

Commission on Investment, Enterprise and Development**Item 5 - Strengthening the three pillars of UNCTAD's work****James Zhan****Director, Division on Investment and Enterprise****Monday, 15 February 2021**

Mr. Chairman,
Distinguished delegates,

For your consideration of this agenda item, we have prepared several documents which feature under the web page of this Commission. I have structured my presentation in three parts. First, I will summarize the progress made on the mandates of UNCTAD 14, focusing on the synergies among the three pillars of work and the impact of our deliverables. Additional information can be found in the online versions of the Division's Impact and Results Reports, as well as our Performance Appraisal Framework for 2021. I will then briefly highlight the major driving forces for transforming global value chains and reshaping the future global investment landscape in the decade ahead. All this will have profound implications for our work programme. Thirdly, I wish to share some perspective on the way forward for strengthening the three pillars of UNCTAD's work in the area of investment and enterprise.

I. Fulfillment of UNCTAD 14 mandates

In 2016, member States asked the secretariat to "further expand its activities for promoting and facilitating investment and enterprise development". Overall, 54 paragraphs of the Maafikiano provided mandate for our work, with all earlier mandates reinforced and/or expanded, and a number of new mandates added (e.g. Investment for the SDGs, Responsible Investment, or World Investment Forum). Allow me to highlight some of our main achievements.

1. Investment research and analysis

The *World Investment Report* stands as our flagship report for the release of annual FDI statistics and ahead-of-the-curve research. During the past four years, the report covered highly topical and critical subjects that included investor nationality and development (2016), investment and the digital economy (2017), investment and new industrial policy (2018), special economic zones (2019)

and international production beyond the pandemic (2020). The Report informs policymakers of key and emerging issues and offers action-oriented recommendations. It has been discussed in the context of various global and regional Summits, such as the United Nations General Assembly and the Trade and Development Board. It has been further disseminated in the context of capacity-building workshops at national and international level. Its annual launch generates extensive global media coverage with several thousand articles published in over 95 countries. Each year the Report records average annual downloads of 300,000 approximately.

Each World Investment Report was complemented by quarterly investment trends and policy monitors that were regularly tapped into by the global investment community and regional economic blocs. They inform deliberations of meetings and summits, such as the World Economic Forum.

The 2014 World Investment Report served as a global reference for mobilizing private finance in sustainable development sectors, and as strategic guidance for our support to the SDGs. SDG-oriented outcomes are intrinsically part of the Division's value proposition, as evidenced by our Compact to deliver the SDGs. The establishment of the *Ambassadors' Roundtable on Investing in the SDGs* to pool collective efforts and leverage Geneva as a global SDG implementation hub with the aim to direct financing and investment towards the SDGs is a case in point. The *SDG Investment Trends Monitor*, which was first published in 2019 and provides a sector-by-sector overview of the investment made in SDG areas, was hailed as the most comprehensive investigation of investment-led progress towards SDG implementation to date. We broke new ground in 2020 with the release of the new *SDG Investment Policy Monitor*; and at the request of the *UN General Assembly*, the WIR2020 included a new chapter on investment in the SDGs and proposed a set of transformative actions. This request has been renewed by the 75th General Assembly in its resolution [A/RES/75/207](#) on "Promoting investments for sustainable development".

The Division maintains nine statistical databases on FDI and the activities of MNEs – three of which were newly developed (State Owned Enterprises, Mega-groupings, Bilateral FDI). It provided related capacity-building in support to member States. Our FDI statistics work is proving to be an authoritative data source, with institutions such as the European Parliament advocating for an overhaul of the Commission's FDI data collection methodology in consultation with relevant bodies, including UNCTAD.

2. Investment policies

Our work in the area of investment policies for development spans three core services:

a) *Investment Policy Reviews*

The IPR programme continued to generate significant impact and remains in high demand. Eleven IPRs¹ and six IPR implementation reports² were concluded over the report period. In addition, the programme recently launched a new tool to facilitate effective investment policy reforms.

b) *Investment Promotion*

We developed the *Global Action Menu for Investment Facilitation* to fill a systemic policy gap in this area. We also produced a number of analysis including on the increasingly vital role of outward investment agencies (OIAs), actionable strategies supporting the promotion of green FDI and the significance of investment facilitation for reinforcing investment promotion efforts. Our technical assistance has focused on the development of strategies to build pipelines for the financing of SDG projects, which benefited 65 countries and targeted support to small, weak and vulnerable economies. More recently, we launched a new initiative - Investing in the SDGs: The Role of Diplomats, to strengthen foreign services' contribution to Agenda 2030. A constant feature of our work on investment promotion is the support extended to LDCs, LLDCs, SIDS and other small and vulnerable economies.

