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## Trade and Development Board

### Commission on Investment, Technology and Related Financial Issues

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Item 5 of the provisional agenda

## **Progress report on the implementation of the recommendations adopted by the Commission at its eleventh session and on the work of the Commission since UNCTAD XI**

Note prepared by the UNCTAD secretariat<sup>1</sup>

### *Executive summary*

This report provides information on the implementation of the recommendations adopted by the Commission on Investment, Technology and Related Financial Issues at its eleventh session and on the work of the Commission since UNCTAD XI. In particular, it focuses on UNCTAD's work on policies and measures that can help developing countries attract and benefit more from foreign direct investment and build their productive capacities and international competitiveness. This work includes in-depth analysis, consensus-building and the provision of technical assistance and capacity-building. The work is carried out, inter alia, in close cooperation and in joint programmes with other international, regional and national institutions active in the field of investment and technology.

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<sup>1</sup> This document was submitted on the above-mentioned date as a result of processing delays.

## I. Implementation of the recommendations adopted by the Commission at its eleventh session

### Recommendation

*“UNCTAD should continue its global analysis on FDI and its analytical work on the impact of FDI on development to identify productive, beneficial and effective FDI, in order to help developing countries and countries with economies in transition better understand how FDI can contribute to growth and development.” (TD/B/COM.2/78, para. 1)*

### Action

1. Pursuant to this recommendation, the secretariat continued its in-depth analysis of the impact of foreign direct investment (FDI) on development, with a view to helping developing countries identify productive, beneficial and effective ways of involving transnational corporations (TNCs) in the process. Many of the findings of this analysis were published in the *World Investment Report 2007*, which focused on transnational corporations, extractive industries and development. The report examines the role of TNCs in the extraction of mineral resources and identifies the key countries and companies. It discusses how the forces driving investment change as raw materials progress up the value chain to become finished products and as different types of companies participate. It explores how the participation of TNCs may help or hinder long-term, broad-based economic development in developing countries – the type of development that is best suited to reducing poverty and raising living standards. It considers how energy and mineral extraction can help Governments achieve these aims and concludes that a concerted effort is needed by all stakeholders – host and home countries, TNCs, international organizations and civil society – to secure development gains from foreign investment in extractive industries.

2. The *World Investment Prospects Survey 2007–2009*, released in September 2007, forecasts and analyses future trends in FDI flows. The results are based on replies from 192 respondents drawn from the largest TNCs in the world. The survey suggests that FDI will increase across practically all sectors and home countries as a result of continued world economic growth, high levels of profitability and the availability of external finance. Access to large and growing markets will be by far the main driver of FDI growth. A growing number of companies will consider investing in locations away from their home regions. Emerging markets, notably in Asia and Europe, are expected to receive more attention than before. Companies mentioned geopolitical and financial instability as the major uncertainties that might hinder expansion of their FDI.

3. Three issues of the journal *Transnational Corporations* have been published since the eleventh session of the Commission, featuring articles on, among other things, factors determining supply linkages between TNCs and local suppliers among the members of the Association of Southeast Asian Nations (ASEAN), the impact of FDI on domestic market concentration, and profitability in Central and East European countries.

### Recommendation

*“The findings should continue to be disseminated through policy briefs and regional seminars and, in particular, the World Investment Report (WIR). Member States are invited to continue to participate in the dissemination of the WIR, and briefings should continue to be organized for Geneva-based delegations in the context of the WIR launch. The WIR would benefit from being launched regionally, in addition to Geneva, and within existing resources, by using established partnerships and organizations within the regions. This could help increase and widen the audience, thus*

*strengthening the relevance and impact of this valuable flagship publication.*" (TD/B/COM.2/78, para. 1)

#### **Action**

4. The 2007 edition of the *World Investment Report* was launched in 67 countries, including 50 developing countries, and had generated about 1,100 press releases by mid-November 2007. In order to increase the dissemination and outreach efficiency of the report, regionally-based seminars or workshops for high-level policymakers in developing countries were organized, with the aim of facilitating understanding of the report and increasing its usefulness to policymakers. One such event was a seminar on investment opportunities and development held at Leeds University, United Kingdom, on 30 November and 1 December 2007, which brought together policymakers and investors from both developed and developing countries. The annual meetings of a number of major relevant academic organizations were also targeted, as an effective way of disseminating the report's findings in the education and policymaking communities.

5. The findings of the *World Investment Report 2007* were presented to United Nations delegates in New York and, on 24 October 2007, to Geneva-based delegates, and were highlighted in nine press releases. In addition, to ensure the widest possible dissemination of the findings, the secretariat prepared investment briefs entitled "Rising FDI into China: the facts behind the numbers", "Foreign direct investment surged again in 2006" and "Stability, skilled labour and infrastructure top locational factors for foreign affiliates".

#### **Recommendation**

*"UNCTAD should also continue its analytical work on the multiple factors necessary to attract and benefit from FDI, including through its work on the WIR, and should assist, within its mandate, developing countries and countries with economies in transition in their formulation and implementation of policies conducive to attracting and benefiting from FDI."* (TD/B/COM.2/78, para. 2)

#### **Action**

6. The secretariat continued to develop its series on FDI and development, which aims to identify and analyse the implications for development of issues relevant to investment, as well as to identify ways and means to maximize the potential benefits of FDI directed towards all developing countries. Building on the work undertaken in the *World Investment Report 2003*, which discussed the interaction between national and international policies in the area of FDI, UNCTAD prepared a study on the "Elimination of trade-related investment measures (TRIMs): the experience of selected developing countries". The *Universe of the Largest Transnational Corporations*, published in November 2007, quantifies and analyses past and current trends in the degree of internationalization of the largest TNCs and TNCs from developing economies. In the same series ("Current studies on FDI and development"), UNCTAD has prepared studies on "FDI, tourism and developing countries" and "Revisiting FDI in extractive industries: perspectives and policy issues".

