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**PROGRESS REPORT ON THE IMPLEMENTATION OF AGREED
CONCLUSIONS AND RECOMMENDATIONS OF THE COMMISSION,
INCLUDING POST-DOHA FOLLOW-UP***

Executive summary

This report provides information on the implementation of the recommendations adopted by the Commission at its seventh session. 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 (FDI). This work includes in-depth analysis, the provision of technical assistance and capacity-building, and the development of inter-enterprise relations. The work is carried out in close cooperation and through joint programmes with other international and regional organizations active in the field of investment. The report also provides an update on UNCTAD's post-Doha technical assistance and capacity-building work in the area of investment. More information on UNCTAD's activities in the area of investment, technology and enterprise development can be found in the "DITE Activities Report 2003", also submitted to the eighth session of the Commission.

* The late submission of this document is due to the fact that, pending the preparation of the issues notes for items 3 and 4, which could only be completed after Cancún (item 4) and the Expert Meeting on FDI and Development (end October), the issues note for item 7 was withheld with a view to possibly incorporating the information into the issues note on item 3 or 4. However, given the length and substantive nature of the notes on items 3 and 4, it was decided to present a separate note for item 7.

INTRODUCTION

1. In accordance with the decision taken by the Commission on Investment, Technology and Related Financial Issues at its seventh session (Geneva, 20–24 January 2003), the secretariat prepared this note as an input to the discussions of the eighth session of the Commission. The note provides information on the implementation of the recommendations adopted by the Commission at its seventh session (TD/B/COM.2/50). 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 (FDI). This work includes in-depth analysis, the provision of technical assistance and capacity building, and the development of inter-enterprise relations. The report also provides an update on UNCTAD's post-Doha technical assistance and capacity-building work in the area of investment and progress made therein.¹

Recommendation: The secretariat, in line with paragraph 21 of the Doha Declaration, should continue its post-Doha technical assistance and capacity-building work in the area of policy analysis and development, human resources capacity-building and institutional capacity-building, including in cooperation with other international organizations.

2. Within its post-Doha technical assistance and capacity-building work in the area of investment,² the secretariat, in close cooperation with the WTO, implemented seven regional seminars (two in Africa (Djibouti, January 2003; Botswana, February 2003); two in Asia (Pakistan, June 2003; Qatar, July 2003); two in Latin America and the Caribbean (Jamaica, April 2003; Mexico, July 2003), and one in Central and Eastern Europe (Czech Republic, June 2003). It also implemented four intensive training courses on issues in IIAs (two in Africa (for Anglophone African countries in Pretoria in March/April 2003; for Francophone African countries in Alexandria in May 2003), and two in Latin America and the Caribbean (Peru, October 2003, in Spanish; Trinidad and Tobago, September 2003)), two Geneva workshops (one regular workshop in English (April 2003), one special workshop for French-speaking African countries (June 2003) for which financing was provided so as to allow capital-based officials to travel to Geneva to participate in the workshop and in the subsequent meeting of the Working Group), and seven national seminars (Argentina (April 2003), Colombia (April 2003), Cuba (July 2003), Malaysia (May 2003), Mauritania (May 2003), Morocco (March 2003), and Yemen (October 2003)). In addition, the UNCTAD secretariat collaborated with the Government of India in the organization of the international conference on "Trade, investment and development" in India in May 2003.

¹ "The secretariat, in line with paragraph 21 of the Doha Declaration, should [...] also continue its in-depth analysis of which policies and measures can help developing countries attract and benefit more from foreign direct investment (FDI) as a means for development [...]". Agreed recommendations adopted by the Commission at its seventh session (TD/B/COM.2/50), para. 3.

² For a full report on the secretariat's post-Doha technical assistance work in the area of investment., see "Progress Report: Implementation of post-Doha technical assistance work in the area of investment" (UNCTAD/ITE/IIT/2003/3).

3. Also under the purview of this programme, the secretariat organized a BIT round in July 2003 at the request of nine English-speaking African LDCs. These countries negotiated BITs among themselves and with eight other countries (including five developed countries) and the OPEC Fund for International Development, resulting in the conclusion of 19 BITs and 13 agreed minutes. In addition, the secretariat provided advisory services to several regional initiatives, including COMESA.

