether all sectors are eligible (minus 2 points), or whether there are inappropriate national economic interest tests (minus 2 points), or whether coverage is denied to inefficient and distortionary import substitution projects (minus 2 points). Total 9 of 15 points.

Total 19 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

2003-2004

Austria avoids double taxation through bilateral tax treaties and foreign tax credits granted at the discretion of the tax authorities. It is not clear whether this system denies foreign investors the benefit of tax incentives in developing countries (minus 6 points).

Total 12 of 20 points.

NEW Scoring '04-'05

Taxation of dividends from foreign investments at the full Austrian rate appears to be the default position. It is not clear that this system allows foreign investors to claim foreign taxes as an expense, or to benefit from tax incentive in developing countries. Austria has bilateral tax treaties.

Total 2 out of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (25 points)

2003-2004

Austria has implemented the OECD Phase I Recommendations, except in one case, but has not undergone Phase 2 monitoring. Austria is scheduled to undergo Phase II examinations in 2005 (6 out of 10 points). Austria did not participate in the extractive industries transparency initiative workshop and follow-on's (0 of 16 points). Austria is in the first quintile on the Transparency International Bribe Payers Index 2002 (4 points).

Total 10 of 25 points.

NEW Scoring '04-'05

Austria is scheduled to undergo Phase II examinations in 2005 (6 out of 10 points). There is not indication that Austria has participated in the extractive industries transparency initiative, or other such initiatives (0 of 15 points). Austria is in the first quintile on the Transparency International Bribe Payers Index 2002 (4 points).

Total 10 out of 25 points.

IV. Other Facilitation Performance Measures (5 points)

2003-2004

Austria offers official assistance to firms in resolving investment disputes with host country authorities, and helps Austrian businesses identify investment opportunities (2 points). Austria also helps developing countries set up investment promotion agencies (3 points).

Total 5 of 5 points.

NEW Scoring '04-'05

Note: In 2004-'05 scoring based on providing official assistance to firms in resolving investment disputes with host country authorities has been dropped.

The Austrian government provides official assistance to Austrian businesses in identifying investment opportunities (2 of 2 points). It also helps developing countries set up investment promotion agencies (3 out of 3 points).

Total 5 out of 5 points.

V. Facilitating Portfolio Investment (20 points)

2003-2004

There is no evidence that Austria provides official support for design of developing country securities institutions and regulations (0 of 4 points), or that it provides official assistance for outflows of portfolio investment (0 out of 4 points). Austria forbids pension fund portfolio investments in emerging markets (0 of 12 points).

Total 0 of 20 points

NEW Scoring '04-'05

There is no evidence that Austria provides official support for design of developing country securities institutions and regulations (0 of 4 points), or that it provides official assistance for outflows of portfolio investment (0 out of 4 points). Austria forbids pension fund portfolio investments in emerging markets (0 of 12 points).

Total 0 of 20 points.

Austria Total

2004-2005: 36 points of 100

2003-2004: 46 points of 100

Summary of changes in scoring from '03-'04 to '04-'05, by section.

Section II: Information in 2003-2004 indicated that Austria avoids double taxation through bilateral tax treaties and foreign tax credits. It remains unclear whether Austria allows foreign investors to claim foreign taxes as an expense or denies foreign investors the benefit of tax incentives in developing countries. It has come to our attention that it relies largely on bilateral tax treaties. All of these factors have significantly affected Austria's scoring in this section in 2004-2005.

Section III: Greater weight (15 points) has been given to countries' participation in the EITI and similar initiatives in the 2004-2005 scoring. Austria has failed to participate in the EITI or similar initiatives, and gets a low score in this section.

Scoring Belgium

2004-2005 & 2003-2004 (using 2004-2005 criteria)

I. Provision of Political Risk Insurance (25 points)

2003-2004

Belgium is a member of MIGA, the IFC, the IADB, the ADB, and the EBRD. It receives all 10 points.

OND is Belgium's official political risk insurer. It does not screen for environmental and social impacts (minus 4 points). OND provides political risk insurance to all companies in Belgium. OND does not impose inappropriate national economic interest tests and allows all sectors to be eligible. OND does not deny coverage to inefficient and distortionary import substitution projects (minus 2 points).

Total 19 of 25.

NEW Scoring '04-'05

Belgium is awarded 5 points for membership in MIGA, 3 points for membership in the IFC, and 2 points for membership in regional development banks (IADB, ADB and the EBRD). Total 10 out of 10 points.

According to responses received to the 2004-2005 questionnaire, screens for environmental, but not social impacts (minus 2 points). It provides political risk insurance to all companies in Belgium. OND does not impose inappropriate national economic interest tests and allows all sectors to be eligible. It does not deny coverage to inefficient and distortionary import substitution projects (minus 2 points).

Total 21 of 25 points.

II. Treatment of Possible Double Taxation (20 points)

2003-2004

Belgium avoids double taxation through bilateral tax treaties. From tax year 2004, foreign source profits not exempted from taxation by virtue of a tax treaty will be taxed at the basic corporate tax rate in Belgium, thus denying foreign investors the benefit from tax incentives in developing countries (minus 6 points).

Total 2 of 20 points.

NEW Scoring '04-'05

As of tax year 2004, taxation of dividends from foreign investments at the full Belgian rate appears to be the default position. It is not clear that this system allows foreign investors to claim foreign taxes as an expense, or to benefit from tax incentive in developing countries. Belgium relies on bilateral tax treaties.

Total 2 of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points) **2003-2004**

Belgium has implemented the OECD Phase I Recommendations, but has not undergone Phase 2 monitoring. It is scheduled to undergo Phase II examinations in 2005 (6 out of 10 points). Belgium did participate in the extractive industries transparency initiative workshop and follow-on's (12 of 15 points). Belgium is in the second quintile on the Transparency International Bribe Payers Index 2002 (3 points).

Total 21 of 30 points.

NEW Scoring '04-'05

Belgium is scheduled to undergo Phase II examinations in 2005 (6 out of 10 points). For its participation in the extractive industries transparency initiative and in the Kimberly Process Belgium received 12 points. Belgium is in the second quintile on the Transparency International Bribe Payers Index 2002 (3 points).

Total 21 of 30 points.

IV. Other Facilitation Performance Measures **2003-2004 (10 points)**

Belgium does not offer official assistance to firms in resolving investment disputes with host country authorities, but it does help Belgian businesses identify investment opportunities (2 of 2 points). Belgium does not help developing countries set up investment promotion agencies (0 of 3 points).

Total 2 of 5 points.

NEW Scoring '04-'05 **(5 points)**

Note: In 2004-'05 scoring based on providing official assistance to firms in resolving investment disputes with host country authorities has been dropped.

According to responses received to the 2004-2005 questionnaire the Belgian government does not provide *official* assistance to Belgian businesses in identifying investment opportunities (0 of 2 points). It does not help developing countries set up investment promotion agencies (0 out of 3 points).

Total 0 of 5 points.

V. Facilitating Portfolio Investment (20 points) **2003-2004**

Belgium does not provide official support for design of developing country securities institutions and regulations (0 of 4 points), or that it provides official assistance for outflows of portfolio investment (0 out of 4 points). Belgium restricts pension fund portfolio investments in emerging markets (0 of 12 points).

Total 0 of 20 points.

NEW Scoring '04-'05

According to responses to the 2004-2005 questionnaire, Belgium does not restrict pension fund portfolio investments in emerging markets (12 of 12 points). Through BIO it provides official assistance for outflows of portfolio investment (4 out of 4 points). Belgium does not provide official support for design of developing country securities institutions and regulations (0 of 4 points).

Total 16 out of 20 points.

Belgium Total

2004-2005: 60 points of 100

2003-2004: 44 points of 100

Summary of changes in scoring from '03-'04 to '04-'05, by section.

Section I: Scoring in 2003-2004 indicated that Belgium does not screen for environmental and social impacts. Responses to the 2004-2005 questionnaire indicate that it does screen for environmental, but not social impacts. Thus, Belgium receives 21 of 25 points in 2004-2005, compared to 19 of 25 points in 2003-2004.

Section IV: Scoring in this section is based on responses received to the 2004-2005 questionnaire which indicate that the Belgian government does not provide official assistance to Belgian businesses in identifying investment opportunities. As a result, Belgium scores 0 of 5 points in this section in 2004-2005, compared to 2 of 5 in 2003-2004.

Section V: Responses to the 2004-2005 questionnaire indicate that Belgium does not restrict pension fund portfolio investments in emerging markets, thus it is awarded 12 of 12 points which it did not receive in 2003-2004. Responses also indicate that through BIO Belgium provides official assistance for outflows of portfolio investment, for which it is awarded four points that it did not receive in 2003-2004. As a result, Belgium's score in this section is 16 of 20 points for 2004-2005, compared to 0 of 20 points for 2003-2004.

Scoring Canada

2004-2005 & 2003-2004 (using 2004-2005 criteria)

I. Provision of Political Risk Insurance (25 points)

2003-2004

Canada is a member of MIGA, the IFC, the IADB, the ADB, and the EBRD. It receives all 10 points.

EDC is Canada's official political risk insurer. It screens for environmental and social impacts. EDC provides political risk insurance to all companies in Canada. EDC allows all sectors to be eligible and does not impose inappropriate national economic interest tests. EDC does provide coverage to inefficient and distortionary import substitution projects (minus 2 points).

Total 23 points out of 25.

New Scoring '04-'05

Canada is given 5 points for membership in MIGA, 3 points for membership in the IFC, and an additional 2 for membership in regional development banks (ADB and EBRD).

Total 10 points out of 10.

Canada once again loses 2 points because the EDC provides coverage to inefficient and distortionary import substitution projects.

Total 23 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

2003-2004

Canada avoids double taxation through bilateral tax treaties and foreign tax credits.

Total 18 of 20 points.

NEW Info. '04-'05

Canada avoids double taxation through the exemption method (per Jim Hines).

Total 20 out of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

2003-2004

Canada has undergone Phase 2 Monitoring (10 of 10 points). Canada did participate in the extractive industries transparency initiative workshop and follow-on's (12 points). Canada is in the first quintile on the Transparency International Bribe Payers Index 2002 (4 points).

Total 26 of 30 points.

NEW Scoring '04-'05

Canada receives 10 out of 10 points for having undergone Phase II examinations.

Canada has participated in the EITI and follow-on's. It has also been actively engaged in the G-8 Anti-Corruption and Transparency Action Plan, and has assumed a leadership role in the Kimberly Process (12 points). Canada is in the first quintile on the Transparency International Bribe Payers Index 2002 (4 points).

Total 26 of 30 points.

IV. Other Facilitation Performance Measures (5 points)

2003-2004

Canada offers official assistance to firms in resolving investment disputes with host country authorities. Canada does not help Canadian businesses identify investment opportunities (0 of 2 points), nor does it help developing countries set up investment promotion agencies (0 of 3 points).

Total 0 of 5 points.