#### **Recommendation**

*"The Commission welcomes the rising trend of outward FDI from developing countries and countries with economies in transition, which should be encouraged through greater South-South cooperation. UNCTAD should continue to study South-South FDI and its impact and facilitate the exchange of experience."* (TD/B/COM.2/78, para. 3)

**Action**

7. UNCTAD organized an ad hoc expert meeting on the development implications of South–South investment on 17–18 December 2007. Experts discussed the strategies of developing countries' TNCs and the impact on home and host countries.

8. Building on research presented in the *World Investment Report 2006*, UNCTAD published a study entitled *Asian Foreign Direct Investment into Africa: Towards a New Era of Cooperation among Developing Countries*. This publication aims to improve understanding of the opportunities, constraints and steps for enhancing Asian FDI in Africa and makes proposals for concrete measures to strengthen development cooperation between the two regions. The *World Investment Report 2007* also addressed the issue of South–South FDI, highlighting the rise of TNCs from developing and transition economies in extractive industries.

9. UNCTAD also conducted research into the experiences of selected developing countries in outward FDI, and presented its findings in a report entitled *Global Players from Emerging Markets: Strengthening Enterprise Competitiveness through Outward Investment*. This publication examines why developing-country firms are increasingly investing abroad and the implications of this trend for enterprise competitiveness, the policy environment and policy options supporting enterprise internationalization through outward FDI.

10. In the area of technical assistance, and with a view to fostering South–South cooperation, UNCTAD, in the context of the “investment for development” partnerships, strengthened its links with the Commonwealth Business Council to mobilize investment, especially South–South investment, in developing countries. This resulted in the organization of the China-India-Brazil-Africa Business Forum in Cape Town, South Africa, in April 2007. UNCTAD also developed its partnership with the China-Africa Business Council, which aims to promote Africa as a destination for Chinese investors.

11. As a follow-up to the meeting of experts on FDI, technology and competitiveness held in parallel to the eleventh session of the Commission, UNCTAD organized, together with the United Nations Industrial Development Organization (UNIDO) and the International Trade Centre (ITC), the first Sanjaya Lal Memorial Conference on India-Africa Cooperation on Industry, Trade and Investment (New Delhi, 10–14 September 2007). The conference was designed to increase South–South cooperation in industrial policy between India and a number of African countries. In a similar vein, UNCTAD organized a high-level policy seminar on “Strengthening ASEAN integration: regional players and enterprise regionalization” (Bangkok, 18–19 October 2007), which brought together over 90 chief executive officers and policymakers from the 10 ASEAN member countries.

**Recommendation**

*“In the light of the deliberations of the Commission, UNCTAD should continue to study FDI in services, such as tourism and infrastructure, as well as recent trends in national FDI policies.”* (TD/B/COM.2/78, para. 4)

**Action**

12. UNCTAD has prepared a publication entitled “Foreign direct investment, tourism and developing countries”. The main findings of UNCTAD’s work on FDI in tourism were presented at the biannual meeting of the African Economic Research Consortium held in June 2007 in Nairobi, Kenya, as well as at the PROFIT Tourism Investment Conference held in Kampala from 27 to 29 June 2007, and at a World Tourism Organization meeting on “Tourism destination management: reinforcing the competitiveness of African destinations”, held in Zambia from 3 to 5 October 2007. In

the context of joint research conducted by UNCTAD and the International Development Research Centre, case studies on FDI in tourism in countries in East and Southern Africa are due to be issued in early 2008 and the first in a series of national policy workshops was held in Uganda in December 2007. A third phase of the work, on countries in West Africa, was launched in Senegal in October 2007.

13. The *World Investment Report 2008* will focus on FDI and TNCs in the area of infrastructure. In preparation for the writing of the report, a brainstorming meeting of experts was organized on this theme (24–25 September 2007).

#### **Recommendation**

*“The Commission notes the findings and recommendations of the Expert Meeting on FDI in Natural Resources, highlighting the crucial role of extractive industries in many developing economies and the increasing involvement of transnational corporations in those industries. UNCTAD should continue studying and disclosing new experiences in this regard, particularly their impact on the economic and social development of host countries.”* (TD/B/COM.2/78, para. 4)

#### **Action**

14. In the preparations for the *World Investment Report 2007*, several regional meetings were organized to gather the views of experts on TNCs’ activities in extractive industries and their impact on development. The meetings included regional workshops and brainstorming (in Latin America, 27–28 March 2007; Africa, 16–17 April 2007; and Asia, 29 March 2007). The secretariat is preparing a publication to be entitled “Revisiting FDI in extractive industries: perspectives and policy issues”, which will present case studies on extractive industries. The findings of the *World Investment Report 2007* were presented to key international bodies such as the Extractive Industry Transparency Initiative (Oslo, 17 September 2007) and the Kimberley Process (Geneva, 29 October 2007) and to the special representative of the Secretary-General of the United Nations on business and human rights (Berlin, 5 November 2007).

15. UNCTAD convened a workshop on financial reporting and transparency in the extractive industries (Geneva, 29 October 2007), which addressed technical accounting issues related to improving the comparability of financial reporting in the extractive industries and discussed possible courses of action for promoting comparability in financial reporting and transparency in extractive industries.

