

**United Nations Conference
on Trade and Development**

Distr.: Limited
27 April 2010

Original: English

Trade and Development Board
Investment, Enterprise and Development Commission
Second session
Geneva, 26–30 April 2010

Draft report of the Investment, Enterprise and Development Commission on its second session

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I. Chair's summary

A. Opening of the session

1. The Secretary-General of UNCTAD, Mr. Supachai Panitchpakdi, made an opening statement. Statements were also made by (a) the representative of Cuba on behalf of the Group of 77 and China; (b) the representative of Bangladesh on behalf of the Asian Group; (c) the representative of Costa Rica on behalf of the Group of Latin American and Caribbean Countries (GRULAC); (d) the representative of Egypt on behalf of the African Group; (e) the representatives of Spain and of the European Union countries on behalf of the European Union; (f) the representative of Hungary on behalf of Group D; (g) the representative of Nepal on behalf of the Least Developed Countries (LDCs); and (h) the representative of Paraguay on behalf of the Landlocked Developing Countries (LLDCs). Representatives of the following States also made statements on behalf of their individual countries: Algeria, China, the Dominican Republic, Haiti and Indonesia. The Chair of the Commission also made a statement.

2. As countries struggled to overcome the impacts of the recent financial and food crises, the Secretary-General highlighted the importance of investment in the agricultural sector. Despite the urgent need to invest more in agriculture – both to ensure food security and to support long-term economic development – investment into this sector remained depressed. In many countries, domestic investment in agriculture would not be sufficient; external funding from private and public sources needed to be mobilized in order to increase productive capabilities in that area. Foreign investment by transnational corporations (TNCs) could play a significant role in promoting sustainable and pro-poor agricultural development, by increasingly participating in agricultural production via non-equity modes of entry such as contract farming. As those activities had expanded in recent years, pressure had grown for action at the multilateral level to develop a set of principles for “responsible investment in agriculture”. To that end, the important role of UNCTAD in leading this coordinated effort to support best practices in agricultural investment was noted.

3. The Secretary-General also discussed the importance of public investment in administrative efficiency, and its potential role in easing investment activities – both domestic and foreign – in the aftermath of the global financial and economic crisis. During the current period of weak economic growth, those investments could pay important dividends – not only by reducing government costs, but also by creating a more welcoming environment for all investors by increasing the transparency and predictability of administrative processes. International cooperation for sharing and disseminating business facilitation solutions, such as UNCTAD's i-Portal, could considerably accelerate the pace and reduce the cost of administrative reform in developing countries.

4. The Secretary-General noted the importance of national science, technology and innovation policies in helping to achieve the Millennium Development Goals, highlighting that technology, along with trade, investment and finance, was at the core of UNCTAD's integrated treatment of development issues. In particular, increasing income and reducing hunger called for – among other things – modern agricultural and industrial technology. UNCTAD, through its research and analysis, as well as its technical assistance, continued to play an important role in supporting developing countries in building up their own capabilities. The Secretary-General added that through policy dialogue, UNCTAD also supported policymakers in developing countries to overcome the obstacles they faced in harnessing science, technology and innovation for growth and development.

5. Referring to the impact of the economic and financial crisis, the Chair highlighted the need to develop a work programme on Aid for Investment to help developing countries, particularly LDCs, to overcome the crisis and to develop productive capacities, and

expressed the hope that the Commission would reach a real outcome, which not only would share best practices among countries, but also would impact on the lives of those affected by the crisis.

6. The Commission noted that the meeting was taking place at an important juncture, as the international community was preparing the second review of the Millennium Development Goals and the Fourth United Nations Conference on the Least Developed Countries. All delegations expressed their preoccupation with the consequences of the global and financial crisis on flows of foreign direct investment (FDI) – as exemplified by the decline of those flows to developing countries by more than one third from the year 2008 to the year 2009. Most of the speakers stressed the fact that the crisis was now a development crisis, and that the poorest countries were the hardest hit. UNCTAD's monitoring and reporting work on the consequences of the crisis on FDI, and its effect on development, was acknowledged by several delegations, which called for the continuation of UNCTAD's work in that area. The relevance of the work performed by the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) was also highlighted by many speakers.

