

Opening Remarks by the Deputy Secretary-General of UNCTAD

Investment, Enterprise and Development Commission

Geneva, 29 April, 2013

AS PREPARED FOR DELIVERY

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

It is a pleasure for me to welcome you to the 5th Session of the Investment, Enterprise and Development Commission. Let me begin by congratulating you, Ambassador Khvostov, as well as the other members of the Bureau on your election and assure you of the secretariat's commitment to support your deliberations.

The work of this Commission covers several issues identified by member States as key concerns for their countries, under the umbrella topics of investment, enterprise and development. Delegates will interact on a range of issues and events this week which I will outline in my remarks. However, before presenting the agenda for this Commission, allow me to very briefly set this meeting in the wider economic context.

Ladies and Gentlemen,

As reported in UNCTAD's recent global investment trends monitor, Foreign Direct Investment declined by 18 per cent last year; the recovery in FDI that followed the global economic crisis has currently stalled, and the potential for investment by both transnational corporations and governments

is underutilised. It is far from clear whether investment flows will be able to pick up again this year, with a number of challenges in developed countries and slower growth in key emerging economies risking further stagnation.

It is therefore imperative that countries individually and the international community as a whole make every effort to find ways to boost investment, restore investor confidence and strengthen domestic economies, skills and incentives.

This Commission therefore has a critical role to play in keeping international investment and enterprise development on the policy agenda and showing how Foreign Direct Investment can contribute to sustainable and inclusive development. I hope that the 5th session of the Commission will help identify a number of policy options for increasing Foreign Direct Investment for sustainable development and boosting private sector development. Allow me to now briefly outline some of the highlights of this week's meetings, in chronological order.

This afternoon, the Commission's High Level Segment will address the role of entrepreneurship in creating a healthy small- and medium-sized business sector, and its contribution to development.

Last December, the United Nations General Assembly passed a resolution on “Entrepreneurship for Development”, stressing the positive role entrepreneurship plays in driving job creation, and expanding opportunities for all, including for women and youth. The resolution also emphasizes the importance of bringing informal workers into the formal economy and integrating them into social security systems. The High Level Session will

therefore examine the importance of taking a holistic approach to entrepreneurship policy, and review UNCTAD's work in this area.

In particular, delegates will discuss a number of best practice cases contained in UNCTAD's Entrepreneurship Policy Framework. The Framework represents a baseline document for UNCTAD to assist policymakers in evaluating the state of entrepreneurship in a given country, and to make sound policy recommendations. The Framework contains an online inventory of good practices in entrepreneurship development including more than 150 selected policies and programmes from more than 50 countries.

We are honoured to have High-Level participation in this event, which includes: Her Excellency, Ms. Mayi Antillón Guerrero, Minister of Economy, Industry and Commerce, Costa Rica; His Excellency, Mr. Haruna Iddrisu, Minister of Trade and Energy, Ghana; and His Excellency, Mr. Laurent Serge Etoundi Ngoa, Minister of Small and Medium Enterprises, Social Economy and Handicrafts, Cameroon. I am looking forward to their insights and a lively debate.

Turning now to investment policy, the second major substantive area of work of this Commission, delegates will have the opportunity to hear the presentations of the two latest Investment Policy Reviews for Djibouti and Mozambique, in the presence of High-Level representatives from both countries. The Investment Policy Review programme is one of UNCTAD's core technical cooperation activities and has been greatly solicited by member States since our first country review in 1999. Indeed, we currently have a backlog of countries who have requested reviews, which indicates that

member States value the programme and the importance of high-quality FDI for development.

Mozambique and Djibouti are two African LDCs that seek to develop competitive economies and improve the standards of living for their citizens. Both countries requested UNCTAD to undertake IPRs in order to help build a successful investment framework and policy environment that could attract not only foreign investors, but promote domestic private sector development as well. For the first time, UNCTAD has conducted the reviews using its recently developed Investment Policy Framework for Sustainable Development as the lens through which recommendations are framed. The presentations of the Review's findings will also offer other member States an opportunity to learn from Djibouti's and Mozambique's experience.

Ladies and Gentlemen,

I am particularly pleased that this Commission will be considering issues of investment in conjunction with those of technology and innovation. As you know, Secretary-General Supachai Panitchpakdi has on many occasions insisted on the importance that technology and innovation play as major drivers of economic transformation and development.

Later this week, the Commission will discuss the issue of investing in innovation. Securing financing is often the most important challenge for companies who seek to innovate. For many firms, external funding is practically non-existent and their innovation capacity is restricted by their own capital – however small or large. Start-ups in particular are often based on innovative ideas but lack finance to bring their innovations to the market.

As difficult as it is in developed countries, the financial challenges for innovators in developing countries are even bigger.

Banks and capital markets are not easily attracted to financing the risk of innovation and tend to under-perform when it comes to financing innovation. This is due to the difficulties involved in controlling and profiting from innovation, as opposed to inventions, which can be monopolized through patents or copyrights. Even some of the large firms that have access to finance are sometimes reluctant to invest in innovation. As a result, a generalized under-provision of research and development and innovation investment is the default state of most economies. However, studies have shown that the social return of investments in research and development often far exceeds the private return. Given this market failure affecting the production and diffusion of knowledge and technology, public funding for innovation becomes a necessary policy tool.

Indeed, many small firms could benefit greatly from Government programmes of financial assistance for innovation activities, in particular in the early phases of innovation that are still distant from commercialization. There are many important policy questions that we think need to be considered. For example, what can policy do to maximize the impact of available funds for innovation support programmes? What can be done to improve resource mobilization for investment in innovation? What useful lessons can be shared about the design and management of innovation funding programmes? I am confident that your deliberations on this issue can make an important contribution to the debate.

Ladies and Gentlemen,

In addition to these three issues on the agenda, this Commission will also consider the outcomes of expert group meetings under its purview. Towards this end we will hear the Chairman's summary of two meetings, which will be presented on Wednesday afternoon: the Single Year Expert Meeting on Assessing the Impact of Public-Private Partnerships on Trade and Development in Developing Countries, which took place in March this year; and, the Multi Year Expert Meeting on Investment, Innovation and Entrepreneurship for Productive Capacity Building and Sustainable Development, held in January. The reports highlight some of the best practices and lessons learnt in these areas and summarise the discussions of experts at the meetings. Moreover, the reports contain useful policy indications for member States and areas of future research.

Ladies and Gentlemen,

In conclusion, let me reiterate my main message: the fact that global economic growth and investment flows are on the decline is an even greater reason to focus our attention on activities that can help improve investment flows to developing countries and maximise their contribution to development. This meeting will without doubt stimulate reflection on what policies can boost investment flows and stimulate enterprise and innovation. Moreover, our expectation is that this Commission should spark an interest in data and information that may inform policy, and galvanise support among

members of the international community to boost FDI flows and private sector development. I am confident that your participation will be rewarded this week and that by actively engaging with the work of UNCTAD we can make an effective contribution to the global economy and to development.

Thank you.