NEW Scoring '04-'05

Note: In 2004-'05 scoring based on providing official assistance to firms in resolving investment disputes with host country authorities has been dropped.

Canada provides assistance to companies in identifying investment opportunities in developing countries through the Canadian International Development Agency's Industrial Cooperation Program (CIDA-INC) (2 out of 2 points). Through this organization it also aids developing countries in setting up investment promotion agencies (3 out of 3 points).

Total 5 out of 5 points.

V. Facilitating Portfolio Investment (20 points)

2003-2004

There is no evidence that Canada provides official support for design of developing country securities institutions and regulations (0 of 4 points). Canada allows pension fund portfolio investments in emerging markets (12 of 12 points). Canada does not provide official support for outflows of portfolio investment (0 out of 4 points).

Total 12 of 20 points

NEW Scoring '04-'05

Canada has supported several programs for the design of developing country securities institutions and regulations through bilateral, multilateral partnerships (4 of 4 points). Canada does not restrict pension fund investments in developing countries (12 out of 12 points). It does not provide official support for outflows of portfolio investment (0 out of 4 points).

Total 16 out of 20 points.

Canada Total

2004-2005: 90 points of 100.

2003-2004: 79 points of 100

Summary of changes in scoring from '03-'04 to '04-'05, by section.

Section II: Information obtained from Jim Hines in 2004-2005 indicates that Canada uses the exemption method. This raised Canada's score from 18 points in 2003-2004 to 20 points in 2004-2005.

Section IV: Contrary to responses to the 2003-2004 questionnaire, answers to the 2004-2005 questionnaire indicate that Canada provides assistance to companies in identifying investment opportunities in developing countries through the Canadian International Development Agency's Industrial Cooperation Program (CIDA-INC), and also aids developing countries in setting up investment promotion agencies. Canada's score thus increased by 5 points in this section in 2004-2005.

Section V: In 2003-2004 there was no evidence that Canada provides official support for design of developing country securities institutions and regulations. Responses to the 2004-2005 questionnaire, however, suggest the contrary. Thus Canada's score increased by 4 points in this section in 2004-2005.

Scoring Denmark

2004-2005 & 2003-2004 (using 2004-2005 criteria)

I. Provision of Political Risk Insurance (25 points)

2003-2004

Denmark is a member of MIGA, the IFC, the IADB, the ADB, and the EBRD. It receives all 10 points.

EKF is Denmark's official political risk insurer. It screens for environmental and social impact. EKF does not restrict political risk insurance to Danish companies; it allows all sectors to be eligible and does not impose inappropriate national economic interest tests. It does not deny coverage to inefficient and distortionary import substitution projects (minus 2 points).

Total 23 points out of 25.

NEW Scoring '04-'05

Denmark is awarded 5 points for membership in MIGA, 3 points for membership in the IFC, and 2 points for membership in regional development banks (IADB, ADB and the EBRD). Total 10 out of 10 points.

According to responses from the Danish Embassy to the 2004 questionnaire, Denmark screens, but does not monitor for environmental and social impact (minus 2 points). This information contradicts responses in 2003 which indicate that Denmark screens *and* monitors for environmental and social impact. Scoring in 2004 corresponds with answers provided by the Danish Embassy in 2004. Denmark's score for this section in 2004-2005 corresponds with answers provided by the Danish Embassy in 2004-2005.

Denmark allows all sectors to be eligible. EKF does not restrict political risk insurance to Danish companies and does not impose inappropriate national economic interest tests. It does not deny coverage to inefficient and distortionary import substitution projects (minus 2 points).

Total 21 of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Denmark avoids double taxation through bilateral tax treaties and foreign tax credits (18 points). Denmark does not appear to allow foreign investors the benefit from tax incentives in developing countries (minus 6 points).

Total 12 of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

2003-2004

Denmark has undergone Phase I monitoring by the OECD. Denmark is scheduled to undergo Phase II examinations in 2006 (6 out of 10 points). Denmark did not participate in the extractive industries transparency initiative workshop and follow-on's (0 of 16

points). Denmark is not included in the Transparency International Bribe Payers Index 2002 (2 points).

Total 8 of 30 points.

NEW Scoring '04-'05

Denmark is scheduled to undergo Phase II examinations in 2006 (6 out of 10 points). There is not indication that Denmark has participated in the extractive industries transparency initiative. Responses to the '04-'05 questionnaire indicate that Denmark has participated in the G-8 Anti-Corruption and Transparency Action Plan, though it is not clear how (8 of 16 points). Denmark is not included in the Transparency International Bribe Payers Index 2002 (2 points).

Total 16 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

2003-2004

Denmark offers official assistance to firms in resolving investment disputes with host country authorities, helps Danish businesses identify investment opportunities (2 out of 2 points), and assists developing countries in setting up investment promotion agencies (3 out of 3 points).

Total 5 of 5 points.

NEW Scoring '04-'05

Note: In 2004-'05 scoring based on providing official assistance to firms in resolving investment disputes with host country authorities has been dropped.

Denmark offers official assistance Danish businesses in identifying investment opportunities (2 out of 2 points), and assists developing countries in setting up investment promotion agencies (3 out of 3 points).

Total 5 of 5 points.

V. Facilitating Portfolio Investment (20 points)

2003-2004

There is no evidence that Denmark provides official support for design of developing country securities institutions and regulations (0 of 4 points). Denmark does not allow pension fund portfolio investments in emerging markets (0 of 12 points). Denmark provides official assistance for outflows of portfolio investment through the private sector support programme (4 out of 4 points).

Total 4 of 20 points.

NEW Scoring '04-'05

According to responses to the '04-'05 questionnaire, Denmark does not restrict pension fund portfolio investments in emerging markets (12 of 12 points), it does not provide official support for design of developing country securities institutions and regulations (0 of 4 points), and does not provide official assistance for outflows of portfolio investment (0 out of 4 points).

Total 12 out of 20 points.

Denmark Total

2004-2005: 66 points of 100

2003-2004: 52 points of 100

Summary of changes in scoring from '03-'04 to '04-'05, by section.

Section I: According to responses from the Danish Embassy to the 2004 questionnaire, Denmark screens, but does not monitor for environmental and social impact (minus 2 points). This information contradicts responses in 2003 which indicate that Denmark screens *and* monitors for environmental and social impact. Denmark's score for this section in 2004-2005 corresponds with answers provided by the Danish Embassy in 2004-2005.

Section II: Denmark lost the most points in 2003-2004 in this section due to its lack of participation in EITI. It's score in 2004-2005 improved due to evidence provided through responses to the questionnaire regarding Denmark's work in the G-8 Anti-Corruption and Transparency Action Plan.

Section V: Two responses to this section in the 2003-2004 questionnaire contradict responses received to the same in 2004-2005. First, responses in 2003-2004 indicate that Denmark hinders pension fund portfolio investments in emerging markets, while responses given in 2004-2005 indicate that Denmark does not restrict pension fund portfolio investments in emerging markets. For the latter response, Denmark is awarded 12 points in 2004-2005. Second, responses in 2003-2004 indicate that Denmark provides official assistance for outflows of portfolio investment through the private sector support programme, for which it is awarded 4 points. When asked the following question in 2004-2005: "Does your country have a policy of promoting portfolio investment in developing countries, and if so, how does it carry out these policies?" The response received from the Danish embassy was "No." Denmark's score for this section in 2004-2005 corresponds with answers provided by the Danish Embassy in 2004-2005.

Scoring Finland

2004-2005 & 2003-2004 (using 2004-2005 criteria)

I. Provision of Political Risk Insurance (25 points)

2003-2004

Finland is a member of MIGA, the IFC, the ADB, and the EBRD. It receives all 10 points.

Finnvera is Finland's official political risk insurer. It screens and monitors for environmental impact, but there is no evidence that it monitors for labor rights, human rights, and social impacts of projects (minus 2 points). All sectors are eligible, and there are no inappropriate national economic interest tests. Eligibility is not restricted to Finnish companies, and Finnvera denies coverage to inefficient and distortionary import substitution projects.

Total 23 points out of 25.

NEW Scoring '04-'05

Finland is awarded 5 points for membership in MIGA, 3 points for membership in the IFC, and 2 points for membership in regional development banks (ADB and the EBRD). Total 10 out of 10 points.

Finland's response to question 1.D. in the 2004 questionnaire is unclear. Our interpretation of Finland's response to question 1.D. is that import substitution projects are eligible, and that no screening takes place (minus 2 points). It screens and monitors for environmental impact, but there is no evidence that it monitors for labor rights, human rights, and social impacts of projects (minus 2 points).

Total 21 of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Finland avoids double taxation through foreign tax credits and tax treaties.

Total 18 out of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

2003-2004

Finland was the first country to complete Phase II monitoring (10 of 10 points). Finland did not participate in the extractive industries transparency initiative workshop and follow-on's (0 of 16 points). Finland is not ranked in the Transparency International Bribe Payers Index 2002 (2 points).

Total 12 of 30 points.

NEW Scoring '04-'05

Finland was the first country to complete Phase II monitoring (10 out of 10 points). There is no indication that Finland has participated in the extractive industries transparency initiative or in the G-8 Anti-Corruption Transparency Action Plan. Responses to this year's questionnaire suggest, however, that it has led anti-corruption and transparency initiatives in other sectors (IT, forest and paper industries) and has encouraged developing countries to adopt anti-corruption methods in these 14 of 16 points). Finland is not ranked in the Transparency International Bribe Payers Index 2002 (2 points).

Total 26 of 30 points.

IV. Other Facilitation Performance Measures (5 points)

2003-2004

Finpro helps Finnish businesses identify investment opportunities (2 of 2 points), and helps developing countries set up investment promotion agencies (3 of 3 points).

Total 5 of 5 points.

NEW Scoring '04-'05

Note: In 2004-'05 scoring based on providing official assistance to firms in resolving investment disputes with host country authorities has been dropped.

Finpro helps Finnish businesses identify investment opportunities (2 of 2 points), and helps developing countries set up investment promotion agencies (3 of 3 points).

Total 5 of 5 points.

V. Facilitating Portfolio Investment (20 points)

2003-2004

There is no evidence that Finland provides official support for design of developing country securities institutions and regulations (0 of 4 points). Finland prohibits pension fund portfolio investments in emerging markets (0 of 12 points), and does not provide official assistance for outflows of portfolio investment (0 of 4 points).

Total 0 of 20 points

NEW Scoring '04-'05

Finland prohibits pension fund portfolio investments in emerging markets (0 of 12 points) and does not provide official assistance for outflows of portfolio investment (0 of 4 points). Furthermore, there is no evidence that Finland provides official support for design of developing country securities institutions and regulations (0 of 4 points).

Total 0 of 20 points.

Finland Total

2004-2005: 70 points of 100

2003-2004: 58 points of 100.

Summary of changes in scoring from '03-'04 to '04-'05, by section.