#### **Recommendation**

*“Stressing the crucial role of timely and relevant information on FDI and TNC activities, the Commission appreciates UNCTAD’s support to assist developing countries in improving FDI data collection and analysis, in the area of assessment of FDI impacts on development. UNCTAD could intensify its technical assistance, either from its trust funds on a demand- and needs-based basis or as a result of the beneficiary country having identified such needs as part of its national development plan or PRSP, and where the beneficiary had identified UNCTAD as its preferred implementing agency.”* (TD/B/COM.2/78, para. 5)

#### **Action**

16. UNCTAD has intensified its technical cooperation activities to build institutional capacities for the collection and compilation of statistics on FDI and related information, and to strengthen regional cooperation among relevant institutions to harmonize data. UNCTAD organized, in cooperation with the Common Market for Eastern and Southern Africa (COMESA), a workshop on methodological standards for the compilation of statistics on FDI and the activities of TNCs (Lusaka, 5–7 September 2007). It was agreed at the workshop to create the COMESA FDI/TNC

statistics task force with a view to developing a harmonized system for measuring, collecting and reporting FDI/TNC statistics in the region based on international standards in order to assess the impact of FDI, support policy development and regional integration.

17. UNCTAD continued to assist its member States in assessing their own FDI performance by producing and disseminating data on FDI and the activities of TNCs. The *World Investment Directory: Africa* will be launched at UNCTAD XII. The secretariat also maintained its dedicated website on FDI statistics ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)), which contains profiles for 112 countries, fact sheets for 188 and “FDI in brief” datasheets for 80.

#### **Recommendation**

*“The Commission notes further that UNCTAD should continue to work on the trade and development aspects of corporate social responsibility as it relates to all TNCs.”* (TD/B/COM.2/78, para. 5)

#### **Action**

18. UNCTAD organized a multi-stakeholder consultative meeting (Geneva, 15–16 March 2007) to discuss the UNCTAD-ISAR guidance on corporate social responsibility indicators in annual reports. Participants discussed the performance orientation and development dimension of the indicators, reviewed reporting methodologies for indicators on contribution to economic development and considered new indicators. Work also continued on the secretariat’s database on positive corporate contributions to the economic and social development of host developing countries.

19. UNCTAD also contributed to the formulation of the “measuring impact” management reporting framework being developed by the World Business Council on Sustainable Development. It has continued to contribute to the work of the Working Group on Social Responsibility convened by the International Organization for Standardization (ISO), thereby contributing to the drafting of the ISO 26000 standard on social responsibility.

20. The corporate social responsibility dimension of TNC involvement in extractive industries was highlighted in the *World Investment Report 2007*, which stressed that all companies – large and small, private and State-owned, from developed and developing countries – need to develop their ability to address issues related to corporate social responsibility.

#### **Recommendation**

*“The Commission further notes the report on the Expert Meeting on Building Productive Capacities. Investment plays an important role in this regard. The Aid for Trade initiative should give favourable consideration to integrating trade-related investment and enterprise development as important components, particularly in respect of SMEs.”* (TD/B/COM.2/78, para. 6)

#### **Action**

21. UNCTAD continued to strengthen its work in the area of enterprise development, with a particular emphasis on small and medium-sized enterprises (SMEs). In July 2007, UNCTAD organized a high-level round table on “Poverty reduction: how entrepreneurship can make it happen” to coincide with the 2007 substantive session of the Economic and Social Council. Participants emphasized the close link between entrepreneurship development, self-employment and poverty reduction, and the need to integrate developing countries into the global trading system by building their productive capacities and promoting entrepreneurship. It was noted that African countries in particular need to nurture and develop entrepreneurs able to take

advantage of the opportunities created by globalization. Participants recognized the important contribution made by the Empretec programme in this respect.

22. An expert meeting on increasing the participation of small and medium-sized enterprises in global value chains was held in Geneva on 18–19 October 2007. Its main sources of reference were a research project jointly conducted by UNCTAD, the Organization for Economic Cooperation and Development (OECD) and the University of Fribourg entitled “Enhancing the role of SMEs in global value chains”, funded by the Government of Switzerland through the Geneva International Academic Network. It concluded that a favourable business environment was an important, though not the only, precondition for integration into global value chains. Efforts should be made to improve the capacity of SMEs to meet international standards, increase linkages and innovate or upgrade, through programmes that help integrate lower-tier developing countries’ suppliers into global and regional value chains.

### **Recommendation**

*“UNCTAD’s analytical work should draw lessons from successful experiences with the transfer and diffusion of technology through FDI and other channels. It should also support efforts by developing countries, in particular LDCs, to respond to technological changes, identify best practices in transfer of technology and assess the effectiveness of policies aimed at domestic innovative capability-building.”* (TD/B/COM.2/78, para. 7)

### **Action**

23. In the context of its work programme on the transfer of technology-intellectual property, UNCTAD, in collaboration with the World Intellectual Property Organization (WIPO) and the secretariat of the Convention on Biological Diversity, prepared a study on the role of intellectual property rights in technology transfer in the context of the Convention on Biological Diversity. UNCTAD is preparing a publication which will examine in detail trends in the international transfer of technology.

24. UNCTAD pursued its project to develop the capacity of selected developing countries to improve their productive and supply capacities for essential medicines. A multi-stakeholder meeting entitled “Mobilizing resources and harnessing knowledge for development: investment and the local production of essential medicines” was organized in November 2007 in Geneva to discuss ways to strengthen developing countries’ and LDCs’ local capacities in the pharmaceutical sector, including through investment and trade. Participants examined innovative approaches to the use of TRIPS flexibilities, and discussed development objectives and the feasibility of various national approaches. UNCTAD’s *Reference Guide to Using Intellectual Property Rights to Stimulate Pharmaceutical Production in Developing Countries* was introduced at the meeting. Other activities in this area included the organization of a seminar entitled “Developing local productive and supply capacity in the pharmaceutical sector: the role of intellectual property rights” (Ethiopia, March 2007). The event was designed to familiarize stakeholders from Botswana, Ethiopia, Kenya and the United Republic of Tanzania with the full range of intellectual property tools available to encourage the development of local productive and supply capacity in the pharmaceutical sector.

