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Geneva, 1–3 November 2004

**REPORT OF THE EXPERT MEETING ON GOOD GOVERNANCE IN
INVESTMENT PROMOTION**

Held at the Palais des Nations, Geneva,
from 1 to 3 November 2004

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Chapter I

CHAIRPERSON'S SUMMARY

1. In accordance with its agenda, the Expert Meeting on Good Governance in Investment Promotion discussed what constitutes good governance in investment promotion, and examined the efforts that countries are making to increase transparency and accountability in the public sector, particularly with respect to investment-related policies, administrative procedures and practices, as well as to promote high standards of corporate governance. The Meeting also examined how these efforts can be further strengthened. Special attention was given to the role of the different stakeholders, including business groups and civil society, in the process of improving governance in the area of investment. The Investment Policy Review (IPR) of Benin, in which good governance issues were prominent among the recommendations, was considered at the Meeting.

Good governance in investment promotion

2. The Meeting agreed that good governance in investment promotion (GGIP) is underpinned by four values, namely predictability, accountability, transparency and participation.

3. The keynote speaker, the Investment Ombudsman of the Republic of Korea, stressed the importance of having effective, speedy and transparent dispute resolution mechanisms to help address problems between investors and the host country. The Ombudsman, who is directly appointed by the President, is mandated to address and resolve difficulties experienced by foreign investors and to help improve the overall investment environment. This task includes providing assistance to foreign companies in resolving grievances related to bureaucratic red tape and administrative procedures.

4. It was recognized by many speakers that while some developing countries were able to put in place legislation intended to reform the investment climate, problems frequently persisted in relation to implementation, often owing to resource constraints. In other cases, corruption and the abuse of discretionary authority undermined the rule of law and reduced the credibility of the host country. In this regard, one speaker discussed corruption indices as a benchmark for investors.

5. Various means by which Governments have sought to improve public-sector service standards were examined. The role of client charters as a reference point and a tool to benchmark staff performance was highlighted, and reference was made to UNCTAD's technical cooperation in providing least developed countries (LDCs) with assistance in the elaboration of client charters for their investment promotion agencies. There is, however, a need to train public officials with a view to changing attitudes and behaviours so as to better deliver the services promised under the client charters and to create for officials of investment promotion agencies (IPAs) the capacity to carry out GGIP reviews in respect of administrative policies, procedures and practices on a regular basis.

6. The procedural clarity with which decisions affecting investors are taken is also related to the issue of transparency. Some speakers emphasized the importance of delineating clearly the functions of the various actors with whom investors must deal when setting up and operating in host countries. A number of countries reported difficulties, for example, when the body regulating foreign investments also discharged investment promotion functions.

7. Broad consultation with all stakeholders is needed on issues that affect them in order to increase public support for foreign investment and to ensure a balanced distribution of benefits and costs related to the investment. For example, consultations with labour will serve to ensure that efforts to improve the investment environment are in compliance with recognized international labour standards. One delegate noted that there was no clear evidence of a causal link between liberalization of the foreign investment environment and relaxation of the quality of labour standards.

8. Host countries also need to be able to provide a forum for investors to make known their experiences and observations, and the obstacles facing them, regarding issues of concern to them. In this connection, a considerable number of IPAs are mandated to undertake policy advocacy functions in order to improve the investment climate. The various means of organizing an IPA to best undertake advocacy and improving the policy advocacy role of IPAs were examined. The Meeting was informed that capacity building for developing country IPAs in policy advocacy would be undertaken by UNCTAD through a technical cooperation project financed by the United Nations Development Account.

9. Information technology (IT) can often be deployed to improve efficiency in investment promotion and facilitation functions. A recent UNCTAD survey of over 100 IPAs showed that most agencies have a web presence, but that very few have made full use of the IT potential and provide integrated on-line services (single windows). IT helps integrate government processes, which are otherwise scattered and overlapping, for the ultimate goal of simplification of procedures.

10. Good corporate governance and management practices can help to ensure that accurate and truthful information and data are provided to host Governments, and help administrators in applying local laws and regulations in as efficient a manner as possible. IPAs have an important role to play in this regard. It was suggested that principles of corporate governance and corporate social responsibility should be encouraged by the IPAs in their discussions with investors. Self-regulatory measures and a proper mindset at the firm-management level can often help to reduce the enforcement burden on government. Integrity can work only when it exists in both the private and the public sector. In this sense, good corporate governance and good public governance are complementary.

11. A number of experts made suggestions, including the following:

- International organizations should assist developing countries in implementing measures to improve good governance in investment promotion. UNCTAD should continue to support host country Governments, through its GGIP programme, including through capacity building in IPAs, and in evaluating the impact of its technical cooperation activities on host countries' investment environment and on actual changes in foreign direct investment. It should also include many more interested and committed developing countries in its programme, particularly the LDCs. This would warrant an enlargement of the donor base to support the programme.
- Further examination and exchange of experiences in dispute and grievance resolution between foreign investors and host country administrative bodies, including the ombudsperson model, should be undertaken.