Section I: Finland's response to question 1.D. in the 2004 questionnaire is unclear. Our interpretation of Finland's response to question 1.D. is that import substitution projects are eligible, and that no screening takes place. As a result, Finland scores 21 points in this section in 2004-2005, compared with 23 points in 2003-2004.

Section III: There is no indication that Finland has participated in the extractive industries transparency initiative or in the G-8 Anti-Corruption Transparency Action Plan. Responses to the 2004-2005 questionnaire suggest, however, that it has led anti-corruption and transparency initiatives in other sectors (IT, forest and paper industries) and has encouraged developing countries to adopt anti-corruption methods in these. As a result, Finland's score is 14 points higher in this section in 2004-2005 than in 2003-2004.

Scoring France

2004-2005 & 2003-2004 (using 2004-2005 criteria)

I. Provision of Political Risk Insurance (25 points)

2003-2004

France is a member of MIGA, the IFC, the IADB, the ADB, and the EBRD. It receives all 10 points.

COFACE is France's official political risk insurer. It screens for environmental impact. It is not clear whether it screens for labor rights or human rights (minus 2 points). COFACE allows all sectors to be eligible, offers insurance to firms of all nationalities, and does not appear to impose inappropriate national economic interest tests. There is no evidence that COFACE denies coverage to inefficient and distortionary import substitution projects (minus 2 points).

Total 21 of 25 points.

NEW Scoring '04-'05

France is awarded 5 points for membership in MIGA, 3 points for membership in the IFC, and 2 points for membership in regional development banks (IADB, ADB and the EBRD). Total 10 out of 10 points.

Total 21 of 25 points.

II. Treatment of Possible Double Taxation (20 points)

2003-2004

France avoids double taxation by taxing on French-source income only (20 points), but French companies are required to include in their taxable income profits from countries with a privileged tax regime, thus denying French companies the benefit from tax incentives in developing countries (minus 6 points).

Total 14 out of 20 points.

NEW Info. '04-'05

France avoids double taxation by the exemption method (per Jim Hines).

Total 20 out of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

2003-2004

France has undergone Phase II monitoring by the OECD (10 of 10 points). France has actively participated in the extractive industries transparency initiative and in the G-8 Anti-Corruption and Transparency Action Plan (16 of 16 points, plus 3 point bonus). France is in the third quintile of the Transparency International Bribe Payers Index 2002 (2 points).

28 out of 30 points, plus 3 point bonus. Total 31 points.

NEW Scoring '04-'05

France underwent Phase II monitoring by the OECD in 2003 (10 of 10 points). France has been particularly active in the extractive industries transparency initiative and in the G-8 Anti-Corruption and Transparency Action Plan (16 of 16 points, plus 3 point bonus). France is in the third quintile of the Transparency International Bribe Payers Index 2002 (2 points).

28 out of 30 points, plus 3 point bonus. Total 31 points.

IV. Other Facilitation Performance Measures (5 points)**2003-2004**

France provides official assistance to firms in resolving investment disputes with host country authorities. There is no evidence that France helps French businesses identify investment opportunities, or helps developing countries set up investment promotion agencies.

Total 0 of 5 points.

NEW Scoring '04-'05

Note: In 2004-'05 scoring based on providing official assistance to firms in resolving investment disputes with host country authorities has been dropped.

There is no evidence that France helps French businesses identify investment opportunities (0 of 2 points), or helps developing countries set up investment promotion agencies (0 of 3 points).

Total 0 of 5 points.

V. Facilitating Portfolio Investment (20 points)**2003-2004**

There is no evidence that France provides official support for design of developing country securities institutions and regulations (0 of 4 points) or that it provides official support for outflows of portfolio investment (0 of 4 points). France does not allow pension fund portfolio investments in emerging markets (0 of 12 points).

Total 0 of 20 points.

NEW Scoring '04-'05

France does not allow pension fund portfolio investments in emerging markets (0 of 12 points). There is no evidence that France provides official support for outflows of portfolio investment (0 of 4 points) or that helps with the design of developing country securities institutions and regulations (0 of 4 points).

Total 0 of 20 points.

France Total

2004-2005: 72 points of 100

2003-2004: 66 points of 100

Summary of changes in scoring from '03-'04 to '04-'05, by section.

As France has not submitted responses to the 2004-2005 questionnaire scoring is largely based on responses to the 2003-2004 questionnaire.

Section II: In 2003-2004 France received a score of 14 of 20 points because, despite the fact that it avoids double taxation by taxing on French-source income only, French companies are required to include in their taxable income profits from countries with a privileged tax regime, thus denying French companies the benefit from tax incentives in developing countries. Information received from Jim Hines in 2004-2005 indicates that France uses the exemption method. As a result, France scored 6 points higher in this section in 2004-2005 than in 2003-2004.

Section III: France has been particularly active in the extractive industries transparency initiative and in the G-8 Anti-Corruption and Transparency Action Plan in 2003-2004 and 2004-2005. As a result it is awarded 16 of 16 points, plus 3 point bonus in this section in both years.

Scoring Germany

2004-2005 & 2003-2004 (using 2004-2005 criteria)

I. Provision of Political Risk Insurance (25 points)

2003-2004

Germany is a member of MIGA, the IFC, the IADB, the ADB, and the EBRD. It receives all 10 points.

Hermes is Germany's official political risk insurer. It screens for environmental, social, and ecological impacts. It allows all sectors to be eligible, offers insurance to firms of all nationalities, and poses no inappropriate national economic interest tests. It does not deny coverage to inefficient and distortionary import substitution projects (minus 2 points).

Total 23 of 25 points.

NEW Scoring '04-'05

Germany is awarded 5 points for membership in MIGA, 3 points for membership in the IFC, and 2 points for membership in regional development banks (IADB, ADB and the EBRD). Total 10 out of 10 points.

Total 23 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

2003-2004

Germany avoids double taxation by use of foreign tax credits and tax treaties (18 points).

Total 18 of 20 points.

NEW Info. '04-'05

Germany avoids double taxation by use of the exemption method (per Jim Hines).

Total 20 of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

2003-2004

Germany has undergone Phase II Monitoring by the OECD (10 of 10 points). Germany has passively participated in the extractive industries transparency initiative and in the G-8 Anti-Corruption and Transparency Action Plan (10 of 16 points). Germany is in the second quintile of the Transparency International Bribe Payers Index 2002 (3 points).

Total 23 of 30 points.

NEW Scoring '04-'05

Germany underwent Phase II monitoring by the OECD in 2002 (10 of 10 points). Germany has passively participated in the extractive industries transparency initiative and in the G-8 Anti-Corruption and Transparency Action Plan (10 of 16 points). Germany is

in the second quintile of the Transparency International Bribe Payers Index 2002 (3 points).

Total 23 of 30 points.

IV. Other Facilitation Performance Measures (5 points)

2003-2004

Germany provides official assistance to firms in resolving investment disputes with host country authorities. There is evidence that Germany helps German businesses identify foreign direct investment opportunities (2 of 2 points). Germany also helps developing countries set up investment promotion agencies (3 of 3 points).

Total 5 of 5 points.

NEW Scoring '04-'05

Note: In 2004-'05 scoring based on providing official assistance to firms in resolving investment disputes with host country authorities has been dropped.

Germany helps German businesses identify foreign direct investment opportunities (2 of 2 points). As per responses to the '04-'05 questionnaire, it does not help developing countries set up investment promotion agencies (0 of 3 points).

Total 2 of 5 points.

V. Facilitating Portfolio Investment (20 points)

2003-2004

There is no evidence that Germany provides official support for design of developing country securities institutions and regulations (0 of 4 points). Furthermore, it does not provide official support for outflows of portfolio investment (0 of 4 points). Germany permits investment in non-OECD securities (12 of 12 points).

Total 12 of 20 points.

NEW Scoring '04-'05

Germany does not prevent pension fund portfolio investments in emerging markets (12 of 12 points). It does not provide official support for outflows of portfolio investment (0 of 4 points) or for design of developing country securities institutions and regulations (0 of 4 points).

Total 12 of 20 points.

Germany Total

2004-2005: 80 points of 100

2003-2004: 81 points of 100

Summary of changes in scoring from '03-'04 to '04-'05, by section.

Section II: Information obtained from Jim Hines in 2004-2005 indicates that Germany uses the exemption method. This raised Germany's score in this section from 18 points in 2003-2004 to 20 points in 2004-2005.

Section IV: Responses to the 2004-2005 questionnaire indicate that Germany does not help developing countries set up investment promotion agencies. Thus it receives 2 of 5 points in this section in 2004-2005, compared with 5 of 5 in 2003-2004.

**Scoring Greece
2004-2005 & 2003-2004 (using 2004-2005 criteria)**

I. Provision of Political Risk Insurance (25 points)

2003-2004

Greece is a member of MIGA, the IFC, and the EBRD. It receives all 10 points.

ECIO is Greece's official political risk insurer. It screens for environmental, social, labor or human rights impacts. It is not clear whether it allows all sectors to be eligible (minus 2), or imposes inappropriate national economic interest tests (minus 2), and it does limit insurance to Greek firms (minus 2). It does not deny coverage to inefficient and distortionary import substitution projects (minus 2 points).

Total 17 of 25 points.

NEW Scoring '04-'05

Greece is awarded 5 points for membership in MIGA, 3 points for membership in the IFC, and 2 points for membership the EBRD. Total 10 out of 10 points.

ECIO screens for environmental, social, labor or human rights impacts. It is not clear whether it allows all sectors to be eligible (minus 2), or imposes inappropriate national economic interest tests (minus 2), and it does limit insurance to Greek firms (minus 2). It does not deny coverage to inefficient and distortionary import substitution projects (minus 2).

Total 17 of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Greece avoids double taxation by use of foreign tax credits (18 points), but does not appear to allow foreign investors to enjoy the benefits of tax breaks in developing countries (minus 6 points).

Total 12 of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

2003-2004

Greece has implemented Phase I monitoring by the OECD. Greece is scheduled to complete Phase II examinations in 2005 (6 out of 10 points). Greece did not participate in the extractive industries transparency initiative workshop and follow-on's (0 of 16 points). Greece is not ranked in the Transparency International Bribe Payers Index 2002 (2 points).

Total 8 of 30 points.

NEW Scoring '04-'05

Greece is scheduled to complete Phase II examinations in 2005 (6 out of 10 points). There is not indication that Greece has participated in the extractive industries

transparency initiative, or other similar initiatives (0 of 16 points). Greece has not participated in the Transparency International Bribe Payers Index 2002 (2 points).

Total 8 of 30 points.

IV. Other Facilitation Performance Measures (5 points)

2003-2004

Greece provides official assistance to firms in resolving investment disputes with host country authorities, and helps Greek businesses identify investment opportunities (2 of 2 points). There is not sufficient evidence that it helps developing countries set up investment promotion agencies (0 of 3 points).

Total 2 of 5 points.

NEW Scoring '04-'05

Note: In 2004-'05 scoring based on providing official assistance to firms in resolving investment disputes with host country authorities has been dropped.

