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ROUND TABLE 2

ADDRESSING THE POLICY CHALLENGES FOR SUSTAINABLE INVESTMENT AND ENTERPRISE DEVELOPMENT

22 APRIL 2012, 3 p.m. – 6 p.m.

BACKGROUND

Economic development is primarily driven by private and public investment. Mobilizing such investment remains a major challenge for developing countries, particularly for the least developed countries. Given the huge development financing gaps in these countries, foreign investment can provide a necessary complement to domestic investment, and it can offer additional development benefits. It can transfer technology and skills, generate employment and increase fiscal revenues, strengthen export capacities (e.g. by linking domestic companies to global value chains), generate business linkages with domestic enterprises and have other positive spillover effects. The sustainable development contribution potential of foreign investment is particularly prominent in infrastructure, agriculture, and green economy sectors. These areas also offer scope for mutually beneficial interaction between foreign and domestic, and public and private investment. However, these benefits do not always materialize automatically – policy matters.

Enterprise development is one of the most important drivers of economic growth. Unleashing entrepreneurial capacity and facilitating start-ups can foster the development of a growth-oriented small- and medium-sized business sector, which in turn spurs job creation, innovation, value added and fiscal revenues. It can facilitate structural transformation and industrial upgrading. Encouraging enterprise can also lead to practical business solutions to social and environmental challenges (e.g. developing eco-friendly economic activities or employing women, young people or disadvantaged groups).

Foreign investment and domestic enterprise development together can lead to a virtuous cycle of growth and development.

Investment policy challenges to maximize sustainable development impact

The world economy is entering a new phase of globalization, one in which inclusive and sustainable development is imperative. As a consequence, a new generation of investment policies is emerging, pursuing a broader and more intricate development policy agenda within a framework that seeks to maintain a generally favourable investment climate.

At the national policy level, more proactive steering of economic development by many governments is leading them to consider targeted policies to improve the investment climate and to channel investment to areas most conducive to sustainable development, including infrastructure, agriculture, and green economy sectors. In the interaction between foreign and domestic investment, policymakers are looking to realize the potential of foreign investment for mobilizing domestic productive

capacity-building and maximizing linkages at all levels of the value chain. With respect to the interaction between private and public investment, policy challenges include identifying investment projects suitable for public-private cooperation, targeting the types of partnerships most promising for development objectives and attaining a fair distribution of costs and risks. Finally, concerns about the social and environmental impact of investment and of the activities of multinational enterprises, especially in developing countries, have prompted calls for policies to promote adherence to standards of corporate behaviour and to strengthen State oversight.

At the international policy level, international investment agreements (IIAs) can make an important contribution to a stable, predictable and transparent international investment policy environment, thus facilitating investment flows. At the same time, they pose a number of systemic and substantive challenges. With more than 3,000 core investment treaties, numerous ongoing negotiations, and multiple dispute-settlement mechanisms, the universe of IIAs has become almost too large for States to handle, too complicated for firms to take advantage of, and too complex for stakeholders at large to monitor. Furthermore, these agreements face growing concerns about their sustainable development dimension. How to re-balance IIAs, for example, by using IIA mechanisms to preserve policy space, without substantially reducing the level of protection granted to investors, is a key policy challenge.

To help policymakers address the above-mentioned challenges, UNCTAD has developed an investment policy framework for sustainable development, addressing both national and international policy dimensions.

Enterprise development policy challenges to maximize sustainable development impact

In the area of enterprise development the key policy challenge is that the many different policy domains involved, such as industrial development, infrastructure, human resources, skills and technology development and financial infrastructure, need to be closely coordinated to maximize synergies and impact. This requires a “whole-of-government” approach with strong government commitment and coordination across government ministries, in partnership with the private sector and other civil society stakeholders.

Also in this area, a policy framework may provide a valuable point of reference for policymakers. While there is no one-size-fits-all solution, the entrepreneurship policy framework recently developed by UNCTAD has identified six priority areas that have a direct impact on entrepreneurial activity: (a) formulating national entrepreneurship strategies, (b) optimizing the regulatory environment, (c) enhancing entrepreneurship education and skills (d) facilitating technology exchange and innovation, (e) improving access to finance and (f) promoting awareness and networking.

The way forward

Productive investment and enterprise development are key components of a dynamic global economy. While their importance for sustainable development is unquestioned, devising the right policies remains a key challenge. The policy frameworks on investment and enterprise for sustainable development proposed by UNCTAD aim to provide substantive guidance and serve as a reference for policymaking at the national and international levels.

PURPOSE

This Round Table, also part of the 2012 World Investment Forum, will convene government ministers and heads of international organizations to consider how investment and enterprise development policies can be harnessed to foster sustainable and inclusive development.

The Round Table will address the following questions:

- What are today's crucial policy challenges in harnessing investment and entrepreneurship for inclusive and sustainable development?
 - What can be done to foster responsible foreign investment and to maximize its role in mobilizing domestic investment and productive capacity-building?
 - What can be done to equip the IIA regime better for its core function of promoting investment for development?
 - What can be done to integrate enterprise development policies into countries' overall development strategies with a view to maximizing sustainable development benefits?
 - What new initiatives could be launched to promote international cooperation and coordination in this field?
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OUTCOME

In today's new era, there is a need for new investment and enterprise frameworks that effectively serve the objectives of sustainable development and inclusive growth. The Round Table will consider the comprehensive policy frameworks on investment and enterprise for sustainable development proposed by UNCTAD by sharing experiences and lessons learned.

In that context, it will:

- (a) Identify key and emerging issues and challenges in investment and enterprise development for sustainable development and possible ways forward in meeting these challenges;
- (b) Provide guidance for a new generation of investment and enterprise policies and identify future policy initiatives for sustainable development;
- (c) Distil visions, strategies and experiences that can contribute to a new policy paradigm for investment, trade (via global value chains) and enterprise development for sustainable development.

ORGANIZATION

Round Table 2 is also part of the 2012 World Investment Forum. It aims to help address the complexities of harnessing investment and entrepreneurship for development. It will convene government ministers and heads of international organizations to consider how the nexus between investment, trade and enterprise development policies can be best harnessed to facilitate developing countries' productive capacity-building, industrial upgrading and integration into global value chains.

AGENDA

Sunday, 22 April 2012, 3–6 p.m.
Venue: Grand Theatre

DOCUMENTS

Round Table 2: TD/457
Addressing the policy challenges for sustainable investment and enterprise development

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