25. At the World Economic Forum on Africa, UNCTAD organized a session on “Investing for success: technology, research and development and technology transfer”. The session focused on the policies and strategies that Governments in the region could adopt to attract technology-based investment and improve its impact.

26. Work continued on the preparation of its science, technology and innovation policy (STIP) review for Angola. STIP reviews for Ghana, Mauritania and Mauritius are at various stages of preparation. The reviews are being carried out in close

collaboration with the Office for Science and Technology of the New Partnership for Africa's Development (NEPAD), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the World Bank.

### **Recommendation**

*“The Commission, in recognition of the further proliferation of international investment agreements and the resultant complexity for developing countries and countries with economies in transition of investment policymaking and implementation at various levels, agrees that UNCTAD should serve as the key focal point in the United Nations system for dealing with matters related to international investment agreements, and continue to provide the forum to advance understanding of issues related to international investment agreements and their development dimension, including with reference to investor-State dispute resolution, involving all relevant stakeholders. In this area of work, particular consideration should be given to the needs of LDCs.”* (TD/B/COM.2/78, para. 8)

### **Action**

27. UNCTAD has continued to provide a forum for the better understanding of issues related to international investment agreements (IIAs) and their development dimension. A meeting of experts on the development implications of international investment rule-making was convened in Geneva (28–29 June 2007). Three challenges arising from the rapid proliferation, increasing complexity and diversity of IIAs – promoting policy coherence, balancing public and private interests, and enhancing the development dimension of IIAs for developing countries – were discussed at the meeting.

28. Work on the “second-generation” series of publications on international investment policies for development continued, with the finalization of “International investment rulemaking: stocktaking, challenges and the way forward”, “Investment promotion provisions in international investment agreements”, and “Identifying core elements in investment agreements in the APEC region”. The development dimension of IIAs was further addressed in a special issue of the *IIA Monitor*, while other issues addressed intellectual property provisions and recent developments in IIAs. The secretariat also published *Bilateral Investment Treaties 1995–2006: Trends in Investment Rulemaking*. Updating a previous study, this publication identifies trends since 1998 in the norms governing each of the elements typically addressed in bilateral investment treaties (BITs). The study explains the new issues that have emerged in recent BITs and their implications for developing countries. Another study, *Investor-State Dispute Settlement and Impact on Investment Rulemaking*, examines the changes made in recent treaty practice to take account of arbitral decisions, and analyses the implications of such changes for developing countries.

29. UNCTAD continues to be the leading source of information on IIAs. A number of tools have been developed or maintained, including a new database on treaty-based investor-State dispute settlement (comprising 277 pending and concluded cases), the online BITs database (containing more than 1,900 texts), the country list of BITs and the *Compendium of International Investment Instruments*. The e-network of IIA experts, which makes it possible to disseminate information and discuss key issues of concern to the IIA community, now has more than 650 members.

### **Recommendation**

*“The Commission requests UNCTAD to intensify its efforts in capacity-building that is demand-driven by the needs of developing countries and countries with economies in transition with a view to maximizing the contribution of international investment agreements to development.”* (TD/B/COM.2/78, para. 8)



### Action

30. UNCTAD continued its capacity-building efforts in the area of IIAs for development. Several regional training sessions were conducted: on IIA negotiations, for French-speaking African countries (Geneva, 24 January–3 February 2007); on IIAs and investment disputes, for eastern and southern European and central Asian countries (Minsk, 16–25 July) and for members of the Organization of the Islamic Conference (Amman, 22–31 October); and on managing investment disputes, for Latin American countries (Montevideo, 21–30 November). Most of the courses were preceded by a distance-learning course on key IIA issues organized in cooperation with TrainForTrade. Regional technical assistance activities also included seminars and workshops organized in cooperation with regional organizations. UNCTAD organized a conference on “Investor-State dispute settlement: emerging issues and challenges for Latin American countries and investors” (Washington, 11–12 October) in cooperation with the Inter-American Development Bank, the Organization of American States, Columbia University and the Small Economy, Trade and Investment Centre (Costa Rica). At the request of the countries concerned, ad hoc technical assistance was provided to: the Dominican Republic, at two capacity-building seminars on IIAs and investment dispute settlement (May and July 2007); Egypt, at a workshop on the Egyptian BIT model (February 2007); Indonesia, at an advanced seminar on international investment agreements for Indonesian officials (September 2007); Peru, at a seminar on investor-State dispute settlement (May 2007); and the Syrian Arab Republic, with the preparation of a study on the Syrian and the international framework for investment and a subsequent workshop in Damascus to discuss findings and recommendations (March 2007). Advisory services were also provided at the request of the Governments of Egypt, Iraq, the Lao People’s Democratic Republic and Qatar.

31. The 2007 in-depth external evaluation of UNCTAD’s investment advisory services found that the IIA advisory work was “the most relevant, valid, efficient and effective UNCTAD intervention in the investment area” (TD/B/WP/196, para. 31).<sup>2</sup>

### Recommendation

*“The Commission recommends that member States consider the possibility of establishing a standing expert group to foster a greater understanding of the complex issues related to international investment agreements and their development implications. The decision regarding the standing expert group should be taken at the level of the Trade and Development Board.”* (TD/B/COM.2/78, para. 9)

### Action

32. At its forty-first executive session, the Trade and Development Board adopted the recommendation of the Commission on Investment, Technology and Related Financial Issues and discussed the establishment of a standing expert group on international investment agreements. Several member States expressed the view that the issue should be discussed at UNCTAD XII.