In the same area, we have prepared on-line Investment Guides (iGuides) for 17 countries, mainly for LDCs and small vulnerable economies.³

The Division also expanded its work programme on national investment policy research. Our quarterly *Investment Policy Monitors* series and our Reports on G20 investment measures have been recognized as valuable sources of information on the latest developments in, and prospects for, investment policies. They are now complemented by the *Investment Laws Navigator*: a comprehensive online database of national investment laws.

¹ Angola, Armenia, Cape Verde, Chad, Cote d'Ivoire, The Gambia, Kyrgyzstan, Lebanon, The Seychelles, Tajikistan and South-East Europe

² Benin, Botswana, the Dominican Republic, Mauritius, Nepal, and Nigeria

³ 9 in Africa (Benin, Congo (Brazzaville), Ethiopia, counties in Kenya, Madagascar, Malawi, Mauritania, Nigeria, Zambia), 6 in SIDS from the Caribbean (Antigua and Barbuda, Barbados, Curaçao, Jamaica, Saint Lucia and Saint Vincent & the Grenadines) and 3 in Asia (Bangladesh, Bhutan, Mongolia).

In support of regional mechanisms, we supported the regional integration efforts of several regional economic communities, including the ASEAN, COMESA, the European Union and SADC. This was recently evidenced by the adoption of the Joint ACP-UNCTAD Guiding Principles for ACP Countries' Investment Policymaking and by the joint OIC-UNCTAD Investment Guiding Principles for OIC countries.

c) *International Investment Agreements*

In line with the mandate of UNCTAD 14 and the Addis Ababa Action Agenda, UNCTAD provided backstopping to IIA reform. Since 2016 we have established a comprehensive set of policy instruments to help countries with their policy reforms, namely, *Investment Policy Framework for Sustainable Development*, *Reform Package for the International Investment Regime*, *Roadmap for IIA Reform* and *IIA Reform Accelerator*. The broad policy guidance is supplemented by practical tools and databases, including the IIA and ISDS navigator, that are constantly updated to ensure policymakers are equipped to make informed decisions. Technical assistance and advisory services in support of treaty making or treaty reform efforts were provided to 35 countries and regions, including Africa with respect to aligning the Pan-African Investment Code with the Investment Chapter of the Continental Free Trade Agreement. Overall, more than 100 countries have now used UNCTAD's policy instruments to review their IIA networks and some 60 have used these to design treaty clauses. UNCTAD's policy recommendations are at the heart of efforts to develop a new generation of IIAs underpinned by sustainable development principles.

3. Enterprise development

Our work in this area encompasses three main streams:

a) *Business Facilitation*

The Business Facilitation programme has continued to yield notable achievements. The scope of the eRegulation and eRegistration system has been extended with additional field projects. Meanwhile, the Trade Portal – a new business facilitation tool specializing on trade procedures modelled on the same principles and systems as eRegulations – was introduced. Overall, there are now some 70 eGovernment platforms set up in 40 countries. These programmes have been particularly effective to enable member states in responding to the pandemic.

b) Enterprise development:

In this area, the Entrepreneurship Policy Framework (EPF) has served as the basis for policy guidance to support special groups, namely, the Policy Guide on Entrepreneurship for Migrants and Refugees, the Policy Guide on Youth Entrepreneurship, and the new policy guidance on Youth Entrepreneurship for the Green and Blue Economy. Based on the EPF, assistance in entrepreneurship policies was provided to 8 countries.⁴ Last year, we were requested to lead UN-system wide efforts to provide technical assistance to the MSME sector in its post-Covid-19 resurgence.

The Empretec programme expanded robustly to include 14 new centers.⁵ The number of training centres grew to 50 with 8 of them in LDCs. This work received wide recognition through the adoption of the UNGA Resolution on Entrepreneurship in support of Sustainable Development, which singles out Empretec training programme for entrepreneurs that warrants emulating.