7. Meanwhile, most delegations stressed the importance of FDI in helping accelerate development and reduce poverty, and its potential role in helping poor countries overcome the impact of the crisis. In that context, many delegates stressed the importance for developing countries of setting up a national and international enabling environment conducive to investment for development, and the relevance and importance of policy space in the design and implementation of policies for attracting investment. In that regard, all delegations highlighted the contribution of UNCTAD's investment policy reviews, as well as its work on investment promotion and facilitation in creating the conditions to strengthen the environment for investment.

8. Many delegations stressed the important role of science, technology and innovation (STI) in development, and noted that this was one of the issues pertinent to the Commission as per the Accra Accord. Several delegates maintained that the lack of local technological capacities, infrastructure, institutions and finance were key barriers to the transfer of technology, preventing developing countries from accessing knowledge and absorbing technology. There was a need for active policies to overcome these barriers. In view of the importance of STI for development, a specific request was made for a stand-alone agenda item on STI at the future sessions of the Commission.

9. Mention was also made of the enabling role of information and communications technology in development, in particular by creating a better investment climate. It was suggested that new and emerging technologies should be treated with special focus and attention, given their potential for providing solutions to pressing problems such as food and energy security and climate change adaptation or mitigation.

10. Many delegates highlighted the necessity of investing in infrastructure, and the potential of public-private partnerships in financing those investments. In addition, many delegations underscored the potential of remittances in the creation of productive capacities in developing countries.

11. The importance of an enabling environment for the private sector and entrepreneurial investment for sustainable economic development was also pointed out. In that regard, delegations acknowledged the positive contribution made by the Empretec programme in facilitating entrepreneurship development.

12. In the current times of crisis, several delegations noted the relevance of administrative efficiency in facilitating business, especially in reducing barriers for small and medium-sized enterprises (SMEs). Some delegates called for a more proactive role by the State in regulating internal markets and in creating the conditions for growth.

13. Many delegations pointed out developing countries' difficulties in dealing with the increasing number and the complexity of international investment agreements. The importance of preserving flexibility mechanisms was mentioned too.

14. Delegations also stressed the importance of agriculture as a central issue in achieving the Millennium Development Goals – in particular the eradication of poverty and hunger. The food crisis had drawn the attention of the international community to the importance of drastically increasing investments in the agricultural sector, provided that those investments were conducted in a responsible and sustainable manner. Speakers acknowledged the work undertaken by UNCTAD, in cooperation with the World Bank, the Food and Agriculture Organization of the United Nations (FAO) and the International Fund for Agricultural Development (IFAD), and within the mandates of General Assembly resolution 64/192, in preparing principles for responsible investment in agriculture for sustainable development.

15. The importance of South–South cooperation as a complement to North–South cooperation in the area of investment was also highlighted by several speakers, and there were calls for increased dialogue on best practices among regions, including through the World Investment Forum scheduled for 6–9 September 2010 in Xiamen, China, on which a delegation briefed the Commission.

16. Statements were made on the consequences of the dramatic earthquake in Haiti, and the support provided by the international community – including through the assistance provided in developing a joint strategy for investment promotion for the Dominican Republic and Haiti – was acknowledged.

17. Delegations expressed their appreciation for the new multi-year expert meetings and for the opportunity they provided for exchanging experiences, and encouraged UNCTAD to make further efforts with a view to making them more interactive and to ensuring the widest possible participation by experts from developing countries, including LDCs.

18. The Director of UNCTAD's Division on Investment and Enterprise presented recent trends and developments in global FDI flows and policies based on two new core products – the *Global Investment Trends Monitor* and the *Investment Policy Monitor*. While FDI flows had collapsed to all economic groupings and all modes of entry during 2009, forward-looking data for 2010 suggested that a rebound was potentially at hand. Developing economies were particularly well placed to see flows rise, as the global economic rebound appeared to be starting among those countries.