Greece provides official assistance to Greek businesses in identifying investment opportunities (2 of 2 points). There is not sufficient evidence that it helps developing countries set up investment promotion agencies (0 of 3 points).

Total 2 of 5 points.

V. Facilitating Portfolio Investment (20 points)

2003-2004

There is no evidence that Greece provides official support for design of developing country securities institutions and regulations (0 of 4 points), or that it allows pension fund portfolio investments in emerging markets (0 of 12 points). Greece does provide official assistance for outflows of portfolio investment (4 of 4 points).

Total 4 of 20 points.

NEW Scoring '04-'05

There is no evidence that Greece allows pension fund portfolio investments in emerging markets (0 of 12 points), or that it provides official support for design of developing country securities institutions and regulations (0 of 4 points). Greece does provide official assistance for outflows of portfolio investment (4 of 4 points).

Total 4 of 20 points.

Greece Total

2004-2005: 43 points of 100

2003-2004: 43 points of 100

Summary of changes in scoring from '03-'04 to '04-'05, by section.

As Greece has not submitted responses to the 2004-2005 questionnaire, scoring is largely based on responses to the 2003-2004 questionnaire. Otherwise, little new information has come to light regarding Greece's policies in the various sections. As a result, Greece's score (using the 2004-2005 criteria) is the same in 2003-2004 and in 2004-2005.

Scoring Ireland

2004-2005 & 2003-2004 (using 2004-2005 criteria)

I. Provision of Political Risk Insurance (25 points)

2003-2004

Ireland is a member of MIGA, the IFC, and the EBRD. It receives all 10 points.

Ireland does not have an official political risk insurer (0 of 15 points).

Total 10 out of 25 points.

NEW Scoring '04-'05

Ireland is awarded 5 points for membership in MIGA, 3 points for membership in the IFC, and 2 points for membership in the EBRD. Total 10 out of 10 points.

Total 10 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Ireland avoids double taxation through foreign tax credits according to specific bilateral tax treaties. Irish tax treaties are almost exclusively with OECD and EU-accession countries, not developing countries.

Total 0 of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

2003-2004

Ireland has not ratified the OECD Convention Against Bribery of Foreign Public Officials in International Business Transactions, but has completed Phase I OECD evaluation, and is scheduled to complete Phase II examinations in 2007 (6 of 10 points). There is not indication that Ireland has participated in the extractive industries transparency initiative, or other similar initiatives (0 of 16 points). Ireland is not ranked on the Transparency International Bribe Payers Index 2002 (2 points).

Total 8 of 30 points.

NEW Scoring '04-'05

Ireland ratified the Convention Against Bribery of Foreign Public Officials in International Business Transactions on September 22, 2003 (OECD. Document "OECD Convention on Combating Bribery of Foreign Public Officials In International Business Transactions." November 2004.) It is scheduled to complete Phase II examinations in 2007 (6 of 10 points). There is not indication that Ireland has participated in the extractive industries transparency initiative (0 of 16 points). Ireland is not ranked on the Transparency International Bribe Payers Index 2002 (2 points).

Total 8 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

2003-2004

There is no evidence that Ireland provides official assistance to firms in resolving investment disputes with host country authorities. Ireland does not help Irish businesses identify investment opportunities (0 of 2 points), nor does it help developing countries set up investment promotion agencies (0 of 3 points).

Total 0 of 5 points.

NEW Scoring '04-'05

Note: In 2004-'05 scoring based on providing official assistance to firms in resolving investment disputes with host country authorities has been dropped.]

Ireland does not help Irish businesses identify investment opportunities (0 of 2 points), nor does it help developing countries set up investment promotion agencies (0 of 3 points).

Total 0 of 5 points.

V. Facilitating Portfolio Investment (20 points)

2003-2004

There is no evidence that Ireland provides official support for design of developing country securities institutions and regulations (0 of 4 points), or that it provides official assistance for outflows of portfolio investment (0 out of 4 points). Ireland does permit pension fund portfolio investments in emerging markets (12 of 12 points). Total 14 points.

NEW Scoring '04-'05

Ireland permits pension fund portfolio investments in emerging markets (12 of 12 points). There is no evidence that Ireland provides official support for design of developing country securities institutions and regulations (0 of 4 points), or that it provides official assistance for outflows of portfolio investment (0 out of 4 points).

Total 12 of 20 points.

Ireland Total

2004-2005: 30 points of 100

2003-2004: 30 points of 100

Summary of changes in scoring from '03-'04 to '04-'05, by section.

As Ireland has not submitted responses to the questionnaire in 2003-2004 or in 2004-2005, scoring is largely based upon research conducted in 2003-2004 and 2004-2005. Little new information has come to light regarding Ireland's policies in the various sections. As a result, Ireland's score (using the 2004-2005 criteria) is the same in 2003-2004 and in 2004-2005.

Scoring Italy
2004-2005 & 2003-2004 (using 2004-2005 criteria)

I. Provision of Political Risk Insurance (25 points)

2003-2004

Italy is a member of MIGA, the IFC, the IADB, the ADB, and the EBRD. It receives all 10 points.

SACE is Italy's official political risk insurer. It screens for environmental and "positive effects" of projects, but only Italian-owned corporations are eligible (minus 2 points). There is no evidence whether all sectors are eligible (minus 2 points), whether there are inappropriate national economic interest tests (minus 2 points), or whether coverage is denied to inefficient and distortionary import substitution projects (minus 2 points).

Total 17 of 25 points.

NEW Scoring '04-'05

Italy is awarded 5 points for membership in MIGA, 3 points for membership in the IFC, and 2 points for membership in regional development banks (IADB, ADB and the EBRD). Total 10 out of 10 points.

SACE screens for environmental and "positive effects" of projects and, according to responses to the 2004-2005 questionnaire, foreign investors in all sectors are eligible for political risk coverage. Coverage is not denied to inefficient and distortionary import substitution projects (minus 2 points), and inappropriate national economic interest tests are not imposed.

Total 23 of 25 points.

II. Treatment of Possible Double Taxation (20 points)

2003-2004

Italy avoids double taxation through foreign tax credits, and bilateral tax treaties

Total 18 of 20 points.

NEW Info. '04-'05

Italy avoids double taxation through the exemption method (per Jim Hines).

Total 20 of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

2003-2004

Italy has implemented the OECD Phase I Recommendations, and is scheduled to undergo Phase II monitoring in 2004 (10 of 10 points). For passive participation in the extractive industries transparency initiative and in the G-8 Anti-Corruption and Transparency Action Plan, Italy receives 10 out of 16 points. Italy is in the fourth quintile on the Transparency International Bribe Payers Index 2002 (1 point).

Total 21 of 30 points.

NEW Scoring '04-'05

According to information retrieved from the OECD website, Italy has completed on site Phase II examinations (OECD. Document “OECD Convention on Combating Bribery of Foreign Public Officials In International Business Transactions.” March 2004) (10 out of 10 points). For passive participation in the extractive industries transparency initiative and in the G-8 Anti-Corruption and Transparency Action Plan, Italy received 10 out of 16 points. Italy is in the fourth quintile on the Transparency International Bribe Payers Index 2002 (1 point).

Total 21 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

2003-2004

There is no evidence that Italy offers official assistance to firms in resolving investment disputes with host country authorities. However, Italy does help Italian businesses identify investment opportunities (2 of 2 points). It does not help developing countries set up investment promotion agencies (0 of 3 points).

Total 2 of 5 points.

NEW Scoring '04-'05

Note: In 2004-'05 scoring based on providing official assistance to firms in resolving investment disputes with host country authorities has been dropped.

Italy offers official assistance to Italian businesses in identifying investment opportunities (2 out of 2 points) and according to responses received to the 2004-2005 questionnaire it also helps developing countries set up investment promotion agencies (3 out of 3 points).

Total 5 out of 5 points.

V. Facilitating Portfolio Investment (20 points)

2003-2004

There is no evidence that Italy provides official support for design of developing country securities institutions and regulations (0 of 4 points), or that it provides official assistance for outflows of portfolio investment (0 out of 4 points). Italy does not restrict pension fund portfolio investments in emerging markets (12 of 12 points).

Total 12 out of 20 points.

NEW Scoring '04-'05

Italy does not provide official support for design of developing country securities institutions and regulations (0 of 4 points), nor does it provide official assistance for

outflows of portfolio investment (0 out of 4 points). Italy does not restrict pension fund portfolio investments in emerging markets (12 of 12 points).

Total 12 out of 20 points.

Italy Total

2004-2005: 81 points of 100

2003-2004: 70 points of 100

Summary of changes in scoring from '03-'04 to '04-'05, by section.

Section I: Points were deducted from Italy's score in 2003-2004 based on responses to the questionnaire from that year which indicated that only Italian-owned corporations are eligible for political risk coverage. Furthermore, there was no evidence regarding whether all sectors are eligible, whether there are inappropriate national economic interest tests, or whether coverage is denied to inefficient and distortionary import substitution projects. Responses to the 2004-2005 questionnaire indicate that foreign investors in all sectors are eligible for political risk coverage, that coverage is not denied to inefficient and distortionary import substitution projects and that inappropriate national economic interest tests are not imposed. As a result, Italy's score for 2004-2005 in this section is 23 of 25 points, compared to 17 of 25 in 2003-2004.

Section II: Information obtained from Jim Hines in 2004-2005 indicates that Italy uses the exemption method. This raised Italy's score in this section from 18 points in 2003-2004 to 20 points in 2004-2005.

Section III: According to responses received to the 2004-2005 questionnaire, Italy helps developing countries set up investment promotion agencies. As a result, Italy receives 3 more points in this section for a total of 5 of 5 points for 2004-2005, compared to 2 of 5 points for 2003-2004.

Scoring Japan

2004-2005 & 2003-2004 (using 2004-2005 criteria)

I. Provision of Political Risk Insurance (25 points)

2003-2004

Japan is a member of MIGA, the IFC, the IADB, the ADB, and the EBRD. It receives all 10 points.

NEXI is Japan's official political risk insurer. It screens for environmental and "social considerations" of projects. NEXI provides political risk insurance to all investors. There is no evidence whether all sectors are eligible (minus 2 points), or whether there are inappropriate national economic interest tests (minus 2 points), or whether coverage is denied to inefficient and distortionary import substitution projects (minus 2 points).

Total 19 points out of 25.

NEW Scoring '04-'05

Japan is awarded 5 points for membership in MIGA, 3 points for membership in the IFC, and 2 points for membership in regional development banks (IADB, ADB and the EBRD). Total 10 of 10 points.

NEXI screens for environmental and "social considerations" of projects, and provides political risk insurance to all investors. There is no evidence whether all sectors are eligible (minus 2 points), or whether there are inappropriate national economic interest tests (minus 2 points), or whether coverage is denied to inefficient and distortionary import substitution projects (minus 2 points).

