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Investment, Enterprise and Development Commission
Third session
Geneva, 2–6 May 2011**Draft report of the Investment, Enterprise and
Development Commission on its third session**

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I. Chair's summary

Opening of the session

1. Mr. Supachai Panitchpakdi, Secretary-General of UNCTAD, made the opening statement. Statements were also made by (a) the representative of Lesotho on behalf of the Group of 77 and China; (b) the representative of Thailand on behalf of the Asian Group; (c) the representative of Ghana on behalf of the African Group; (d) the representative of Nepal on behalf of the Least Developed Countries (LDCs); (e) the representative of El Salvador on behalf of the Group of Latin American and Caribbean Countries; (f) the representative of Paraguay on behalf of the Landlocked Developing Countries (LLDCs); and (g) the representative of the European Union. Representatives of the following States also made statements on behalf of their individual countries: China, Honduras, Japan, Peru, the Philippines and the United States of America.

2. In his statement, the Secretary-General put in context the two substantive agenda items of the present session of the Commission – best practices in infrastructure investment and enhancing productive capacities through entrepreneurship, science and innovation policies. The Secretary-General stressed the importance of infrastructure investment by referring to the fact that such investment was a key part of the stimulus measures adopted by diverse governments in the past few years. With regard to productive capacity, the Secretary-General reminded the Commission of the long-held position of UNCTAD that productive capacity was key to development strategy.

3. The Secretary-General commented on the changing universe of transnational corporations (TNCs) by highlighting four key aspects. First, the share of developing and transition economies in the global flows of foreign direct investment (FDI) was on the rise; developing and transition economies accounted for half of global inward and one third of outward FDI in 2010. Second, private sector TNCs currently participated in areas of economic activities that were traditionally considered as the domain of the public sector, such as the provision of utility services and related infrastructure. Their participation was often realized through public-private partnership (PPP). The use of PPPs was a growing phenomenon in LDCs, too, where it could make important contributions to their development strategies. Third, new types of cross-border investors had emerged, namely special funds (e.g. sovereign wealth funds and private equity funds), Southern TNCs and State-owned TNCs. Fourth, TNCs increasingly resorted to the use of non-equity modes of organizing global value chains.

4. The Secretary-General noted that these shifts prompted a search for new policy guidance to find the right balance between liberalization and regulation, especially in the context of the global development challenges such as climate change and rising commodity prices. The Secretary-General also emphasized the need to ensure coherence between national and international policies as well as between investment policy and other public policies. In this regard, the Secretary-General recalled that UNCTAD had initiated a discussion on how international agreements could be formulated to take these concerns into account at the World Investment Forum in Xiamen, China in September 2010.

5. The Secretary-General stressed that investment in basic infrastructure facilities was vital for economic development. FDI, possibly in combination with PPP, could make a critical contribution to resolving this bottleneck to development in many countries, as was stressed in the *World Investment Report 2008*. In recognition of the importance of the issue and the role played by investment promotion agencies in this respect, UNCTAD was holding its Investment Promotion Awards ceremony to grant awards to investment promotion agencies that had demonstrated excellence in infrastructure investment

facilitation. The Secretary-General also noted that the *Investment Policy Review* (IPR) of Guatemala, scheduled to be discussed during the Commission session, clearly showed the potential of FDI for infrastructure provision, as would the progress reports on the implementation of their IPR recommendations by Ethiopia and the United Republic of Tanzania, also to be examined during this session. The Secretary-General also referred to the work of UNCTAD in different expert meetings, in particular the work of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR).

6. The Secretary-General emphasized that productive capacity was key to the development strategy. In that respect, he referred to science and innovation policies and highlighted the need to explore how innovation could lead us to embark upon new rounds of investment which were supposed to be generated by all forms of sustainability policies related, for instance, to environment, climate change and biodiversity.

7. Delegates expressed strong endorsement of the two main substantive themes of the Commission. Many delegates commented on the timeliness of these themes in view of the upcoming Fourth United Nations Conference on the Least Developed Countries (LDC-IV) in Istanbul and the preparation for UNCTAD-XIII.

8. In response to the UNCTAD Secretary-General's remarks on the expanding role of TNCs in the provision of utility services, a number of delegates commented on the use of PPP for investing in infrastructure. While there was a broad agreement on the potential role of PPP, some delegations noted that another set of triple "P"s – consisting of political will, policy space and productive capacities – would also be critical for its successful utilization.

9. A number of delegates commented on the importance of entrepreneurship, especially the development of domestic micro, small and medium-sized enterprises for the host economy to benefit from FDI. There was a broad consensus that, in addition to expanding absorptive capacities, an enabling external environment and coherence of policies at the national and international levels were important. Furthermore, a number of delegates called for the expansion of UNCTAD's Empretec programme and technical assistance on FDI statistics.

10. All delegations welcomed and expressed their appreciation for UNCTAD's research and analysis, technical corporation and consensus-building process in the area of investment and enterprise. One delegation in particular referred to UNCTAD's premier role as a key contributor to investment policymaking. Both flagship activities – the *World Investment Report* and the *World Investment Forum* – received endorsement from several delegations. Indeed, the *World Investment Forum* in Xiamen, China was quoted as one of the most robust, high-level exchanges on investment policy matters in 2010, while the new format of the *World Investment Report* –and in particular its new section devoted to investment in LDCs, LLDCs and small island developing States – were praised. With regard to capacity-building, the Commission noted that the *Investment Policy Review* was as an important tool for sharing best practices and that increased resources and efforts should be devoted to its follow-up assistance for implementation of the recommendations. Particular emphasis was placed on the need to intensify activities in the area of International Investment Agreements, especially on investor-State dispute prevention and settlement. In this regard, a few delegations emphasized that those activities needed to be continued and supported financially by development partners. The important contribution of the work of ISAR, and the need for UNCTAD to continue supporting the insurance sector on the continued, were also pointed out. Several delegations also highlighted the pivotal role of science and technology for development, and acknowledged the substantive work undertaken by the secretariat in this area, in particular with regard to the *Technology and Innovation Report*.