4. During the reporting period, work continued on the policy research and development dimension of this work programme. In addition to the WIR03 (see below), the secretariat commenced work on a second-generation series on Issues in International Investment Agreements (with papers on Safeguards, Right to Regulate and REIO clauses in IIAs currently in the pipeline) and also made an input into the deliberations of the WTO Working Group on Trade and Investment (WGTI), intervening at each of its sessions on the substantive points before it.³

5. The secretariat also disseminated the findings of the Commission's Expert Meeting on International Arrangements for Transfer of Technology (June 2001) and made an input to the deliberations of the WTO Working Group on Trade and Transfer of Technology, including the presentation of three country cases studies on the theme of "Transfer of Technology for Successful Integration into the Global Economy". Also during the reporting period, the first phase of the joint UNCTAD-ICTSD capacity-building project on intellectual property rights and sustainable development was successfully completed, and a three-year second phase was launched. The outputs of the project have been posted on an Internet portal (<http://www.iprsonline.org>).

6. The UNCTAD secretariat is continuing to develop its Science and Technology Diplomacy Initiative, which was launched in 2002, to help trade diplomats, especially Geneva-based ones, deepen their knowledge and understanding of the scientific and technological underpinnings of trade, investment and environmental issues in order to participate more effectively in international negotiations that have a science and technology component. The following three policy dialogues have been organized under the initiative: (i) "Biotechnology Applications and Trade", addressing opportunities and challenges that biotechnology presents to developing countries; (ii) "Proposal for an International Science and Technology Treaty", identifying ways and means to stimulate and accelerate existing bilateral flows of scientific and technological knowledge among developing countries and between the developed and developing countries, and (iii) "GMO Adoption and Trade: Policy Options for Developing Countries", focusing on the safety and ethical implications of altering the genetic structures and characteristics of living organisms, including plants and animals.

Recommendation: The secretariat should facilitate an ongoing exchange of information and experiences among investment negotiators.

³ The texts of these interventions can be found on the UNCTAD website.

7. In response to the Commission's request, the secretariat developed the Network of IIA Experts and launched it on 4 September 2003. This web-based network is designed to allow IIA negotiators and experts worldwide to keep in contact with each other, to exchange information and experience on issues related to IIAs and development, to improve the understanding of emerging issues and to strengthen the capacity of countries in formulating and implementing policies and measures in the context of IIAs for the purpose of attracting and benefiting from FDI.

Recommendation: The secretariat should also continue its in-depth analysis of which policies and measures can help developing countries attract and benefit more from FDI as a means for development.

8. Following the agreed recommendations adopted by the Commission at its seventh session, the secretariat continued its in-depth analysis of the policies and measures in question. In this context, it prepared the *World Investment Report 2003* on "FDI Policies for Development: National and International Perspectives". Other analysis includes a special study on performance requirements, including four case studies on the relationship between foreign and domestic investment. A study on the impact on FDI flows to LDCs resulting from the phasing out of market access preferences is under way. The secretariat also published three issues of the *Transnational Corporations* journal, containing various articles analysing the development impact and policy implications of FDI.

9. Comprehensive data on inward and outward FDI flows and stock and on the operations of TNCs in all countries worldwide are collected regularly by UNCTAD's Division on Investment, Technology and Enterprise Development. The Division maintains databases on FDI and related indicators for 196 countries and economies worldwide. Based on these databases, various publications are prepared, such as the *World Investment Directory*, which provides detailed information on FDI in a country, comprising statistics on FDI flows and stocks as well as the activities of TNCs, disaggregated by components, industry and investor/recipient country. FDI profiles on about 50 countries and economies worldwide can currently be obtained in pdf format on the UNCTAD website (www.unctad.org/fdistatistics). Further publications include *FDI in Least Developed Countries at a Glance 2002* (UNCTAD/ITE/IIA/6) and *FDI in Landlocked Developing Countries at a Glance* (UNCTAD/ITE/IIA/2003/5), which present FDI profiles on all countries and economies in the respective grouping and can also be accessed through the UNCTAD website.

10. The formulation of sound FDI policy is partly based on quality FDI data. Increasingly, countries are beginning to appreciate the value of providing accurate, timely and comprehensive FDI data in order to monitor, analyse and develop appropriate policy instruments to attract and benefit from FDI. In this context, UNCTAD is currently extending technical assistance to countries in the ASEAN and West Asian regions in support of their efforts to harmonize and improve their FDI data collection systems in line with international standards.