Total 19 of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Japan avoids double taxation through foreign tax credits, and bilateral tax treaties, and has tax sparing arrangements (per James Hines).

Total 18 of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

2003-2004

Japan has implemented the OECD Phase I Recommendations and is scheduled to undergo Phase II examinations in 2004 (10 of 10 points). Japan has passively participated in the extractive industries transparency initiative and in the G-8 Anti-Corruption and Transparency Action Plan (10 of 16 points). Japan is in the third quintile on the Transparency International Bribe Payers Index 2002 (2 points).

Total 22 of 30 points.

NEW Scoring '04-'05

According to information retrieved from the OECD website, Japan completed on site Phase II examinations in 2004 (OECD. Document “OECD Convention on Combating Bribery of Foreign Public Officials In International Business Transactions.” March 2004) (10 of 10 points). Japan has passively participated in the extractive industries transparency initiative and in the G-8 Anti-Corruption and Transparency Action Plan (10 of 16 points). Japan is in the third quintile on the Transparency International Bribe Payers Index 2002 (2 points).

Total 22 of 30 points.

IV. Other Facilitation Performance Measures (5 points)

2003-2004

Japan offers official assistance to firms in resolving investment disputes with host country authorities, and helps Japan businesses identify investment opportunities (2 of 2 points), but has a record of “negative advocacy” in insisting on behalf of Japanese investors that host governments (e.g. Bangladesh) disallow freedom of association and right to collective bargaining in export processing zones (minus 5 points). There is no evidence whether Japan helps developing countries set up investment promotion agencies (0 of 3 points).

Total - 3 of 5 points.

NEW Scoring '04-'05

Note: In 2004-'05 scoring based on providing official assistance to firms in resolving investment disputes with host country authorities has been dropped.

Japan helps Japanese businesses identify investment opportunities (2 out of 2 points). There is no evidence whether Japan helps developing countries set up investment promotion agencies (0 of 3 points).

Total 2 out of 5 points.

V. Facilitating Portfolio Investment (20 points)

2003-2004

There is no evidence that Japan provides official support for design of developing country securities institutions and regulations (0 of 4 points), or that it provides official assistance for outflows of portfolio investment (0 of 4 points). Japan forbids pension fund portfolio investments in emerging markets (0 of 12 points).

Total 0 of 20 points.

NEW Scoring '04-'05

Japan forbids pension fund portfolio investments in emerging markets (0 of 12 points). There is no evidence that Japan provides official support for design of developing country securities institutions and regulations (0 of 4 points), or that it provides official assistance for outflows of portfolio investment (0 of 4 points).

Total 0 of 20 points.

Japan Total

2004-2005: 61 points of 100

2003-2004: 56 points of 100

Summary of changes in scoring from '03-'04 to '04-'05, by section.

Section IV: Japan's score in this section in 2003-2004 was hurt because it came to light that it had a record of "negative advocacy" in insisting on behalf of Japanese investors that host governments (e.g. Bangladesh) disallow freedom of association and right to collective bargaining in export processing zones. For this reason Japan received a five point penalty. These five points were not subtracted in 2004-2005, thus raising Japan's score in this section to 2 of 5, rather than last years' -3 of 5. This accounts for the 5 point difference in score between 2003-2004 and 2004-2005.

As Japan has not submitted responses to the 2004-2005 questionnaire scoring is largely based on responses to the 2003-2004 questionnaire.

Scoring The Netherlands

2004-2005 & 2003-2004 (using 2004-2005 criteria)

I. Provision of Political Risk Insurance (25 points)

2003-2004

The Netherlands is a member of MIGA, the IFC, IADB, ADB, and the EBRD. It receives all 10 points.

Gerling NCM is the Netherlands' official political risk insurer. It screens for environmental, but not social, labor or human rights impacts (minus 2 points). All sectors are eligible. It does not impose inappropriate national economic interest tests, and it does not limit insurance to Dutch firms. It does not deny coverage to inefficient and distortionary import substitution projects (minus 2 points).

Total 21 points out of 25.

NEW Scoring '04-'05

The Netherlands is awarded 5 points for membership in MIGA, 3 points for membership in the IFC, and 2 points for membership in regional development banks (IADB, ADB, and the EBRD). Total 10 out of 10 points.

Responses to the 2004-'05 questionnaire indicate that Gerling NCM screens for both environmental and social impacts. All sectors are eligible. It does not impose inappropriate national economic interest tests, and it does not limit insurance to Dutch firms. It does not deny coverage to inefficient and distortionary import substitution projects (minus 2 points).

Total 23 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

The Netherlands avoids double taxation by the exemption method, by foreign tax credits, and by tax treaties (18 points). Foreign withholding taxes cannot be credited (minus 2 points). The Netherlands has a number of tax treaties with developing countries that contain a tax sparing credit.

Total 16 of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

2003-2004

The Netherlands has implemented Phase I Recommendations by the OECD and is scheduled to undergo Phase II examinations in 2006 (6 points). For its current participation in EITI, it is awarded 8 out of 16 points. The Netherlands is in the second quintile of the Transparency International Bribe Payers Index 2002 (3 points).

Total 17 of 30 points.

NEW Scoring '04-'05

The Netherlands is scheduled to undergo Phase II examinations in 2006 (6 points). The Netherlands does not participate in the G-8 Anti-Corruption and Transparency Action Plan. For its current participation in EITI, it is awarded 8 out of 16 points. We hope to see the Netherlands become more involved with EITI, making monetary contributions and pushing other countries (like Indonesia) to also become involved. The Netherlands is in the second quintile of the Transparency International Bribe Payers Index 2002 (3 points).

Total 17 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

2003-2004

The Netherlands provides official assistance to firms in resolving investment disputes with host country authorities, helps Dutch businesses identify foreign direct investment opportunities (2 of 2 points), and helps developing countries set up investment promotion agencies (3 of 3 points).

Total 5 of 5 points.

NEW Scoring '04-'05

Note: In 2004-'05 scoring based on providing official assistance to firms in resolving investment disputes with host country authorities has been dropped.

The Netherlands helps Dutch businesses identify foreign direct investment opportunities, and aids developing countries in setting up investment promotion agencies.

Total 5 out of 5 points.

V. Facilitating Portfolio Investment (20 points)

2003-2004

The Netherlands provides official support for design of developing country securities institutions and regulations (4 of 4 points). The Netherlands allows pension fund portfolio investments in emerging markets (12 of 12 points), and provides official assistance through the FMO (the Dutch development bank) for outflows of portfolio investment (4 of 4 points).

Total 20 of 20 points.

NEW Scoring '04-'05

The Netherlands provides official support for design of developing country securities institutions and regulations (4 of 4 points). The Netherlands allows pension fund portfolio investments in emerging markets (12 of 12 points). The Netherlands endorses portfolio investment in developing countries by giving a tax deduction to private investors who promote portfolio investment. Furthermore, it provides official assistance through the FMO (the Dutch development bank) for outflows of portfolio investment (4 out of 4 points).

Total 20 of 20 points.

The Netherlands Total

2004-2005: 81 points of 100

2003-2004: 79 points of 100.

Summary of changes in scoring from '03-'04 to '04-'05, by section.

Section I: Responses to the 2003-2004 questionnaire indicate that the Netherlands screens for environmental, but not social, labor or human rights impacts, for which 2 points were deducted. In 2004-2005, however, indicate that the Netherlands screens for both environmental and social impacts. This explains the difference in scoring in 2003-2004 and 2004-2005.

Scoring New Zealand

2004-2005 & 2003-2004 (using 2004-2005 criteria)

I. Provision of Political Risk Insurance (25 points)

2003-2004

New Zealand is not a member of MIGA, but is a member of the IFC. It is a member of the ADB and the EBRD. It receives 5 points.

New Zealand does not have an official political risk insurer, nor does it screen and monitor for environmental and community impact of projects.

Total 5 of 25 points.

NEW Scoring '04-'05

New Zealand is not a member of MIGA (0 of 5 points). It is a member of the IFC (3 of 3 points) and of the ADB and the EBRD (2 of 2 points). New Zealand does not have an official political risk insurer.

Total 5 of 25 points.

II. Treatment of Possible Double Taxation (20 points)

New Zealand avoids double taxation through foreign tax credits, but the awarding appears quite stringent (5 points.)

Total 5 of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

2003-2004

New Zealand has completed Phase I OECD evaluation, and is scheduled to undergo Phase II examinations in 2006 (6 out of 10 points). There is no evidence that New Zealand has participated in the extractive industries transparency initiative, or other similar initiatives (0 of 16 points). New Zealand has not participated in the Transparency International Bribe Payers Index 2002 (2 points).

Total 8 of 30 points.

NEW Scoring '04-'05

New Zealand is scheduled to undergo Phase II examinations in 2006 (6 out of 10 points). There is no indication that New Zealand has participated in the extractive industries transparency initiative. For funding the IFC's Corporate Citizenship Facility it receives 8 of 16 points. New Zealand is not ranked in the Transparency International Bribe Payers Index 2002 (2 points).

Total 16 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

2003-2004

New Zealand does not provide official assistance to firms in resolving investment disputes with host country authorities, nor does it help New Zealand businesses identify

investment opportunities (0 of 2 points). New Zealand helps developing countries set up investment promotion agencies (3 of 3 points).

Total 3 of 5 points.

NEW Scoring '04-'05

Note: In 2004-'05 scoring based on providing official assistance to firms in resolving investment disputes with host country authorities has been dropped.

New Zealand does not businesses identify investment opportunities (0 of 2 points). It does aid developing countries in setting up investment promotion agencies (3 of 3 points).

Total 3 of 5 points.

V. Facilitating Portfolio Investment (20 points)

2003-2004

New Zealand does not provide official support for design of developing country securities institutions and regulations (0 of 4 points), nor does it provide official assistance for outflows of portfolio investment (0 out of 4 points). New Zealand has no restrictions beyond “prudent man” fiduciary rules on pension fund portfolio investments in emerging markets (12 of 12 points).

Total 12 of 20 points.

NEW Scoring '04-'05

New Zealand has no restrictions beyond “prudent man” fiduciary rules on pension fund portfolio investments in emerging markets (12 of 12 points). New Zealand does not provide official support for design of developing country securities institutions and regulations (0 of 4 points), nor does it provide official assistance for outflows of portfolio investment (0 out of 4 points).

Total 12 of 20 points.

New Zealand Total

2004-2005: 41 points of 100

2003-2004: 33 points of 100

Summary of changes in scoring from '03-'04 to '04-'05, by section.

Section III: There is no indication that New Zealand has participated in the extractive industries transparency initiative. For funding the IFC's Corporate Citizenship Facility it receives 8 of 16 points, and increases its overall score from 33 points in 2003-2004 to 41 in 2004-2005.

Scoring Norway
2004-2005 & 2003-2004 (using 2004-2005 criteria)

I. Provision of Political Risk Insurance (25 points)

2003-2004

Norway is a member of MIGA, the IFC, IADB, ADB, and the EBRD. It receives all 10 points.