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<sup>2</sup> The evaluation goes on to conclude that: “The IIA advisory services fulfil an important and valid function in both technical advisory research and assistance delivery terms. They are part of a unique and stand-alone programme dealing with the international aspects of investment policy that also encompasses research, training and intergovernmental activities. In the light of its proven validity for beneficiary countries, this programme should be a core element of UNCTAD’s investment advisory services. In fact, UNCTAD’s work in this regard should be further strengthened” (para. 33). Subsequently, the Working Party, in the agreed conclusions at its forty-ninth session, took note with satisfaction that “overall, the investment advisory services programme has been relevant, has had an impact, and was delivered efficiently and effectively” (TD/B/WP/198/Rev.1, chap. I, sect. B 1, para. 2).

**Recommendation**

*“The Commission notes with appreciation the presentations of the IPRs of Morocco and Zambia and the follow-up implementation report on the IPR of Uganda. The Investment Policy Reviews are a valuable tool for developing countries and countries with economies in transition to improve the environment for both domestic and foreign investment.” (TD/B/COM.2/78, para. 10)*

**Action**

33. The secretariat prepared investment policy reviews (IPRs) for the Dominican Republic and Viet Nam. For this purpose, national workshops were organized. IPR follow-up activities were carried out for Benin, Ghana and Rwanda. Two other IPRs, for Mauritania and Nigeria, are being finalized, and will bring the total number of IPRs to 24, including 16 for African countries.

34. The IPR process received international recognition at the 2007 summit of the G8, which, in its declaration on growth and responsibility in the world economy, expressed support for IPRs “as valuable mechanisms in defining a shared understanding of healthy investment climates in emerging economies and developing countries”. The G8 invited UNCTAD and OECD to jointly engage industrialized countries, emerging economies and developing countries in the development of best practices for creating an institutional environment conducive to increased foreign investment and sustainable development, adding that the process should be closely connected with UNCTAD XII.

35. The secretariat organized an expert meeting on comparing best practices for creating an environment conducive to maximizing development benefits, economic growth and investment in developing countries and countries with economies in transition (Geneva, 24–25 September 2007). The secretariat prepared a note for the meeting, proposing a framework and methodology for the exchange and dissemination of best practices in the area of FDI and its contribution to development and suggesting the preparation of a series of case studies on best practices (TD/B/COM.2/EM.22/2). The experts debated the proposed approach to the selection and treatment of case studies, examples of best practice, means of disseminating the results and appropriate follow-up activities. Best-practice studies for Estonia and Jamaica are currently under way.

**Recommendation**

*“[The Commission] asks the secretariat to strengthen its efforts to ensure that the developmental needs and priorities of countries under review form an integral part of the IPR and its follow-up mechanism. The Commission emphasizes the importance of timely follow-up assistance in the implementation of the recommendations, which includes capacity-building and investment facilitation. The Commission notes the pipeline of requests for IPRs and related technical assistance and invites development partners to enable UNCTAD to respond to these requests. The Commission recommends that the intergovernmental discussion of the Investment Policy Review should be in the form of a more interactive exchange of experiences. The Commission invites the secretariat to make a proposal to this end.” (TD/B/COM.2/78, para. 10)*

**Action**

36. The secretariat has made every effort to promote the integration of a country’s IPR into its national development strategy and into the overall framework of development assistance from the donor community. For instance, the secretariat assisted the Comoros and Cambodia in drafting their investment chapter in the context of the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries.

37. In order to ensure timely assistance in the implementation of recommendations, the secretariat has been improving the IPR process, sensitizing the donor community to the importance of earmarking funds at the start of the process, and integrating follow-up with existing technical cooperation projects, in particular the programme on good governance in investment promotion. This made it possible to provide immediate assistance to the Dominican Republic. The secretariat also continued to provide follow-up assistance to: Benin, with the establishment of an investor tracking system and “one stop shop” training; Kenya, with assistance to strengthen the policy advocacy work of the investment promotion agency (IPA); Morocco, with assistance in the establishment of an IPA, training for diplomats in investment promotion and the launch of an e-regulation system; Rwanda, where the secretariat offered a training course on client charters and designed a skills attraction programme; and Zambia, where it organized an investor forum on information and communication technologies and pharmaceuticals.

38. The series of blue books on investment promotion and facilitation, prepared in cooperation with the Japan Bank for International Cooperation, also contribute to the provision of timely responses to requests from interested countries. A blue book was prepared and delivered to Zambia in 2007, and one is being prepared for Nigeria.

#### **Recommendation**

*“The Commission notes the Report of the Ad Hoc Expert Meeting on Policy Advocacy and invites UNCTAD to favourably consider requests for technical assistance in this area.”* (TD/B/COM.2/78, para. 11)

#### **Action**

39. In 2007, UNCTAD launched a new series of publications entitled the “Investment advisory series”. The series will deal with issues related to investment promotion and facilitation and to the work of IPAs and other institutions that promote FDI (series A). It will also present cases studies of best practices in policy and strategic matters related to FDI and development arising from existing and emerging challenges (series B). The first study in the series was *Aftercare: a Core Function in Investment Promotion*, which emphasizes the role of investor aftercare in identifying key areas for policy advocacy. The second, *Shaping the Investment Climate: the IPA as Policy Advocate*, is under preparation, and will provide practical tools and guidelines on policy advocacy for IPA officials.

