Opening remarks by the Secretary-General of UNCTAD
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Mr. Chairperson,
Excellencies,
Distinguished Delegates,
Ladies and Gentlemen,

It is a great pleasure for me to welcome you to the fourth session of the Investment, Enterprise and Development Commission. Allow me first to congratulate your Excellency, Ambassador Evan Garcia of the Philippines, on your election as Chairperson. I also wish to congratulate the other members of the Bureau on their elections and assure you that the secretariat is committed to supporting your deliberations.

In my remarks today I would like to draw the attention of the Commission on a number of key and emerging issues in the areas of Foreign Direct Investment and Science, Technology and Innovation, with particular attention to their implications for inclusive and sustainable development, and to provide some views on the way forward. Let me begin with Foreign Direct Investment.

Global FDI recovery is moving from a steady to a bumpy road; it is taking longer than expected

The momentum of the recovery in FDI flows has weakened in 2012. Indeed, we now expect that in 2012 global FDI flows will at best remain at the same level as last year - that is slightly below US$1.6 trillion. Our recent Global Investment Monitor shows that global FDI inflows were down 8% in the first half of 2012. While FDI flows generally see an increase in the second half of the year, it will be difficult to exceed 2011 levels, particularly given the lacklustre activity we see in international M&A and international Greenfield investment projects.

In contrast to recent forecasts for 2012 for the growth of real GDP (3.3 percent) and trade volumes (2.5 percent), sustaining the recovery of FDI is thus proving tougher. And there is no sign of the various risks to the recovery, including the European sovereign debt crisis, the slow-down in Asian growth, and the US fiscal cliff, receding in 2013.

A new generation of investment policies is emerging

At the same time, we are also seeing a growing shift in the focus of FDI policymaking. The shift, which has been in the making for some time now, but which is continuing to become more pronounced, is away from a focus on the quantity of FDI attracted and growth achieved, to a more nuanced focus on a wider set of development objectives. In the aftermath of the financial crisis, and at a time of growing social and environmental challenges, investment policy-makers are increasingly working to ensure that investment contributes to inclusive and sustainable development objectives - something that UNCTAD has been advocating for a long time. As documented by our latest Investment Policy Monitor, released today, while countries continue to take measures to liberalize and promote FDI flows, there is also an increase in policy measures to restrict or regulate FDI. Thus, a new generation of foreign investment policies is emerging that pursues a broader and more intricate development policy agenda, while aiming to maintain a generally favourable investment climate.

From UNCTAD's perspective, this “new generation” investment policies should place inclusive growth and sustainable development at the heart of efforts to attract and benefit from investment. Achieving this will require investment-policy makers to address a number of challenges at both national and international level.

At the national level, these key challenges include:

- Channelling investment to areas that are key for the build-up of productive capacity,
- Ensuring coherence with other policy measures geared towards overall development objectives.
- Ensuring responsible investor behaviour.
- Building stronger institutions to implement investment policy.
- Measuring the sustainable development impact of investment.
- Maximizing positive and minimizing negative impacts of investment.

At the international level, key challenges in international investment treaties include:

- Safeguarding policy space for sustainable development needs.
- Making investment promotion provisions more concrete and consistent with sustainable development objectives.
- Reflecting investor responsibilities in IIAs.
- Learning from and building on CSR principles.
- Dealing with gaps, overlaps and inconsistencies in IIA coverage and content, and resolving institutional and dispute settlement issues.
- Ensuring effective interaction and coherence with other public policies (e.g. climate change, labour).

Although these concepts are not new in and by themselves, to date they have not been systematically integrated in mainstream investment policymaking. In response, and drawing on the insights of several expert meetings, UNCTAD has designed an *Investment Policy Framework for Sustainable Development*, which aims to assist developing country policy-makers in addressing these issues.

UNCTAD proposes a set of Core Principles for investment policymaking

The IPFSD consists of 11 core principles, which are meant as a set of "design criteria" for investment policies. Overall, they aim to mainstream sustainable development in investment policymaking, while confirming the basic principles of sound development-oriented investment policies, in a balanced approach. The principles, in short, are:

- Stating the *overarching objective* of investment policymaking: 1) investment for sustainable development,
- Laying out the *general process*: 2) policy coherence, 3) public governance and institutions, 4) dynamic policy making,
- Providing criteria for *specific policy making areas*: 5) balancing right and obligations, 6) right to regulate, 7) openness to investment, 8) investment protection and treatment, 9) investment promotion and facilitation, 10) corporate governance and responsibility
- Recommending *international cooperation* on investment issues (11).