GIEK is Norway's official political risk insurer. It screens for environmental, and some social impacts (minus 2 points). All sectors are eligible, and no inappropriate national economic interest tests are imposed. Insurance is not limited to Norwegian firms. It does not deny coverage to inefficient and distortionary import substitution projects (minus 2 points).

Total 21 points out of 25.

NEW Scoring '04-'05

Norway is awarded 5 points for membership in MIGA, 3 points for membership in the IFC, and 2 points for membership in regional development banks (IADB, ADB and the EBRD). Total 10 out of 10 points.

GIEK is Norway's official political risk insurer. It screens for environmental, and some social impacts (minus 2 points). All sectors are eligible, and no inappropriate national economic interest tests are imposed. Insurance is not limited to Norwegian firms. It does not deny coverage to inefficient and distortionary import substitution projects (minus 2 points).

Total 21 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)**2003-2004**

Norway avoids double taxation by way of tax treaties (16 points). Foreign taxes may have to be claimed as an expense, not a credit (minus 10 points). It is not clear that Norway allows tax incentives in developing countries to be enjoyed by Norwegian firms (minus 6 points).

Total 0 of 20 points.

NEW Info. '04-'05

Norway allows foreign taxes to be claimed as an expense and not a credit (minus 10 points). It is not clear that Norway allows tax incentives used by developing countries to benefit Norwegian investors (minus 6 points). Norway avoids double taxation through tax treaties (16 points)

Total 0 of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)**2003-2004**

Norway has completed Phase II monitoring by the OECD (10 of 10 points). Norway has been particularly active in the extractive industries transparency initiative (16 of 16

points, plus 3 point bonus). Norway is not included in the Transparency International Bribe Payers Index 2002 (2 points).

Total 28 of 30 points, plus 3 point bonus. Total 31 points.

NEW Scoring '04-'05

Norway has undergone Phase II monitoring by the OECD (10 of 10 points). Norway has been particularly active in the extractive industries transparency initiative (16 of 16 points, plus 3 point bonus). Norway is not included in the Transparency International Bribe Payers Index 2002 (2 points).

Total 28 of 30 points, plus 3 point bonus. Total 31 points.

IV. Other Facilitation Performance Measures (5 points)

2003-2004

There is no evidence that Norway provides official assistance to firms in resolving investment disputes with host country authorities. The Norwegian Government helps Norwegian businesses identify and start up investment opportunities (2 of 2 points), and helps developing countries set up investment promotion agencies (3 of 3 points).

Total 5 of 5 points.

NEW Scoring '04-'05

Note: In 2004-'05 scoring based on providing official assistance to firms in resolving investment disputes with host country authorities has been dropped.

The Norwegian Government helps Norwegian businesses identify and start up investment opportunities (2 of 2 points), and aids developing countries in setting up investment promotion agencies (3 of 3 points).

Total 5 of 5 points.

V. Facilitating Portfolio Investment (20 points)

Norway allows pension fund portfolio investments in emerging markets (12 of 12 points). There is no evidence that Norway provides official support for design of developing country securities institutions and regulations (0 of 4 points), or that it provides official support for outflows of portfolio investment (0 of 4 points).

Total 12 of 20 points.

Norway Total

2004-2005: 69 points of 100

2003-2004: 69 points of 100

Summary of changes in scoring from '03-'04 to '04-'05, by section.

As Norway has not submitted responses to the 2004-2005 questionnaire, scoring is largely based on responses to the 2003-2004 questionnaire. Otherwise, little new information has come to light regarding Norway's policies in the various sections. As a result, Norway's score (using the 2004-2005 criteria) is the same in 2003-2004 and in 2004-2005.

Scoring Portugal
2004-2005 & 2003-2004 (using 2004-2005 criteria)

I. Provision of Political Risk Insurance (25 points)

2003-2004

Portugal is a member of MIGA, the IFC, IADB, ADB, and the EBRD. It receives all 10 points.

COSEC is Portugal's official political risk insurer. It screens for environmental, but not social impacts (minus 2 points). Not all sectors are eligible (minus 2 points). There are no inappropriate national economic interest tests imposed and COSEC does not limit insurance to Portuguese firms. It does not deny coverage to inefficient and distortionary import substitution projects (minus 2 points).

Total 19 points out of 25.

NEW Scoring '04-'05

Portugal is awarded 5 points for membership in MIGA, 3 points for membership in the IFC, and 2 points for membership in regional development banks (IADB, ADB and the EBRD). Total 10 out of 10 points.

COSEC screens for environmental impacts, but there is no evidence that it screens for social impacts (minus 2 points). Not all sectors are eligible (minus 2 points). There are no inappropriate national economic interest tests imposed and COSEC does not limit insurance to Portuguese firms. It does not deny coverage to inefficient and distortionary import substitution projects (minus 2 points).

Total 19 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Portugal avoids double taxation by tax treaty, and foreign tax credits (18 points). It appears that Portugal allows tax incentives in developing countries to be enjoyed by Portuguese firms.

Total 18 of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

2003-2004

Portugal has implemented Phase I Recommendations by the OECD, it is scheduled to complete Phase II examinations by 2007 (6 out of 10 points). There is no evidence that Portugal has participated in the extractive industries transparency initiative, or other similar initiatives (0 of 16 points). Portugal is not included in the Transparency International Bribe Payers Index 2002 (2 points).

Total 8 of 30 points.

NEW Scoring '04-'05

Portugal is scheduled to complete Phase II examinations by 2007 (6 out of 10 points). There is no indication that Portugal has participated in the extractive industries

transparency initiative, or in other similar initiatives (0 of 16 points). Portugal is not ranked in the Transparency International Bribe Payers Index 2002 (2 points).

Total 8 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

2003-2004

Portugal does not provide official assistance to firms in resolving investment disputes with host country authorities. It does help Portuguese businesses identify and start up investment opportunities (2 points), and does help developing countries set up investment promotion agencies (3 points).

Total 5 of 5 points.

NEW Scoring '04-'05

Note: In 2004-'05 scoring based on providing official assistance to firms in resolving investment disputes with host country authorities has been dropped.

Portugal helps Portuguese businesses identify and start up investment opportunities (2 of 2 points), and also aids developing countries in setting up investment promotion agencies (3 of 3 points).

Total 5 of 5 points.

V. Facilitating Portfolio Investment (20 points)

2003-2004

Portugal does not provide official support for design of developing country securities institutions and regulations (0 of 4 points). Portugal allows pension fund portfolio investments in emerging markets (12 points), and provides official assistance for outflows of portfolio investment (4 out of 4 points).

Total 16 of 20 points.

NEW Scoring '04-'05

Portugal allows pension fund portfolio investments in emerging markets (12 of 12 points), and provides official assistance for outflows of portfolio investment (4 out of 4 points). Portugal does not provide official support for design of developing country securities institutions and regulations (0 of 4 points).

Total 16 of 20 points.

Portugal Total

2004-2005: 66 points of 100

2003-2004: 66 points of 100

Summary of changes in scoring from '03-'04 to '04-'05, by section.

Little has changed regarding Portugal's policies in the various sections. As a result, Portugal's score (using the 2004-2005 criteria) is the same in 2003-2004 and in 2004-2005.

Scoring Spain

2004-2005 & 2003-2004 (using 2004-2005 criteria)

I. Provision of Political Risk Insurance (25 points)

2003-2004

Spain is a member of MIGA, the IFC, the ADB, and the EBRD. It receives all 10 points.

CESCE is Spain's official political risk insurer. It screens and monitors for environmental and social impacts of projects. All sectors are eligible, and there are no inappropriate national economic interest tests. But only Spanish-owned corporations are eligible (minus 2 points), and CESCE does not deny coverage to inefficient and distortionary import substitution projects (minus 2 points).

Total 21 of 25 points.

NEW 2004-2005

Spain is awarded 5 points for membership in MIGA, 3 points for membership in the IFC, and 2 points for membership in regional development banks (ADB and the EBRD). Total 10 out of 10 points.

CESCE screens for environmental and social impacts, but indicates that it does not have a system for monitoring (minus 2 points). All sectors are eligible, and there are no inappropriate national economic interest tests. According to responses to the 2004-2005 questionnaire, foreign investors in all sectors are eligible. CESCE does not deny coverage to inefficient and distortionary import substitution projects (minus 2 points).

Total 21 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Spain avoids double taxation through foreign tax credits (18 points), but credits are given only if the income is subject to tax in both Spain and the foreign country, thus denying foreign investors the benefit from tax incentives in developing countries (minus 6 points).

Total 12 of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

2003-2004

Spain is scheduled to undergo Phase II examinations in 2005 (6 out of 10 points). Spain has not participated in the extractive industries transparency initiative, or similar initiatives (0 of 16 points). Spain is in the third quintile on the Transparency International Bribe Payers Index 2002 (2 points).

Total 8 of 30 points.

NEW 2004-2005

Spain is scheduled to undergo Phase II examinations in 2005 (6 out of 10 points). There is no evidence that Spain has participated in the extractive industries transparency initiative, the G-8 Anti-Corruption and Transparency Action Plan, or other similar

initiatives (0 out of 16 points). Spain is in the third quintile on the Transparency International Bribe Payers Index 2002 (2 points).

Total 8 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

2003-2004

Spain offers official assistance to firms in resolving investment disputes with host country authorities and helps Spanish businesses identify investment opportunities (2 points), and helps developing countries set up investment promotion agencies (3 points).

Total 5 of 5 points.

NEW 2004-2005

Note: In 2004-'05 scoring based on providing official assistance to firms in resolving investment disputes with host country authorities has been dropped.

Spain offers official assistance to Spanish businesses in identifying investment opportunities (2 out of 2 points), and helps developing countries set up investment promotion agencies (3 out of 3 points).

Total 5 out of 5 points.

V. Facilitating Portfolio Investment (20 points)

2003-2004

There is no evidence that Spain provides official support for design of developing country securities institutions and regulations (0 of 4 points). Spain does not provide official assistance for outflows of portfolio investment (0 out of 4 points), and restricts pension fund portfolio investments in emerging markets (0 of 12 points).

Total 0 of 20 points

NEW 2004-2005

According to responses to the 2004-2005 questionnaire Spain does not restrict pension fund portfolio investments in emerging markets (12 of 12 points). Responses also indicate that Spain provides official support for design of developing country securities institutions and regulations (4 of 4 points). Spain does not provide official assistance for outflows of portfolio investment (0 out of 4 points).

Total 16 out of 20 points.

Spain Total

2004-2005: 62 points of 100

2003-2004: 46 points of 100

Summary of changes in scoring from '03-'04 to '04-'05, by section.

Section I: According to responses to the 2004-2005 questionnaire foreign investors in all sectors are eligible for political risk insurance by Spanish official agencies, for which Spain gains 2 points in this section which it was not awarded in 2003-2004. CESCE screens for environmental and social impacts, but does not have a system for monitoring. Spain loses 2 points for the latter and, as a result, Spain's score of 21 in this section remains the same as in 2003-2004, in 2004-2005.