11. In-depth analysis was also carried out at the national level in the context of the investment policy reviews. After the last session of the Commission, the coverage of the Investment Policy Reviews (IPRs) programme was extended further. In the reporting year, the IPRs for Lesotho, Nepal and Sri Lanka were completed. They were presented, within the framework of the work of the Commission, to the international community in April 2003 (Lesotho) and June 2003 (Nepal). A summary of deliberations of these IPRs is before the Commission as document TD/B/COM.2/59. The IPRs for Algeria, Benin, Brazil, Colombia and Zambia are in the process of preparation. The Expert Meeting on Effectiveness of Foreign Direct Investment Policy Measures, which took place from 25 to 27 June 2003, provided an excellent platform to exchange national experiences. The discussions focused on four main areas: (i) selected general policy measures (business immigration, labour, tax regime); (ii) policy measures in selected industries (agribusiness, information and communication technology); (iii) the Investment Policy Review for Nepal; and (iv) the Investment Compass, an UNCTAD web-based benchmarking tool for the investment environment (see document TD/B/COM.2/EM.13/3).

12. Taking into account the special needs of the LDCs, and in line with the Bangkok Plan of Action, UNCTAD prepared two Investment Guides. The Investment Guide to Nepal, which was published in early March 2003, was launched in Kathmandu by the Prime Minister and in New Delhi under the auspices of the Federation of Indian Chambers of Commerce and Industry (FICCI). The Investment Guide to Cambodia was published in October 2003 and will be launched in Kuala Lumpur and Phnom Penh later in the year. Work is well under way on new-format guides for Ethiopia and Mali (the first two countries covered by the project in 1999-2000) and a guide for Mauritania, all three of which will appear in May 2004. Candidates for the future include Benin, Gambia, the Lao People's Democratic Republic, Senegal, and East Africa as a region.

Recommendation: The secretariat should also complement its analytical work with the provision of technical and capacity building assistance, which should include helping countries, upon request, to modernize relevant laws when applicable.

13. As requested by the Commission, the secretariat, during the reporting period, provided technical assistance in modernizing relevant investment laws in the framework of follow-up to support the implementation of recommendations contained in UNCTAD's Investment Policy Reviews. In Botswana, the secretariat elaborated a draft foreign direct investment law that was considered by stakeholders in late 2003 and will shortly be presented to the Ministry of Trade and Industry. Also in Botswana, a study is currently being prepared benchmarking the country's work and residence permit system against that of comparator countries. In the context of the follow-up to the Investment Policy Review of Ecuador, agreement was reached with the Government to commence a review of the country's forestry industry regulations, with a view to making the country more attractive to investors while pursuing sustainable development objectives.

14. Apart from legislative and regulatory work, numerous requests for technical assistance were received, and the secretariat undertook those for which donor funds could be

raised. Work on the formulation of general investment promotion strategies was conducted in Albania, the Andean Community Secretariat, Bosnia and Herzegovina, and Botswana (also as part of the follow-up to the Investment Policy Review), and work on the formulation of sectoral investment promotion strategies was undertaken in Jordan (mining and minerals) and the Russia Federation (electronics sector for the Moscow region). An investors' perception survey was conducted in Lebanon, and work has commenced to develop and implement an organizational structure to support regional and national investment promotion in Morocco. Technical assistance in information technology to support investment promotion was continued through the secretariat's project entitled the "Investment Gateway", which is currently being implemented in the Andean Community Secretariat, Bolivia, Colombia, Ecuador and Peru. Furthermore, the secretariat conducted, in cooperation with the World Association of Investment Promotion Agencies (WAIPA), a regional training workshop on cluster creation and development for Central and Eastern European countries, as well as national training workshops on investment promotion and investor targeting in Albania and Latvia. In July 2003, the secretariat also provided training in investment promotion to the diplomatic corps of Thailand. The feedback on these workshops was positive, as ascertained from questionnaires filled out by the participants.

Recommendation: The Commission encourages the secretariat to pursue its efforts to assist in the development of inter-enterprise relations.

15. In order to increase the benefits of foreign direct investment for host countries, the secretariat encouraged inter-enterprise relations in particular through linkages between foreign affiliates and domestic enterprise. It has undertaken efforts to introduce business linkages promotion programmes in two countries, Ethiopia and Uganda. Special attention in these efforts was given to training women entrepreneurs in becoming linkage-ready. Furthermore, a linkages expert has been seconded on a pro bono basis to assist the secretariat in implementing linkages programmes in these two and other countries.