19. Investment policy trends continued in 2009 in the direction of openness and facilitation, although increased State ownership in ailing firms and “policy slippage” in the trade area were creating potential challenges. Although the winding-down of stimulus packages worldwide could potentially have a dampening effect on investment flows, they could also create further opportunities for firms to acquire shares released by governments. International investment rulemaking continued to develop at a rapid pace, with almost two investment treaties signed every week over the past couple of years.

20. The Director also noted the strong impact of the crisis on entrepreneurship, and presented UNCTAD's work in developing policy priority areas to reinvigorate entrepreneurship. As the global economy was on growth recovery, policymakers had to continue on the reform path, creating the framework for a sustainable, dynamic, job-creating business sector and encouraging entrepreneurship and innovation.

B. Empretec Women in Business Award

21. The Commission welcomed the holding of the Women in Business Award and expressed its appreciation to Mrs. Margarita Cedeño de Fernández, First Lady of the Dominican Republic; Ms. Bisila Bokoko, Executive Director, Spain–United States

Chamber of Commerce; and Ms. Gerry Elsdon, Chief Executive Officer, Cinnamon Communications for participating in the award ceremony. The Commission congratulated the winner, Ms. Beatrice Byaruhanga (Uganda); the runner-up, Ms. María de la Luz Osses Klein (Chile); and the winner of the third prize, Ms. Joy Simakane (Botswana); as well as the seven other finalists, namely Ms. Guenet Fresenbet Azmach (Ethiopia); Ms. Lilian Okoro (Nigeria); Ms. Lina Hundaileh (Jordan); Ms. Lucia Desir (Guyana); Ms. Olga Lidia Arean (Argentina); Ms. Vanessa de Figueiredo Vilela Araujo (Brazil); and Ms. Viviyata Chivunga (Zimbabwe).

II. Organizational matters

A. Opening of the session

1. The second session of the Investment, Enterprise and Development Commission was opened at the Palais des Nations, Geneva, on 26 April 2010, by Mr. Maurice Peter Kagimu Kiwanuka (Uganda), Chair of the Commission at its second session.

B. Election of officers

(Agenda item 1)

2. At its opening plenary meeting, on 26 April 2010, the Commission elected the following officers to serve on its Bureau:

Chair:	Mr. Maurice Peter Kagimu Kiwanuka (Uganda)
Vice-Chairs:	Mr. Hrvoje Curko (Croatia) Mr. Mauricio Alfredo Pérez Zepeda (Honduras) Mr. Hamid Baeidi Nejad (Islamic Republic of Iran) Mr. Kenichi Suganuma (Japan) Mr. Wesley Scholz (United States of America)
Rapporteur:	Ms. Martha Moreno (Paraguay)

C. Adoption of the agenda and organization of work

(Agenda item 2)

3. At its opening plenary meeting, the Commission adopted its provisional agenda (TD/B/C.II/6). The agenda was thus as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Reports of expert meetings:
 - (a) Reports of the multi-year expert meetings:
 - (i) Multi-year Expert Meeting on Enterprise Development Policies and Capacity-building in Science, Technology and Innovation (STI)
 - (ii) Multi-year Expert Meeting on International Cooperation: South–South Cooperation and Regional Integration
 - (iii) Multi-year Expert Meeting on Investment for Development

- (b) Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting
- (c) Reports of the single-year expert meetings:
 - (i) Expert Meeting on Green and Renewable Technologies as Energy Solutions for Rural Development
 - (ii) Expert Meeting on the Contribution and Effective Use of External Resources for Development, in Particular for Productive Capacity-building
- 4. The role of States: efficiency in public investment for development – sharing best practices
- 5. Investment in the agricultural sector with a view to building productive capacities
- 6. Promoting and strengthening synergies among the three pillars
- 7. Other business
- 8. Adoption of the report of the Commission to the Trade and Development Board