Section V: According to responses to the 2004-2005 questionnaire Spain does not restrict pension fund portfolio investments in emerging markets. Responses also indicate that Spain provides official support for design of developing country securities institutions and regulations. As a result, Spain is awarded 16 additional points in this section in 2004-2005, than it received in 2003-2004.

Scoring Sweden 2004-2005 & 2003-2004 (using 2004-2005 criteria)

I. Provision of Political Risk Insurance (25 points)

2003-2004

Sweden is a member of MIGA, the IFC, IADB, ADB, and the EBRD. It receives all 10 points.

EKN is Sweden's official political risk insurer. It screens for environmental and socio-economic impacts. There is no evidence that all sectors are eligible (minus 2 points), or that there are no inappropriate national economic interest tests imposed (minus 2 points), or that coverage is denied to inefficient and distortionary import substitution projects (minus 2 points). Eligibility is limited to Swedish firms (minus 2 points).

Total 17 of 25 points.

NEW Scoring '04-'05

Sweden is awarded 5 points for membership in MIGA, 3 points for membership in the IFC, and 2 points for membership in regional development banks (IADB, ADB, and the EBRD). Total 10 out of 10 points.

Sweden only partially monitors for environmental and socio-economic impacts (minus 2 points). There is no evidence that all sectors are eligible (minus 2 points), or that there are no inappropriate national economic interest tests imposed (minus 2 points). The response received from the Swedish Ministry of Foreign Affairs on December 7, 2004 to the 2004 questionnaire indicates that coverage is NOT provided to Import Substitution Projects. Eligibility is limited to Swedish firms (minus 2 points).

Total 17 of 25 points.

II. Treatment of Possible Double Taxation (20 points)

Sweden avoids double taxation by foreign tax credits (18 points). There is no evidence that Sweden allows tax incentives in developing countries to be enjoyed by Swedish firms (minus 6 points).

Total 12 of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

2003-2004

Sweden has completed Phase I monitoring by the OECD, and is scheduled to complete Phase II monitoring in January 2005 (6 of 10 points). Sweden does not participate in the extractive industries transparency initiative or in the G-8 Anti-Corruption and Transparency Action Plan (0 of 16 points). Sweden is in the first quintile of the Transparency International Bribe Payers Index 2002 (4 points).

Total 10 of 30 points.

NEW Scoring '04-'05

Sweden has not yet completed Phase II examination, but is scheduled to do so in January 2005 (6 out of 10 points). Sweden does not participate in the extractive industries transparency initiative or in the G-8 Anti-Corruption and Transparency Action Plan (0 of 16 points). Sweden is in the first quintile of the Transparency International Bribe Payers Index 2002 (4 points).

Sweden receives a 3-point bonus for actions it has taken to investigate allegations of bribery by Ericsson.

Total 13 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

2003-2004

Sweden provides official assistance to firms in resolving investment disputes with host country authorities. There is no evidence that Sweden helps Swedish businesses identify and start up investment opportunities (0 of 2 points), or that it helps developing countries set up investment promotion agencies (0 of 3 points).

Total 0 of 5 points.

NEW Scoring '04-'05

Note: In 2004-'05 scoring based on providing official assistance to firms in resolving investment disputes with host country authorities has been dropped.

There is no evidence that Sweden helps Swedish businesses identify and start up investment opportunities (0 of 2 points). In light of responses to the 2004-'05 questionnaire which indicate that Sweden helps developing countries set up investment promotion agencies, it receives 3 out of 3 points.

Total 3 of 5 points.

V. Facilitating Portfolio Investment (20 points)

2003-2004

There is no evidence that Sweden provides official support for design of developing country securities institutions and regulations (0 of 6 points), or that it provides official assistance for outflows of portfolio investment (0 out of 4 points). Sweden does not allow pension fund portfolio investments in emerging markets (0 of 12 points).

Total 0 of 20 points.

NEW Scoring '04-'05

Responses to the 2004-'05 questionnaire indicate that Sweden does not place impediments on pension fund portfolio investments in emerging markets (12 of 12 points in this area), that it provides official assistance for outflows of portfolio investment (4 out of 4 points), and that it offers official support for design of developing country securities institutions and regulations (4 out of 4 points).

Total 20 out of 20 points.

Sweden Total

2004-2005: 65 points of 100

2003-2004: 39 points of 100

Summary of changes in scoring from '03-'04 to '04-'05, by section.

Section I: Information gathered from the EKN (Sweden's official political risk insurer) website (www.ekn.se) in 2003-2004 indicated that the EKN screens for environmental and socio-economic impacts. Responses to the 2004-2005 questionnaire indicate, however, that the EKN only partially screens for environmental and socio-economic impacts. As a result 2 of 4 points were deducted from Sweden's score here in 2004-2005 than had been deducted in 2003-2004. The Swedish Embassy provided no evidence in 2003-2004 that Sweden denies political risk insurance coverage to inefficient and distortionary import substitution projects, thus 2 of 2 points were deducted for this in 2003-2004. Responses to the 2004-2005 questionnaire, however, state that Sweden does NOT provide coverage to Import Substitution Projects. Sweden thus gains 2 points in 2004-2005 that had been deducted in 2003-2004. The result is that the minus 2 points and the plus 2 points cancel out and Sweden ends up with the same score in 2004-2005 that it had in 2003-2004, 17 of 25 points.

Section III: Sweden's score is 3-points higher in this section in 2004-2005 (at 13 of 30) than in 2003-2004 (at 10 of 30) because it receives a 3-point bonus for actions it has taken to investigate allegations of bribery by Ericsson.

Section IV: In 2003-2004 the Swedish Embassy provided no evidence that Sweden helps developing countries set up investment promotion agencies. Responses to the 2004-'05 questionnaire indicate, however, that Sweden does help developing countries set up investment promotion agencies. Thus Sweden's score in this section is 3 points higher in 2004-2005 (at 3 of 5) than in 2003-2004 (at 0 of 5).

Section V: In 2003-2004 the Swedish Embassy provided no evidence that Sweden provides official support for design of developing country securities institutions and regulations, or that it provides official assistance for outflows of portfolio investment. Furthermore, research done into the OECD Survey (pp.3) in 2003-2004 indicated that Sweden does not allow pension fund portfolio investments in emerging markets. Responses to the 2004-2005 questionnaire indicate that Sweden does not place impediments on pension fund portfolio investments in emerging markets, that it provides official assistance for outflows of portfolio investment, and that it offers official support for design of developing country securities institutions and regulations. This new information resulted in a 20 point increase in Sweden's score in this section 2004-2005.

Scoring Switzerland

2004-2005 & 2003-2004 (using 2004-2005 criteria)

I. Provision of Political Risk Insurance (25 points)

2003-2004

Switzerland is a member of MIGA, the IFC, IADB, ADB, and the EBRD. It receives all 10 points.

IRG is Switzerland's official political risk insurer. There is no evidence that it screens for environmental, labor rights, and human rights (minus 4 points). There is no evidence that all sectors are eligible (minus 2 points), or that there are no inappropriate national economic interest tests imposed (minus 2 points), or that coverage is denied to inefficient and distortionary import substitution projects (minus 2 points). Eligibility is limited to Swiss firms (minus 2 points).

Total 13 points out of 25.

NEW Scoring '04-'05

Switzerland is awarded 5 points for membership in MIGA, 3 points for membership in the IFC, and 2 points for membership in regional development banks (IADB, ADB, and the EBRD). Total 10 out of 10 points.

According to responses received from the embassy, "if a demand for guarantee would be submitted these issues would be taken into consideration." The IRG would employ procedure comparable to the more often drawn on Swiss Export Credit Guarantee (ECG). Thus, Switzerland will be deducted 2 points for the lack of evidence that the IRG currently screens for environmental, labor rights, and human rights. There is no evidence that all sectors are currently eligible (minus 1 point), that there are no restrictive sectoral or home country impact constraints (minus 1 point), or that coverage is denied to inefficient and distortionary import substitution projects (minus 2 points). Eligibility for IRG political risk insurance coverage is limited to nationally-owned firms (minus 2 points).

Total 17 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

2003-2004

Switzerland avoids double taxation by tax treaties (16 points). There is no evidence that Switzerland allows tax incentives in developing countries to be enjoyed by Swiss firms (minus 6 points).

Total 10 of 20 points.

NEW Scoring '04-'05

Switzerland avoids double taxation by tax treaties (16 points). There is no evidence that Switzerland allows tax incentives in developing countries to be enjoyed by Swiss firms (minus 6 points).

Total 10 of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

2003-2004

Switzerland has completed Phase I monitoring by the OECD, and has scheduled Phase II examinations for 2004 (10 of 10 points). There is not evidence that Switzerland has participate in the extractive industries transparency initiative, or other similar initiatives (0 of 16 points). Switzerland is in the first quintile of the Transparency International Bribe Payers Index 2002 (4 points).

Total 14 of 30 points.

NEW Scoring '04-'05

According to information retrieved from the OECD website, Switzerland has completed on site Phase II examinations (OECD. Document “OECD Convention on Combating Bribery of Foreign Public Officials In International Business Transactions.” March 2004) (10 out of 10 points). Switzerland does not participate in the EITI or other similar initiatives (0 of 16 points). It is once again awarded 4 points for being in the first quintile of the Transparency International Bribe Payers Index 2002.

Total 14 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

2003-2004

Switzerland does provide official assistance to firms in resolving investment disputes with host country authorities, and helps Swiss businesses identify and start up investment opportunities (2 of 2 points). There is no evidence it helps developing countries set up investment promotion agencies (0 of 3 points).

Total 2 of 5 points.

NEW Scoring '04-'05

Note: In 2004-'05 scoring based on providing official assistance to firms in resolving investment disputes with host country authorities has been dropped.

In 2004-'05 Switzerland receives 2 out of 2 points for providing official assistance through the Swiss Organization for Facilitating Investment (SOFI) to firms in identifying foreign direct investment opportunities. The Swiss government does not generally sponsor the creation of investment promotion agencies developing countries, but encourages private companies to do so (0 of 3 points).

Total 2 of 5 points.

V. Facilitating Portfolio Investment (20 points)

2003-2004

Switzerland does not provide official support for design of developing country securities institutions and regulations (0 of 4 points), nor does it provide official assistance for

outflows of portfolio investment (0 out of 4 points). Switzerland does not prevent pension fund portfolio investments in emerging markets (12 of 12 points).

Total 12 of 20 points.

NEW Scoring '04-'05

Switzerland does not provide official support for design of developing country securities institutions and regulations (0 of 4 points), nor does it provide official assistance for outflows of portfolio investment (0 out of 4 points). Switzerland does not prevent pension fund portfolio investments in emerging markets (12 of 12 points).

Total 12 out of 20 points.