#### **Recommendation**

*“The Commission took note of the report of the twenty-third session of ISAR as contained in TD/B/COM.2/ISAR/35, and of the agreed conclusions therein, and approved the provisional agenda that the Group of Experts has proposed for its twenty-fourth session. It also received the report of the seventh session of the Intergovernmental Group of Experts on Competition Law and Policy.”* (TD/B/COM.2/78, para. 12)

#### **Action**

40. At its twenty-fourth session, the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) reviewed practical implementation issues related to international financial and reporting standards (IFRS). For this session, the secretariat prepared additional country case studies on the practical implementation of IFRS covering Pakistan, South Africa and Turkey. It also prepared a note reviewing recent developments in the practical implementation of IFRS, as well as a summary of the main findings of UNCTAD-ISAR country case studies on the practical implementation of IFRS covering Brazil, Germany, India, Jamaica and Kenya. The main findings of the case studies, which had been prepared

for the twenty-third session of ISAR, were disseminated at a symposium on the international convergence of accounting standards in emerging markets and transition economies, held in Beijing in July 2007, and at an international conference of accountants and auditors held in October in Almaty, Kazakhstan.

41. The 2007 annual survey prepared by the secretariat to assess the state of reporting on corporate governance focused on the disclosure requirements for enterprises listed on stock exchanges in 25 emerging markets. The study finds that most developing and transition economies require the disclosure of more than half of the items in the ISAR benchmark. Participants at the twenty-fourth session discussed two country case studies of corporate governance disclosure which used the ISAR benchmark on good practices in corporate governance disclosure: a case study of Egypt, prepared in cooperation with the American University of Cairo; and a case study of China, prepared in cooperation with Nankai University. UNCTAD continued to promote corporate governance by organizing a regional workshop in Cairo for the Middle East and North Africa on “Investment and corporate governance disclosure” (Cairo, 18–19 June). The workshop focused on the role of corporate governance and corporate transparency as an important driver for investment.

42. At its twenty-third session, ISAR recognized the increased interest among corporate responsibility reporters in creating more concise, more useful and more performance-oriented reports. It requested the secretariat to further refine and finalize the guidance on selected corporate responsibility indicators and their measurement methodology, with a view to providing a voluntary technical tool for enterprises. To this end, the secretariat prepared a document entitled “Guidance on corporate responsibility indicators in annual reports” (TD/B/COM.2/ISAR/3), which provides an overview of the selected core social and economic indicators and proposes detailed guidance for compiling and reporting these indicators. This document was discussed by ISAR at its twenty-fourth session, where it was agreed that the guidance should be prepared for publication and disseminated widely as a voluntary technical tool for enterprises.

43. Also at its twenty-third session, ISAR identified a need to update its accounting and financial reporting guidelines for SMEs at level 3 (“SMEGA 3 guidance”). The guidance addresses the accounting and reporting needs of micro-enterprises, which are of particular importance in developing countries and transition economies. A note containing proposed revisions to the SMEGA 3 guidance was therefore prepared for and discussed at the twenty-fourth session of ISAR.

### **Recommendation**

*“The Commission welcomes the cooperation with other organizations active in the area of investment, in particular WAIPA, and would like to see the practice of joint sessions of the Commission and WAIPA continued. In addition, closer cooperation between UNCTAD and investment agencies will be a way to increase the capacity and effectiveness of these investment agencies.”* (TD/B/COM.2/78, para. 13)

### **Action**

44. The World Association of Investment Promotion Agencies (WAIPA) will, during this twelfth session, brief the Commission on its cooperation with UNCTAD in 2007–2008. WAIPA will also participate in the World Investment Forum, to be organized in parallel to UNCTAD XII.

45. Since the last session of the Commission, the cooperation between WAIPA and UNCTAD has resulted in the organization of three regional training workshops: two on investor aftercare, for West Asia (United Arab Emirates, 22–23 June 2007) and for Central America and the Caribbean (El Salvador, 21–23 August 2007); and one on strategic investor targeting, for African IPAs (Mauritius, 3–5 October). A special

UNCTAD-WAIPA workshop for IPAs from LDCs on FDI trends and policy options (Geneva, 25 September 2007) was held back-to-back with the expert meeting on comparing best practices for creating an environment conducive to maximizing development benefits, economic growth and investment in developing countries and countries with economies in transition (Geneva, 24–25 September 2007). UNCTAD also participated in a round table on promoting investment from the service industries organized by the China Investment Promotion agency and WAIPA at the eleventh China International Fair for Investment and Trade. The secretariat also co-organized with WAIPA and the Japanese authorities a study tour for IPA officials to Japan (11–20 September 2007).

46. The Investment Partnership for Development launched at UNCTAD XI aims to address the needs of developing countries, especially LDCs, by pursuing synergies with relevant public- and private-sector stakeholders, civil society and academia, thus leveraging the outreach and impact of UNCTAD's work on investment on a wider and sustainable basis. Within this framework, UNCTAD continued to expand its network of partnerships, jointly implementing activities with a number of organizations, including the Commonwealth Business Council, the China-Africa Business Council, the Japan Bank for International Cooperation, the World Tourism Organization, the International Centre for Trade and Sustainable Development, WAIPA, OECD, the Islamic Development Bank, the Inter-American Development Bank, the Organization of American States, Colombia University, the Asia-Pacific Economic Cooperation (APEC) forum, ASEAN, the African Centre for Statistics (ACS) and the Latin American Integration Association (ALADI).

#### **Recommendation**

*“The Commission underlines the contribution that UNCTAD can make to the follow-up of major UN conferences, including the Monterrey Consensus on Financing for Development.”* (TD/B/COM.2/78, para. 14)

#### **Action**

47. The secretariat has prepared a note on FDI and financing for development (TD/B/COM.2/80), the main substantive item on the agenda of the Commission at its twelfth session.