Since the adoption of the Maafikiano, the work programme contributed to several other cross-cutting areas: For instance, in support of the prioritization of youth and migrants (Para 14a), we developed a Policy Guide for Youth Entrepreneurship in partnership with the Commonwealth Secretariat and a policy guide on Entrepreneurship and Migration in collaboration with IOM and UNHCR. In support of gender, we developed a *new workstream on women and FDI* and another one to support women entrepreneurship.

c) Accounting

Since UNCTAD 14, ISAR sessions were dedicated largely to work on the selection of core reporting indicators aligned with the SDG monitoring framework. The Division prepared a Guidance on Core Indicators for Entity Reporting on Contribution towards the SDGs to facilitate comparability of companies' sustainability reporting and presented over 20 case studies to advocate the harmonization and comparability of SDG reporting by companies. Technical workshops were held on matters related to the implementation of accounting standards in the public and private sectors.

⁴ Angola, Cameroon, Dominican Republic, Ecuador, El Salvador, Ethiopia, The Gambia, and Tanzania

⁵ Angola, Cameroon, The Gambia, India, Kenya, Kyrgyzstan, Malaysia, Namibia, Oman, Paraguay, the Russian Federation, Saudi Arabia, Tanzania and Zambia.

4. Responsible and sustainable Investment

Work in the area of responsible investment has been consolidated and intensified.

In the area of *intellectual property for development*, significant progress has been made to support investment for the promotion of local pharmaceutical production. Over the past year, we mobilized global support for quality local pharmaceutical production in developing countries to address supply bottlenecks to essential medicine and personal protective equipment. The Division also provides advisory support on the intellectual property elements of the African Continental Free Trade Area negotiations and has assisted individual countries with drafting IP policies or strategies.

The *Sustainable Stock Exchanges initiative*, which celebrated its 10-year anniversary in 2019, comprises 100 partner stock exchanges worldwide, with a combined total of almost \$86.5 trillion in market capitalization. Since UNCTAD 14, breakthrough research was published, including on green finance and guidance for stock exchanges on how they can embed sustainability into their operations. The initiative has become the premier global platform for collaboration between stock exchanges, capital market regulators, investors, issuers and financial service providers to meet the SDGs.

More recently, in 2020 we launched the *Family Business for Sustainable Development initiative* (FBSD) to encourage and facilitate family firms to integrate sustainability into their business strategies. As of today, some 300 family businesses have signed the Sustainable Development Pledge – a global statement to promote a business model conducive to sustainable development.

We also successfully established an *Institutional Investment for Sustainable Development* work stream and formulated a sustainability framework for institutional investors and asset managers worldwide.

5. World Investment Forum

The World Investment Forum (WIF) remains a pre-eminent global platform for multi-stakeholders' deliberation and action in investment for sustainable development. 2018 marked the ten-year anniversary of the World Investment Forum. This was the largest forum to date gathering 6,600 participants from 150 countries, including 11 Heads of State, and 85 ministerial officials. 75 events were held on a wide array of investment-oriented development topics, thereby contributing to "the regular exchange of experiences and best practices in the area of investment and enterprise policies

for development, involving the widest possible range of stakeholders and providing for a universal, inclusive and transparent review of progress towards the implementation of the Sustainable Development Goals at the highest level”.

We have also recently established WIF Satellite Events (a series of theme-focused and community-oriented global events) during the intervals of the biannual global gathering. These global events have proved efficient and effective, and particularly timely during the Pandemic.

Mr. Chairman,

Distinguished delegates,

II. **Key driving forces for future investment and development**

The decade that has just begun is expected to be a decade of transformation for international production. Five mega-forces will drive the transformation of global value chains and reshape the global investment landscape toward 2030.

The key driving forces are:

- a) **Changes in the global economic governance:** Fragmentation in international economic policymaking, and especially in trade and investment policy, including increasing regionalism and protectionism, and shifts in national economic policymaking from liberalization to regulation and intervention.
- b) **Technological change and the new industrial revolution:** Potentially far-reaching consequences for the configuration of global value chains with important implications for development, growth depending on investment in new sectors, and the risk of premature de-industrialization.