Switzerland Total

2004-2005: 55 points of 100

2003-2004: 51 points of 100

Summary of changes in scoring from '03-'04 to '04-'05, by section.

Section I: Responses to the 2003-2004 questionnaire were not specific regarding the IRG's (Switzerland's official political risk insurer's) policies in this section. Responses in 2004-2005 were also not specific. A conversation with Philippe Etienne from the Swiss Embassy in December 2004 clarified the status of the IRG. Scoring in 2004-2005 is largely based on Mr. Etienne's clarifications, and Switzerland receives 4 more points in this section in 2004-2005 (at 17 of 25) than it did in 2003-2004 (at 13 of 25). This explains the change in scoring from 2003-2004 to 2004-2005.

Scoring the United Kingdom and Northern Ireland (hereafter the UK)

2004-2005 & 2003-2004 (using 2004-2005 criteria)

I. Provision of Political Risk Insurance (25 points)

2003-2004

The UK is a member of MIGA, the IFC, IADB, ADB, and the EBRD. It receives all 10 points.

ECGD is the UK's official political risk insurer. It screens for environmental, labor rights, and human rights impacts. All sectors are eligible. There are no inappropriate national economic interest tests imposed. Coverage is not denied to inefficient and distortionary import substitution projects (minus 2 points). Eligibility is limited to UK firms (minus 2 points).

Total 21 out of 25.

NEW Scoring '04-'05

Receives 5 points for membership in MIGA, 3 points for membership in the IFC, and 2 points for membership in regional development banks (IADB, ADB, and the EBRD).

Total 10 of 10 points.

Total 21 out of 25.

II. Treatment of Possible Double Taxation (20 points)

The UK avoids double taxation by foreign tax credits and tax treaties, and has extensive tax sparing arrangements with developing countries (per James Hines).

Total 18 of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

2003-2004

The UK has completed Phase I Recommendations by the OECD, and is scheduled to complete Phase II examinations in 2004 (10 of 10 points). The UK has been particularly active in the extractive industries transparency initiative and in the G-8 Anti-Corruption and Transparency Action Plan (16 of 16 points, plus 3 point bonus). The UK is in the second first quintile of the Transparency International Bribe Payers Index 2002 (3 points).

Total 32 of 30 points, (29 plus 3 points bonus)

NEW Scoring '04-'05

According to information retrieved from the OECD website the UK has completed on site Phase II examinations. (OECD. Document "OECD Convention on Combating Bribery of Foreign Public Officials In International Business Transactions." March 2004) (10 out of 10 points). The UK has been particularly active in the extractive industries transparency initiative and in the G-8 Anti-Corruption and Transparency Action Plan (16 of 16 points, plus 3 point bonus). The UK is in the second first quintile of the Transparency International Bribe Payers Index 2002 (3 points).

Total 32 of 30 points, (29 plus 3 points bonus)

IV. Other Facilitation Performance Measures (5 points)

2003-2004

The UK provides official assistance to firms in resolving investment disputes with host country authorities, and helps UK businesses identify and start up investment opportunities (2 of 2 points). There is no evidence that the UK helps developing countries set up investment promotion agencies (0 of 3 points).

Total 2 of 5 points.

NEW Scoring '04-'05

Note: In 2004-'05 scoring based on providing official assistance to firms in resolving investment disputes with host country authorities has been dropped.

In 2004-'05 the UK receives 2 out of 2 points for providing official assistance to firms in identifying foreign direct investment opportunities. The UK received 3 out of 3 points for providing official assistance to developing country investment promotion agencies.

Total 5 of 5 points.

V. Facilitating Portfolio Investment (20 points)

2003-2004

The UK does not provide official support for design of developing country securities institutions and regulations (0 of 4 points). There is no evidence that the UK provides official assistance for outflows of portfolio investment (0 out of 4 points). The UK allows pension fund portfolio investments in emerging markets (12 of 12 points).

Total 12 of 20 points.

NEW Scoring '04-'05

Responses to the 2004-'05 questionnaire indicate that the UK provides assistance to developing countries to design effective securities institutions and regulations (4 out of 4 points).

The UK does not prevent pension fund portfolio investments in emerging markets (12 of 12 points). It provides official assistance for outflows of portfolio investment (4 out of 4 points).

Total 20 out of 20 points.

The United Kingdom Total

2004-2005: 96 points of 100

2003-2004: 85 points of 100

Summary of changes in scoring from '03-'04 to '04-'05, by section.

Section IV: Responses to the 2003-2004 did not indicate that the UK helps developing countries set up investment promotion agencies. Responses to the questionnaire in 2004-2005, however, suggest the contrary. As a result, the UK received 3 additional points in this section in 2004-2005 (5 of 5 points) than it did in 2003-2004 (2 of 5 points).

Section V: In 2003-'04 the UK received 0 out of 4 points because responses to the 2003-2004 questionnaire indicated that it did not provide official support for design of developing country securities institutions and regulations. In light of responses to the 2004-'05 questionnaire which indicate that the UK provides assistance to developing countries to design effective securities institutions and regulations, the UK will receive 4 out of 4 points. We did not receive a response to the questions regarding whether or not the UK provides official assistance for outflows of portfolio investment. For lack of evidence, the UK was awarded 0 out of 4 points in this category in 2003-2004. Responses to the 2004-2005 questionnaire indicate that the UK indeed provides official assistance for outflows of portfolio investment. Thus the UK scored a total of 8 points higher in this section in 2004-2005 (at 20 of 20 points) than it did in 2003-2004 (at 12 of 20 points).

Scoring the United States

2004-2005 & 2003-2004 (using 2004-2005 criteria)

I. Provision of Political Risk Insurance (25 points)

2003-2004

The United States is a member of MIGA, the IFC, the IADB, the ADB, and the EBRD. It receives all 10 points.

OPIC is the official US political risk insurer. It screens and monitors for environmental, labor rights and (via the US Department of State) human rights. OPIC does not support labor-intensive or sensitive industry or agricultural investments (minus 2 points). OPIC employs inappropriate home country national economic tests for eligibility of projects (minus 2 points). OPIC does not deny coverage to inefficient and distortionary import substitution projects (minus 2 points). OPIC does not offer coverage to foreign-owned corporations with a significant US presence (minus 2 points).

Total 17 points out of 25.

NEW Scoring '04-'05

The US is awarded 5 points for membership in MIGA, 3 points for membership in the IFC, and 2 points for membership in regional development banks (IADB, ADB, and the EBRD). Total 10 out of 10 points.

OPIC does not support labor-intensive or sensitive industry or agricultural investments (minus 2 points). OPIC employs inappropriate home country national economic tests for eligibility of projects (minus 2 points). OPIC does not deny coverage to inefficient and distortionary import substitution projects (minus 2 points). OPIC coverage is limited to US firms (minus 2 points).

Total 17 out of 25 points.

II. Treatment of Possible Double Taxation (20 points)

The US avoids double taxation through foreign tax credits, a deduction for actual foreign taxes, and via bilateral tax treaties.

Total 18 out of 20 points.

III. Prevention of Bribery and Other Corrupt Practices (30 points)

2003-2004

The US has completed Phase 2 OECD Monitoring (10 of 10 points), and has been actively involved in the extractive industries transparency initiative as well as the G-8 Anti-Corruption and Transparency Action Plan (16 of 16 points, plus 3 point bonus). The US is in the third quintile on the Transparency International Bribe Payers Index 2002 (2 points).

Total 31 of 30 points (28 points, plus 3 point bonus).

NEW Scoring '04-'05

The US receives 10 out of 10 points for having undergone Phase II examinations.

The US has been particularly active in the extractive industries transparency initiative and in the G-8 Anti-Corruption and Transparency Action Plan (16 of 16 points, plus 3 point bonus). The US is in the third quintile on the Transparency International Bribe Payers Index 2002 (2 points).

Evidence has surfaced, from Indonesia, that US corporations have been able to circumvent the Foreign Corrupt Practices Act with ease, in some cases apparently running their plan by the US Department of Justice without problem. US MNCs would win contracts by taking designated ruling family members as partners, loaning them the funds necessary to take a minority interest in the project, charging them interest on the loan but then paying them a preferred share dividend on their minority interest that was significantly higher than the interest charged on their loan. This enabled them to pay off their loan over time -- a kind of "deferred gift" -- and receive an excess payment stream during the time period. (See the forthcoming book by Louis T. Wells, Jr., of the Harvard Business School.) In addition, in 2003-2004 OPIC revealed that despite a long history of press stories and other allegations of bribery on OPIC projects, it has not ever -- in its history -- forwarded any case to the US Department of Justice for further investigation, until Dabhol in India, in the aftermath of the Enron collapse. This record merits the special 3 point penalty for insufficient attention to prevention of bribery and corruption.

Total 28 out of 30 points.

IV. Other Facilitation Performance Measures (5 points)

2003-2004

The United States provides official assistance to firms in resolving investment disputes with host country authorities. The US does not coordinate the activities of the Foreign Commercial Service, the USEACS, the Ex-Im Bank, and OPIC to identify foreign investment activities (0 of 2 points). The US has provided official assistance to developing country investment promotion agencies (3 of 3 points).

Total 3 of 5 points.

NEW Scoring '04-'05

Note: In 2004-'05 scoring based on providing official assistance to firms in resolving investment disputes with host country authorities has been dropped.

In 2004-'05 the US receives 0 out of 2 points as it does not provide official assistance to firms in identifying foreign direct investment opportunities. It receives 3 out of 3 points for providing official assistance to developing country investment promotion agencies.

Total 3 out of 5 points.

V. Facilitating Portfolio Investment (20 points)

2003-2004

The United States provides official support for design of developing country securities institutions and regulations (4 of 4 points). Some large US states impose significant restrictions, beyond the “prudent man” rule, on pension fund portfolio investment in emerging market securities (6 of 12 points). The US provides official assistance for outflows of portfolio investment (4 out of 4 points).

Total 14 of 20 points.

NEW Scoring '04-'05

The United States is awarded 4 out of 4 points for providing official support for design of developing country securities institutions and regulations. As some large US states continue to impose significant restrictions, beyond the “prudent man” rule, on pension fund portfolio investment in emerging market securities, the US receives 6 out of 12 points. It provides official assistance for outflows of portfolio investment (4 out of 4 points).

Total 14 out of 20 points.

The United States Total

2004-2005: 80 points of 100

2003-2004: 83 points of 100

Summary of changes in scoring from '03-'04 to '04-'05, by section.

Section III: The US received a 3-point bonus in this section in 2003-2004 & in 2004-2005. In 2004-2005, however, this 3-point bonus is negated by a 3-point penalty due to evidence that has surfaced, from Indonesia, that US corporations have been able to circumvent the Foreign Corrupt Practices Act with ease, in some cases apparently running their plan by the US Department of Justice without problem (see scoring section III above for details). As a result, the US score for this section is 3 points higher in 2003-2004 at 31, than in 2004-2005.