The core Principles have been inspired by a range of sources of international law, treaties and declarations, not least the 2012 UNCTAD XIII Conference.

At a time when the development community is looking for a new development paradigm, and when most countries are reviewing and adjusting their regulatory frameworks for investment; UNCTAD hopes that the IPFSD and the Core Principles for Investment Policymaking may serve as a key point of reference for policymakers in formulating national investment policies and in negotiating or reviewing IIAs, so as to help render investment a tool for inclusive and sustainable development.

Ladies and gentlemen,

STI as a tool for economic growth and broader development

Allow me to now turn to another key tool of development policy, namely Science, Technology and Innovation. All of you here are aware of the crucial contribution that STI can make to achieving economic growth and development. Indeed, a large part of economic progress is the result of increased application of new knowledge and technologies in productive activity. In some of our recent reports, we have highlighted some examples of the use of ICT for such productive activities. In the *Least Developed Countries Report 2012*, for example, the role of mobile money transfers is recognized as a mechanism to reduce transaction costs associated with international remittances. In the *Information Economy Report 2012*, which is also released this week, we highlight changes taking place in the area of software development. Thanks to better connectivity and new approaches to organize software development projects, programmers from as many as 150 countries are today contributing over online platforms to such projects. Bangladesh is a good example, where some 10,000 software developers are already selling their services over online platforms. This would have been virtually impossible only a few years ago. And there are many other examples with more basic technologies.

Beyond achieving economic growth, Science, Technology and Innovation is also crucial to addressing the broad range of wider development challenges, such as global health, food security, and climate change.

However, as you are also aware, the ability of countries to access, learn and absorb existing technological knowledge, and to use it to innovate in order to solve local problems, remains highly uneven. The same is true for the capacity to create new knowledge and new technologies. Indeed, gaps in STI capacity and in the adoption and diffusion of useful technologies help to explain an important part of the development gaps among different countries.

STI as part of the post-2015 Development Agenda

In this context, it is perhaps puzzling that Science, Technology and Innovation capacities have not obtained a more central place in the development discourse. For example, even though STI play a key role in the achievement of many of the MDGs, a closer look at the goals reveals that references to technology and innovation have been largely limited to new technologies, particularly ICTs (in the context of MDG 8 and indicators 8.14 to 8.16) and have found some mention with relation to access to health technologies (MDG 6).

Similarly, many donors are continuing to neglect the need for building STI capabilities. This is borne out by the frequent omission of STI, for example, in most UNDAFs and PRSPs. This must be reversed as a matter of high priority, particularly for LDCs.

Thankfully, recent work on the post-2015 agenda within the UN system has begun to rectify this by recognizing the importance of knowledge capacity in the new developmental agenda, as illustrated by the report on the Post-2015 UN Development Agenda: Realizing the Future We Want, or by the report on the United Nations Development Strategy Beyond 2015. Particular attention is also paid to science, technology and innovation in the preparatory work for the post 2015 MDGs currently underway under the auspices of UNDESA and UNDP, and to which UNCTAD is also closely associated.

Ladies and Gentlemen,

Conclusions of the MYEM on STI for inclusive growth

How to make growth and development more inclusive and sustainable through STI policies was one of the key issues addressed during the first series of multi-year expert meetings (MYEMs) on the topic of "Enterprise development policies and capacity-building in science, technology and innovation" that reported to this Commission. This series of meetings led to a number of lessons and outcomes related to STI policies in developing countries, which will be discussed during this Commission. Let me mention briefly the most salient ones:

First, policymakers need to promote innovation that is inclusive in nature, with an orientation towards local needs, designed to benefit the poor. Second, building agricultural innovation capacity and raising agricultural productivity is a key channel to reduce poverty in developing countries because the worst poverty is still found in rural areas. This message was echoed in UNCTAD's *Technology and Innovation Report 2010* on the role of STI in improving smallholder agricultural productivity and enhancing food security in Africa. Third, policy action is needed to improve the functioning of innovation systems in developing countries. Fourth, we need to design and implement institutional and policy frameworks in developing countries that correspond to their needs. Fifth, we need to improve the metrics for measuring innovation activities in developing countries.

I am sure that your deliberations at this Commission will reflect on the findings and achievements of the cycle of MYEMs held over the last four years and further develop their insights. This Commission will also be an occasion to set the tone and agenda for the next cycle of expert meetings that fall under this Commission's mandate.

I therefore encourage you to participate in a spirit of active engagement with UNCTAD's intergovernmental process and I look forward to your agreed outcomes.

Thank you.