48. UNCTAD produced a note on “Progress made in the implementation of the outcomes of the major United Nations conferences and summits, and UNCTAD's contributions” (TD/B/54/6) and led discussions during the High-level Dialogue on Financing for Development at the sixty-second session of the General Assembly.

## **II. Assessment of the work of the Commission since UNCTAD XI**

### **Investment analysis (São Paulo Consensus, paras. 49–51)**

49. The São Paulo Consensus states that “UNCTAD should maintain its lead role in policy analysis on the impact of FDI on the development of host countries” (para. 51). At its ninth session, the Commission discussed the conclusions of the expert meeting on the impact of FDI on development and requested UNCTAD to continue its analytical work on FDI and transnational corporations and their impact on development. As a result, the secretariat has successively examined the impact of FDI in services (including tourism), in research and development, and in natural resources. In 2007 it initiated a discussion on best practices for creating an environment conducive to development. A new series entitled “Current issues in FDI and development” was launched, with the aim of identifying and analysing the implications for development of issues relevant to investment, as well as identifying

ways and means to maximize the potential benefits of FDI directed towards all developing countries, as well as towards countries in transition with similar needs.

50. The secretariat identified the emergence of FDI from developing countries and was thus able to explore policy options for ensuring tangible and long-term development gains for both home and host developing countries. Particular importance was attached to the rise of South–South FDI, including through the organization of an expert meeting on enhancing the productive capacity of developing-country firms through internationalization (5–7 December 2005).

51. The main conclusions of the annual *World Investment Report* were presented at each session of the Commission. The secretariat disseminated the findings of the report widely by issuing occasional notes and investment briefs and by regularly organizing regional seminars or workshops for policymakers in developing countries with a view to facilitating their understanding of the report.

52. The need to improve the collection and analysis of FDI data and information on TNCs' activities in developing countries was addressed at the expert meeting on "Capacity-building in the area of FDI: data compilation and policy formulation in developing countries" (Geneva, December 2005). UNCTAD also continued to assist member States in assessing their own FDI performance by producing and disseminating data on FDI and TNCs' activities, as well as by providing developing countries with technical cooperation and support in collecting and reporting FDI statistics.

#### **Science and technology (São Paulo Consensus, para. 52)**

53. UNCTAD serves as the lead entity within the United Nations system on technology-related issues. The secretariat continued to service the Commission on Science and Technology for Development and conducted research on issues related to the technology gap and the digital divide, as well as on the application of science and technology to the achievement of the Millennium Development Goals. The secretariat regularly briefed the Commission on Investment on its work in this area.

54. The São Paulo Consensus states that "UNCTAD's analytical work should draw lessons from successful experiences with the transfer and diffusion of technology through FDI and other channels" and that it should "support efforts by developing countries, in particular LDCs, to respond to technological changes, identify best practices in transfer of technology and assess the effectiveness of policies aimed at domestic innovative capability-building, including the role of intellectual property rights" (para. 52). The secretariat has therefore strengthened its work in the interrelated areas of transfer of technology and intellectual property. In cooperation with the International Centre on Trade and Sustainable Development, UNCTAD carried out several analytical studies, which in turn contributed to discussions within WIPO. UNCTAD publications in the series on the "Transfer of technology for successful integration in the global economy" have informed discussions at the WTO Working Group on Trade and Transfer of Technology.

55. The ninth session of the Commission on Investment provided an opportunity to discuss the role of investment, technology and enterprise competitiveness in the implementation of the Millennium Development Goals. UNCTAD was particularly encouraged, "within its work programme on investment, technology transfer and intellectual property, [to] assess ways in which developing countries can develop their domestic productive capability in the supply of essential drugs in cooperation with pharmaceutical companies" (TD/B/COM.2/66, para. 9 (c)). In this framework, UNCTAD launched its project to develop the capacity of selected developing countries to improve the productive and supply capacities for essential medicines.

56. In parallel to the eleventh session of the Commission, a meeting was organized to discuss the interactions between FDI, technology and competitiveness.

**Investment policy reviews and investment facilitation (São Paulo Consensus, para. 53)**

57. Since UNCTAD XI, eleven investment policy reviews (IPRs) have been prepared, of which three (those for Colombia, Morocco and Zambia) were presented in the context of the Commission on Investment. The Commission also provided for the exchange of experiences in relation to the IPRs of Algeria, Ghana and Peru. The implementation reports on the investment policy reviews of Egypt and Uganda were presented to the Commission in 2005 and 2007 respectively. The Commission, at its ninth session, commended “the assistance provided to developing countries through investment policy reviews and the follow-up process in the implementation of recommendations contained therein” (TD/B/COM.2/66, para. 7).

58. At the request of the Commission, the secretariat set up a financial mechanism allowing for a swift and timely response to requests for follow-up policy advice and capacity-building projects. Since UNCTAD XI, follow-up activities – including advisory services and capacity-building in FDI legal regimes, business regulations, FDI strategy reviews, institutional reform and investment promotion plans – have been carried out in 20 developing countries. In most cases, this has led to an improved investment climate for the countries concerned, generating increased FDI inflows, their diversification into new sectors, and better linkages between domestic and foreign firms.

59. In the area of investment facilitation, the Commission convened an expert meeting on good governance in investment promotion (September 2004). The secretariat’s technical cooperation activities in this area also included institutional support for IPAs, assistance in the formulation and implementation of investment policies and promotion strategies, and training in investment promotion practices and techniques. As requested by the Commission at its tenth session, the secretariat organized in 2006 an expert meeting on policy advocacy and strengthened its technical assistance in this area.

