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Contents

II. President's summary *(continued)*

Investment for development: Transnational corporations, infrastructure and development

1. Delegations said that the choice of topic for the *World Investment Report 2008* – "transnational corporations and the infrastructure challenge" – was particularly timely, as high-quality infrastructure was essential to development and to the achievement of the Millennium Development Goals.

2. After a drop in 2000, global trends in FDI flows had risen steeply in recent years, reaching an all-time high of $1,833 billion in 2007. The upward trend was apparent in nearly all parts of the world, and showed both record inflows and much higher outflows for developing countries. However, delegations expressed concern about the adverse effects of the current financial crisis on FDI flows and of a slowdown in infrastructure development. Although the latest data available indicated a decline in FDI flows in 2008, investment flows to developing countries were expected to remain stable. According to some delegates, the current global trends highlighted the vulnerability of developing countries and the importance of the "enabling State", both to attract investment for infrastructure and for broader development. Speakers discussed the continuing rise of transnational corporations (TNCs) from the South, including in the context of South–South cooperation, in infrastructure industries such as telecommunications and ports. Another global trend discussed was the recent emergence of sovereign wealth funds as foreign direct investors. Although FDI represented only a small fraction of their total assets, such funds had huge potential.

3. Delegates emphasized the importance of infrastructure to economic development and the elimination of poverty, and recognized the large gap between infrastructure needs and available capital and capabilities in developing countries. Infrastructure projects were usually high-risk and highly capital-intensive, with long gestation periods. Developing countries, especially LDCs, often lacked the capacity to mobilize sufficient capital for major projects, and domestic resources were limited. It was important to "crowd-in" private investment in infrastructure, but many LDCs were marginalized in terms of TNC participation. In addition, institutional weaknesses in developing countries could prevent Governments from utilizing existing funds or implementing existing projects. There was an urgent need not only to increase investment but also to strengthen public administrative and management skills. In that context, both public and private investment had a role to play, as long as they took place in an appropriate environment and Governments were able to benefit from the involvement of the private sector.

4. The important role that TNCs could play in infrastructure development in developing countries was stressed. They not only complemented other sources of finance, but also brought new hard and soft technology with them, as well as expertise in infrastructure design and management. Further research was needed into how the technology and know-how of infrastructure TNCs could be used to improve their impact in developing countries.

5. Improvements in the infrastructure in developing countries as a result of TNC participation were greatest and most common in the telecommunications and transport sectors. In industries such as electricity and water, which were so important to individuals and households, the experience was more mixed. Speakers mentioned the importance of creating a symbiosis to achieve an alignment of interests between TNCs, the private sector as a whole, donors and the development priorities of Governments, especially given the need to reconcile profitability and

social needs. That problem was particularly pressing in LDCs, and a more synergistic relationship between ODA and FDI flows was proposed by some delegations.

6. Delegates agreed that Governments would continue to be major investors in infrastructure and observed that, encouraged by growth in their revenues, some Governments had increased their spending on it. Speakers also noted that Governments had a number of key roles to play, including as managers, regulators and guarantors. Governments could mobilize TNCs and maximize the benefits of TNC activities through effective management of the infrastructure industry, including by drawing up effective infrastructure development plans and strategies and putting in place an appropriate policy and legal framework. Delegates mentioned the need to continuously enhance the capacity of public officials by providing them with training and updating their skills. It was observed that Governments needed to create and develop strong, transparent and accountable institutional and regulatory frameworks, including by setting up strong regulatory bodies that would enable investments to achieve specific development objectives. They also needed to introduce efficient and transparent bidding procedures. To do that, they could draw on the experience of other developing countries. Delegations stressed the need to ensure that infrastructure development was “people-driven” and, to that end, encouraged the greater involvement of civil society and academia in that area.

7. As TNCs could play a valuable role in establishing and maintaining infrastructure, efforts should be made to involve them more in development planning processes, including through public-private partnerships (PPPs). Speakers discussed the merits of various different models for private investment in public infrastructure, and agreed that improving governance was a prerequisite for the success of such partnerships. Several delegations suggested that greater involvement of civil society at large would ensure the long-term success of PPPs. It was noted that, under the various PPP arrangements, the public sector could work with the private sector, including TNCs, in various ways, including by offering credit and loan programmes and by sharing investment and operational risks, without opening themselves to the risk of contingency liabilities.

8. Delegates considered the role of TNCs in the infrastructure industry and in the host economy in general from the perspective of regional development and integration processes, remarking on the importance of regional infrastructure for trade. They noted that the infrastructure industry and the TNCs participating in it could help promote regional integration processes by developing an integrated regional economy and stimulating intra- and inter-regional trade and investment. At the same time, regional schemes and regional integration processes could serve to mobilize TNCs and benefit from their involvement. It was pointed out that many countries and regions operated joint regional infrastructure investment projects relating to ports, airports and highways. Such projects offered a win-win opportunity for private sector participation within the framework of PPPs. However, it was noted that PPPs were rare in the regional framework. In that connection, some delegates requested UNCTAD to offer its perspectives on joint regional investment projects in infrastructure.

9. Delegations requested the secretariat to continue its research into the development impact of FDI. In particular, the secretariat was encouraged to conduct further comparative research on TNCs from the South and to explore the scope for deeper South–South cooperation. The need to create an environment conducive to investment, in particular with regard to adequate institutional and regulatory frameworks, was emphasized.