- c) **Global sustainable development endeavor:** SDGs will impact global supply chains, and the sustainability drive will affect the operations of MNEs, leading to new patterns of investment and different investment-development outcomes.
- d) **Corporate accountability:** International cooperation to fight corruption, illicit payments, tax evasion and anti-competitive practices will have important implications for the modes of operation and governance of MNEs. ESG standards and disclosure requirements will add to trade and investment policy pressures from both host and home states.
- e) **Resilience-oriented restructuring.** The global crises, as well as growing geopolitical conflicts, will drive MNEs to make their global value chains more resistant to new types of shocks, and governments to reduce reliance on foreign sources for critical supplies.

All these driving forces combined will transform the global value chains and in turn reshape the global investment landscape in the decade ahead. This will have significant implications for development strategy, and for the investment and enterprise development policies. It calls for a new investment-development path.

This entails further updating and strengthening our six major policy instruments - the UNCTAD *Investment Policy Framework for Sustainable Development*, the *Roadmap for the IIA Reform*, the UNCTAD's *Action Plan for Investing in the SDGs*, the *Global Action Menu for Investment Facilitation*, the *Entrepreneurship Policy Framework* and the *Accounting Development Tool*.

III. **The way forward**

Effectively addressing the challenges ahead will require:

1. Continuity of existing mandates

There is strong demand for support to research and policy analysis on investment and enterprise development, development of capacity-building programmes founded on this work as well as on the policy frameworks developed by the Division, and exchange of best practice and consensus-building at the intergovernmental and multi-stakeholders levels. At the Division level,

this relates to global trends and policy analysis on investment for development, and in particular the WIR; investment policies both at the national and international level, where we need to strive towards accelerating the reform of the International Investment Treaty Regime; investment promotion and facilitation; responsible and impact investment; enterprise development and entrepreneurship policies which are pivotal to any recovery strategy, and accounting standards and reporting issues. In this regard, let me just emphasize two aspects that will be critical to our work:

In the area of investment, and especially in a post-covid-19 context, the need to mainstream the SDGs into investment policies – based on our investment framework for sustainable development, the need to continue monitoring progress towards investing in the SDG sectors and the need to continue providing concrete recommendations towards promoting and facilitating investment for sustainable development i.e., building capacities in the productive sectors.

In the area of enterprise development, the need to enhance the alignment of MSMEs and entrepreneurship policies with the post Covid-19 resurgence and the 2030 agenda. This will mean advising on and supporting the policy measures for economic recovery and resilience and promoting tools for sustainable development and inclusive growth.

2. Increase the scope of the current work

The following areas can be considered as key to address the current and emerging challenges:

- a) Added support towards upgrading investment and related policies in line with sustainable development strategy. New development strategies need to make more effective use of investment policy instruments, and investment policies need to modernize in line with new industrial development strategies.
- b) The broadening of the investment-chain (institutional investors/small business networks...) to engage the entire spectrum of investment-development stakeholders in support of member States achieving their sustainable and inclusive development objectives. This will encompass new and targeted initiatives recently launched by this Commission, including the re-orientation of financial markets to fully integrate sustainability, and a new institutional investment workstream.

- c) The development of policies to promote innovative financing models conducive to development. This will require assessing the financial needs arising from the pandemic and contribute to the efforts towards mobilizing new resources necessary for the recovery, while promoting investment and enterprise frameworks conducive to inclusive and sustainable reconstruction.
- d) Further research and support to the development of new forms of partnerships in support of sustainable investment for development (PPPs, Regional initiatives...). In this regard, multi-stakeholders' initiatives such as the World Investment Forum should play a critical role going forward.

3. Strengthening the work of the Commission

There is also a role to play for this Commission to spearhead the international community's efforts to consolidate global coordination and cooperation for joint investment promotion and for mobilizing all investment-development stakeholders for post-pandemic recovery and long-term sustainable development. This was called for by the 2020 UNGA Heads of State meeting of the High-Level Initiative on Financing for Development in the Era of COVID-19 and Beyond. Without such global coordination mechanism, recovery efforts may at best result in ineffective duplication, or at worst in outright investment competition with a race towards the top in terms of standards and a race towards to top in terms of incentives. UNCTAD's Investment and Enterprise Commission appears to be best suited to play such a role, with renewed concentration on its core issues and a reinforced mandate for global investment cooperation and coordination.