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**Item 9: Investment for development: Towards a new
generation of investment policies for
inclusive growth and sustainable development**

General statements by regional groups
Speaker: Indonesia on behalf of the Group of 77 and China

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GROUP OF 77 & CHINA
GENEVA

**Statement delivered by the Republic of Indonesia
on behalf of the Group of 77 and China
59th session of the Trade and Development Board
Agenda item 9:
Investment for development: towards a new generation of investment policies
for inclusive growth and sustainable development**

Mr. President,
Excellencies,
Distinguished Delegates,
Ladies and Gentlemen,

1. Allow me to thank the secretariat for the preparations for this debate, including the preparation of the World Investment Report. Allow me also to once again congratulate UNCTAD on the third World Investment Forum (WIF) held from 20-23 April 2012 held on the sidelines of UNCTAD XIII.

Mr. President.

2. Developing countries recognize and indeed underscore the key importance of attracting FDI, and of addressing its development dimension. In this regard, while we are encouraged that FDI flows to the Group of 77 and China as a whole maintained the upward trend in 2011, we note that some benefitted more than others.
3. While rising FDI to developing countries was driven by a 10 per cent increase in Asia and a 16 per cent increase in Latin America and the Caribbean, flows to Africa continued their downward trend for a third consecutive year, with flows to the least developing countries (LDCs) retreating 11 per cent to \$15 billion.
4. We look forward to UNCTAD's continued work in this important field, including by continuously providing developing countries with policy options and advice on how to enhance FDI attraction, particularly those which help boost productivity and resilience, thus contributing to national development needs and priorities.
5. One important set of analytical tools are those that pertain to statistics. The UNCTAD's *FDI Attraction Index*, which measures the success of economies in attracting FDI, features eight developing and transition economies in the top 10, compared with only four a decade ago.

6. The *FDI Contribution Index*, another index introduced in the World Investment Report 2012, shows relatively higher contribution of foreign affiliates to local economies in developing countries, especially in value added, employment, export generation and R&D expenditures. While G77 and China appreciate this new initiative, many countries, in particular LDCs are missing. We strongly recommend that UNCTAD collect the similar data for these countries, and if there is none, we request UNCTAD to provide guidance or technical assistance to those countries to collect these essential data.

Mr. President.

7. Many developing countries lack the technical capacity to compile FDI data, and most of them find the compilation of operational data of TNC affiliates to be a challenge. In this context, we acknowledge UNCTAD's support towards strengthening the capacity of developing countries' government agencies to compile, disseminate and analyze data on FDI and TNC activities, through the implementation of internationally recommended methodological standards. We also call on UNCTAD to continue such technical assistance to achieve harmonization of data on statistics of FDI and activities of the TNCs, both at the country and regional level.
8. In order to fully exploit the catalytic effects of investment and FDI, the role of the State must be addressed. FDI can serve to bridge funding gaps especially in development-related infrastructure. At the domestic level, the role of the State is important in fostering an environment where FDI effectively contributes to sustainable development by improving synergies with local companies, supplying cleaner goods and services, and by providing much-needed capital and cutting-edge technology. Key in achieving these goals are a conducive environment for enterprise development and an entrepreneurial culture. We note in this context UNCTAD's Entrepreneurship Policy Framework as a useful tool towards achieving this objective
9. We also recognize the important role of the private sector as an engine of growth and development. We acknowledge the importance of private sector investment as a means to overcome financing gaps, strengthening development-related infrastructure and enhancing the provision of public services through public-private partnerships.
10. International Investment Agreements are also important, and a key aspect is the balance between protecting investors and securing the role of the State in protecting the population and driving development. With regard to international investment agreements (IIAs), the Group concurs with IPFSD that treatment and protection guarantees for foreign investors should be pursued without hindering governments' right to regulate in the public interest, for example for environmental, public health or safety purposes.
11. We are concerned that countries should not be overexposed to costly litigation and that they should promote responsible business practices by investors. In all these technical IIA-related issues we look forward to working with UNCTAD and its IPFSD on next steps to address them.

Mr. President.

12. As we look towards the future, especially as we prepare for UNCTAD's 50th anniversary in 2014 and the MDG review in 2015, UNCTAD should articulate development goals which address the need to address economic fundamentals, including through enhanced investment in productive capacity and enhancing resilience to economic shocks. In the run-up to 2014 and 2015, UNCTAD should contribute to articulating and advocating a development goal that addresses this gap
13. The need to foster the interaction between investment and development policies also needs to be highlighted. Challenges ahead include channeling investment to areas key for the build-up of productive capacities, safeguarding policy space for sustainable development needs, and ensuring the effectiveness of institutions that implement policies.
14. We call upon UNCTAD to continue its assistance to developing countries, including through its Investment Policy Review Programme, to carry out proactive and coherent policies that steer foreign investment towards sectors that will create spillovers and most contribute to long term, sustainable and inclusive growth.
15. The G-77 and China wishes to express its appreciation for UNCTAD's Investment Policy Framework for Sustainable Development (IPFSD) as a catalyst for sustainable development oriented investment policies at both the domestic and international levels. This is a much welcomed approach to working towards a new generation of national and international investment policies on the part of member States and the broader investment and development community. We note with appreciation in this context the evolutionary nature of the IPFSD and we look forward to contributing our experiences and best practices towards further developing and improving this framework.

Thank you Mr. President.