**Special problems that LDCs and African countries face in building productive capacities (São Paulo Consensus, para. 54)**

60. UNCTAD has designed several programmes to address the special needs of LDCs. Nine investment guides have been produced for LDCs since UNCTAD XI. The guides help LDCs to take a more professional approach to investment promotion. The secretariat has made every effort to improve their dissemination, including by producing and distributing updated flyers. The investment guide programme also incorporates a capacity-building element in the form of training for local consultants and IPA staff.

61. The blue books on investment promotion and facilitation provide Governments with a concise assessment of their country’s investment environment. Since UNCTAD XI, seven blue books have been prepared (for Cambodia, Ghana, Kenya, the Lao People’s Democratic Republic, the United Republic of Tanzania, Uganda and Zambia). Each blue book contains about ten recommendations, actionable over the course of twelve months, to make a country more attractive to foreign investors. Prior to the delivery of these blue books, national workshops were organized, thereby contributing to building adequate capacities in the beneficiary countries. The blue book for Zambia won *Africa Investor* magazine’s 2007 award in the category of “Smart regulations”.

62. In 2006, the Commission decided to convene an expert meeting on building productive capacities. The need for developing countries to build an adequate insurance infrastructure was reaffirmed, and participants highlighted specific actions

that developing countries needed to take in order to bring their legal and regulatory infrastructures relating to insurance into line with international standards and best practices. Since UNCTAD XI, UNCTAD's insurance programme has been assisting African countries, including LDCs, in strengthening their insurance sectors. This year, the programme issued a compendium of UNCTAD's insurance publications.

**Investment and enterprise development (São Paulo Consensus, paras. 55 and 51)**

63. UNCTAD, through its Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR), continued to promote best practices in accounting and reporting. ISAR's work in the area of corporate governance disclosure included the publication *Guidance on Good Practices in Corporate Governance Disclosure*. At its tenth session, the Commission recommended the "wide dissemination of the guidance as a useful voluntary tool to improve corporate governance disclosures in order to facilitate investment and enhance the transparency and stability of the investment environment" (TD/B/COM.2/71, para. 12). ISAR also contributed to the usefulness and comparability of corporate responsibility reporting through its guidance on corporate responsibility in annual reports.

64. Assistance to developing countries was provided through the organization of workshops on the practical implementation of international financial reporting standards, and the provision of advisory services to policymakers in the areas of accounting, financial reporting, corporate governance disclosure and corporate responsibility reporting.

65. The São Paulo Consensus recommended that UNCTAD should "identify ways and means for enterprises, especially developing countries' SMEs, to meet international standards, including accounting standards, as well as to access new technologies through networking and partnering" (para. 55). Accordingly, in 2007 UNCTAD revised its SMEGA 3 guidance. In addition, the Empretec network was strengthened, including through the launch of Empretec Africa in 2006. Its contribution to poverty reduction was recognized during a meeting organized in parallel to the 2007 substantive session of the Economic and Social Council.

66. Another important mandate emanating from the São Paulo Consensus relates to the linkages between SMEs and foreign affiliates. UNCTAD-related pilot projects resulted in a number of TNCs engaging in the development of local supply chain partners in Brazil, Uganda and Viet Nam.

**International investment agreements, home country measures and corporate responsibility (São Paulo Consensus, paras. 56–58)**

67. The São Paulo Consensus requested UNCTAD to "continue to provide a forum for exchange of experiences and consensus building on the formulation of investment and technology transfer arrangements, with a view to promoting the development dimension. This work should include a further clarification of the key issues at stake and a review of experience in implementing international commitments" (para. 56). As a result, the Commission discussed investor-State dispute settlements, their development and policy implications during its ninth session. Recent developments and emerging issues in IIAs, as well as the development implications of the ever-increasing complexity of the international investment system, were debated at the tenth and eleventh sessions of the Commission.

68. UNCTAD completed its series on key issues in international investment agreements, with the compilation of the 27 studies into three volumes. Several additional studies were prepared for the "second-generation" series on international investment policies for development. The two research series are the main reference for IIA negotiators from developing countries. In addition, the results of UNCTAD's



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research in this field continued to be presented in the *IIA Monitor* (four issues a year) and the publication *Bilateral Investment Treaties 1995–2005: Trends in Investment Rulemaking* was completed.

69. UNCTAD stepped up its capacity-building efforts in the area of IIAs for development, mainly through the organization of training courses on IIA negotiations and investment disputes and through advisory services to countries and regional organizations. It also developed several e-tools, including databases on treaty-based investor-State dispute settlement, bilateral investment treaties and other international investment instruments. It moderates the e-network of about 650 IIA experts, allowing them to disseminate information and discuss relevant issues.

70. At its eleventh session, the Commission agreed that “UNCTAD should serve as the key focal point in the United Nations system for dealing with matters related to international investment agreements, and continue to provide the forum to advance understanding of issues related to international investment agreements and their development dimension, including with reference to investor-State dispute resolution” (TD/B/COM.2/78, para. 8). The Trade and Development Board, at its forty-first executive session, decided that an expert meeting would be convened on the development implications of international investment rule-making. The meeting was duly held in June 2007.

71. Pursuant to paragraphs 52, 54 and 57 of the São Paulo Consensus, UNCTAD prepared a study entitled *Home Country Measures to Promote FDI and Technology Transfer*.

72. The São Paulo Consensus states that “UNCTAD should carry out analytical work with a view towards facilitating and enhancing positive corporate contributions to the economic and social development of host developing countries” and “consult with all interested parties as appropriate” (para. 58). Consequently, the Commission, at its tenth session, decided to organize an expert meeting on positive corporate contributions to the economic and social development of host developing countries. This topic was further examined in a special issue of *Transnational Corporations*, and the secretariat created a database on best corporate practices and best policies.