11. In the context of the discussion on the importance of investing in infrastructure, the Commission had the opportunity to attend a presentation from PlanetSolar, which was undertaking a project to circumnavigate the globe in a solar-powered boat. In that context, the secretariat observed the growing opportunities for investment in new technologies, not only in developed countries but also in developing countries. As a result of both the reduction in cost of certain research and development, and the reduced time from research to application, it was becoming profitable to invest in technologies for the poor.

12. Responding to a request from member States, the Director of the Division on Investment and Enterprise briefed the Commission on recent trends in FDI and developments in national and international investment policies. He confirmed that global FDI flows slightly increased in 2010, but remained 25 per cent below the pre-crisis level and half the peak recorded in 2007. Despite the 10 per cent increase in inflows to developing and transition countries, African and LDC countries witnessed two consecutive years of decline in inward FDI. He noted, however, that the inflows of FDI to developing and transition countries exceeded 50 per cent of the total.

13. With regard to the latest development in investment policy, the past year witnessed a shift towards more regulation and restriction of FDI at the national level. Similarly at the international level, the rights of States to regulate, corporate responsibility, and social and environmental policy were receiving more attention. At the same time, international investment agreements continued to proliferate. The Director concluded his presentation by proposing three policy recommendations for stronger, effective global coordination mechanism for international investment policies: (a) consolidating the myriad of investment treaties to eliminate overlaps and inconsistency and to address the gaps; (b) improving the international coordination of policymaking regimes among different investment policy regimes as well as between investment and other public policy spheres such as trade and finance; and (c) linking investment policy and with the overall development strategy.

14. Most participants were of the view that science, technology and innovation (STI) played a key role in addressing pressing current national, regional and global issues. Those included (a) raising agricultural productivity and preventing food crises; (b) building productive capacity and diversifying productive structures; and (c) achieving energy security and mitigating and adapting to the effects of climate change. Some delegations also mentioned STI relevance in foreign direct investment (FDI) and gender disparity, while the group of landlocked developing countries referred to the need for high-end technologies to reduce high logistics costs in trade.

15. It was recognized with appreciation both the analytical and technical cooperation activities of UNCTAD on STI, including in particular the *Technology and Innovation Report* and the STI Policy (STIP) Reviews. UNCTAD was requested to further strengthen its work therein and expand its STIP Reviews to other developing countries based on the demand from the countries, and development partners were encouraged to provide sustainable financial support for those reviews. The latter's preparation was seen as a useful activity supporting the efforts of developing countries to build their national capacities to harness STI as a tool for development. Several groups also appreciated the work of UNCTAD in STI, especially the STIP Reviews and welcomed the recently published STIP Review of Peru and the upcoming reviews of Dominican Republic and El Salvador.

16. Another area of STI that was considered of high relevance by most delegations was information and communication technologies (ICTs) for development. Delegations stressed the need to exploit opportunities therein and made reference to UNCTAD's *Information and Economy Report 2010*, which described how new technology developments were opening up many new opportunities for ICTs, not least mobile phones, to help reduce poverty. Another group also made reference to the excellent collaboration of UNCTAD with the Latin American Integration Association (ALADI) on the harmonization of

cyberlaws at the regional level, which was considered of great importance. Most delegations encouraged UNCTAD to continue its work on ICTs for development.

II. Organizational matters

A. Opening of the session

17. The third session of the Investment, Enterprise and Development Commission was opened at the Palais des Nations, Geneva, on 2 May 2011, by Mr. Maurice Peter Kagimu Kiwanuka (Uganda), Chair of the Commission at its second session.

B. Election of officers

(Agenda item 1)

18. At its opening plenary meeting, on 2 May 2011, the Commission elected the following officers to serve on its Bureau:

Chair:	Mr. Kenichi Suganuma (Japan)
Vice-Chairs:	Ms. Rina Soemarno (Indonesia) Ms. Luz Caballero de Clulow (Peru) Ms. Jolade Orimoloye (Nigeria) Ms. Heli Niemi (Finland) Mr. Dmitry Lyakishev (Russian Federation)
Rapporteur:	Mr. Anas Alami Hamedane (Morocco)

C. Adoption of the agenda and organization of work

(Agenda item 2)

15. At its opening plenary meeting, the Commission adopted its provisional agenda (TD/B/C.II/11). 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) Report of the Multi-year Expert Meeting on Enterprise Development Policies and Capacity-building in Science, Technology and Innovation (STI) on its third session
 - (ii) Report of the Multi-year Expert Meeting on Investment for Development on its third session
 - (iii) Report of the Multi-year Expert Meeting on International Cooperation: South–South Cooperation and Regional Integration on its third session
 - (b) Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its twenty-seventh session
 - (c) Report of the Expert Meeting on the Contribution of Foreign Direct Investment to the Transfer and Diffusion of Technology and Know-how for Sustainable Development in Developing Countries, Especially Least Developed Countries

4. Promoting investment for development: Best practices in strengthening investment in basic infrastructure in developing countries
5. Enhancing productive capacities for development, including through strengthened entrepreneurship policies and improved science and innovation policies
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