16. UNCTAD continued its efforts to assist developing countries and countries with economies in transition in building their national policies in the area of accounting and reporting in harmony with global developments, mainly through the work of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR). In particular, at its twentieth session, ISAR approved its guidance on accounting by SMEs, which is based on international requirements and at the same time should make it possible to improve the managerial skills, access to finance and attractiveness for linkage programmes of the SME sector in developing countries and transitional economies; it developed case studies and continued its analytical work on issues of implementation of corporate governance disclosures based on ISAR/UNCTAD guidance on best practices in this area, to help to harmonize and improve corporate governance transparency; and it initiated work on reporting on corporate social responsibility (CSR) to ensure comparability of CSR reports, the integration of developmental concerns and cost reduction of social reporting.

Recommendation: The Commission welcomes the interface between policy makers and investment promotion practitioners in the format of a joint session with the World Association of Investment Promotion Agencies (WAIPA). It invites WAIPA to contribute to the preparatory process for UNCTAD XI.

17. To continue the interface between policy makers and investment promotion practitioners in the format of a joint session with the World Association of Investment Promotion Agencies, (WAIPA), a joint session of the Commission with WAIPA has been organized on the topic of the role of investment promotion agencies in policy advocacy. In addition, WAIPA will hold a three-day executive session in parallel with the Commission. Preparations are under way for the ninth WAIPA Conference to be held on the occasion of UNCTAD XI, and WAIPA is contributing to the formulation of the substantive sessions on investment for UNCTAD XI.

Recommendation: In view of the importance of the investment policy reviews covering member States, the Commission encourages the secretariat to devote sufficient time to this exercise, where appropriate during the session to enable presentation of the above reviews and the exchange of national experiences.

18. In light of the Commission's recommendation, UNCTAD is devoting one full day of deliberations to the presentation of two investment policy reviews (Sri Lanka and Algeria) and the summary of deliberations on IPRs concluded during the reporting period.

Recommendation: The Commission welcomes closer cooperation and joint programmes, where appropriate, with other international and regional organizations active in the field of investment and encourages regional Commissions to participate in the work of the Commission as well, thereby enhancing the Commission's role as a forum for exchange among member States and intergovernmental agencies on issues related to investment.

19. UNCTAD continues its close cooperation and joint programmes, where appropriate, with other international and regional organizations active in the field of investment, in particular with the World Trade Organization and the World Bank. With regard to the former, a number of technical assistance activities were carried out jointly. The World Bank organized a seminar to launch the WIR 2003. Representatives of international and regional organizations have been invited to participate in the Commission, including by presenting their work in the area of investment.

20. In cooperation with the World Bank and the International Federation of Accountants (IFAC), UNCTAD prepared recommendations to IFAC on strengthening the accounting profession in Africa as part of Africa's efforts to meet immense, multifaceted development and capacity building challenges. It also provided technical assistance to the USAID project on developing a regional accounting qualification for the CIS region as part of efforts to strengthen the financial infrastructure in the CIS region, and it assisted the International Accounting Standards Board (IASB) in preparing an official Russian translation of the

International Financial Reporting Standards (IFRS), which will be used in Russia as a base for new accounting legislation. UNCTAD also continued its partnership with global standard-setters in accounting, such as IFAC (audit and accounting education standards) and IASB (accounting standards), as well as with the World Bank, OECD, EU and other international, regional and national organizations, including in the private sector, active in the area of corporate transparency.

21. UNCTAD and UN-ESCWA are cooperating in implementing a technical cooperation programme for West Asia to improve FDI statistics. In 2003 UNCTAD organized three regional seminars jointly with ASEAN to discuss FDI data issues and policy analysis. UNCTAD also participates in inter-agency working groups dealing with the implementation of international recommendations, as well as development of new methodologies in the area of services statistics, including foreign affiliates' trade in services, producing the *Manual on Statistics of International Trade in Services* (ST/ESA/STAT/SER.M/86), a joint publication involving the United Nations, the European Commission, IMF, OECD and WTO.

22. The work of UNCTAD in the area of investment, technology and enterprise development during this reporting period was generously supported by the donor community, including Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, Netherlands, Norway, Poland, Romania, Saudi Arabia, Spain, Sweden, Switzerland, the United Kingdom and the Agence Intergouvernementale de la Francophonie. A number of projects were implemented with funding from the Development Account, the European Union, UNDP, USAID and the World Bank. UNCTAD also secured in-kind contributions from several private sector institutions.

23. Finally, with a view to enhancing the Commission's role as a forum for exchange among member States and intergovernmental agencies on investment, the secretariat, in cooperation with CUTS, has organized a seminar on "NGO perspectives towards international policy making in the investment area".