- Since IPAs play a unique role in advancing participation and advocating policy change to reflect the concerns of investors on matters that affect them, host Governments should be encouraged to strengthen their mandate in the field of policy advocacy. UNCTAD should further strengthen its programme for building the capacities of IPAs to discharge this function effectively. The policy advocacy role of IPAs was suggested as a topic for possible consideration by a future Expert Meeting.
- International agencies should continue to support the further development of corporate governance frameworks in developing countries. IPAs are uniquely suited to encourage corporate governance in their respective countries.
- IPAs should be encouraged to integrate and supply web-enabled on-line client services to create transparent and predictable “single window systems”. UNCTAD and other international organizations should provide technical assistance through programmes such as the Investment Gateway.
- To the extent possible, use should be made in UNCTAD’s capacity-building activities of synergies between its GGIP programme and its work on investment policies, especially the IPRs. This will help to ensure that the impact of such programmes is sustainable.

Chapter II

ORGANIZATIONAL MATTERS

A. Convening of the Expert Meeting

12. The Expert Meeting on Good Governance in Investment Promotion was opened at the Palais des Nations, Geneva, on 1 November 2004 by Mr. Karl Sauvant, Director of the Division on Investment, Technology and Enterprise Development, UNCTAD.

B. Election of officers

(Agenda item 1)

13. At its opening meeting, the Expert Meeting elected the following officers to serve on its bureau:

Chairperson:	H. E. Ms. Mia Horn Af Rantzien (Sweden)
Vice-Chairperson-cum-Rapporteur:	Ms. Isabelle Lemba (Zambia)

C. Adoption of the agenda

(Agenda item 2)

14. At the same meeting, the Expert Meeting adopted the provisional agenda circulated in document TD/B/COM.2/EM.15/1. The agenda for the meeting was thus as follows:

1. Election of officers
2. Adoption of the agenda
3. Good governance in investment promotion
4. Adoption of the report of the Meeting

D. Documentation

15. For its consideration of the substantive agenda item, the Expert Meeting had before it a note by the UNCTAD secretariat entitled "Good governance in investment promotion" (TD/B/COM.2/EM.15.2).

E. Adoption of the report of the Meeting

(Agenda item 4)

16. At its closing meeting, the Expert Meeting authorized the Rapporteur to prepare the final report of the meeting under the authority of the Chairperson.

Annex

ATTENDANCE *

1. Experts from the following States members of UNCTAD attended the Meeting:

Afghanistan	Jamaica
Algeria	Japan
Angola	Jordan
Bangladesh	Kenya
Belarus	Lesotho
Belize	Lithuania
Benin	Madagascar
Bolivia	Maldives
Burkina Faso	Mali
Cameroon	Malta
Canada	Mexico
Chile	Morocco
China	Mozambique
Congo	Nepal
Costa Rica	Nigeria
Côte d'Ivoire	Oman
Dominican Republic	Peru
Egypt	Philippines
Eritrea	Poland
Ethiopia	Republic of Korea
France	Russian Federation
Gabon	Saudi Arabia
Georgia	Sweden
Germany	Switzerland
Ghana	Thailand
Greece	United Kingdom
Honduras	United States of America
India	Yemen
Iran (Islamic Republic of)	Zambia

2. The following intergovernmental organizations were represented at the Meeting:

African, Caribbean and Pacific Group of States
African Union

3. The following United Nations agencies were represented at the Meeting:

Economic Commission for Africa
Economic Commission for Europe
United Nations Development Programme

* For the list of participants, see TD/B/COM.2/EM.15/INF.1.

4. The following specialized agencies were represented at the Meeting:

International Monetary Fund
 United Nations Industrial Development Organization
 World Bank

5. The following non-governmental organizations were represented at the Meeting:

General Category

Exchange and Co-operation Center for Latin America
 International Confederation of Free Trade Unions

Special Category

Consumer Unity and Trust Society

6. The following speakers contributed to the Meeting.¹

Good Governance in Investment Promotion

Mr. David Nussbaum, Chief Executive, Transparency International, Berlin, Germany
 Ms. Margo Thomas, Senior Investment Policy Officer, FIAS, World Bank, Washington, DC,
 United States
 Mr. Takao Otsuka, Industrial Development Officer, Industrial Promotion Technology
 Branch, UNIDO, Vienna, Austria

Investment Policy Review of Benin

H.E. Mr. Don Stephenson, Ambassador, Permanent Representative of Canada, Geneva
 The Hon. Mr. Fatiou Akplogan, Ministre de l'industrie, du commerce et de la promotion de
 l'emploi, Cotonou, Benin
 H.E. Mr. François Roux, Ambassador, Permanent Representative of Belgium, Geneva
 H.E. Mr. Sha Zukhang, Ambassador, Permanent Representative of China, Geneva
 H.E. Mr. Rée Iversen, Ambassador, Permanent Representative of Denmark, Geneva
 H.E. Mr. Omar Hilale, Ambassador, Permanent Representative of Morocco, Geneva
 M. Patrick Noyes, Directeur général, CRUSTAMER, Cotonou, Benin
 M. Atou Soufianou, Président, Chambre de commerce et d'industrie, Cotonou, Benin
 M. Roland Riboux, Président, Conseil des investisseurs privés, Cotonou, Benin
 M. Cheickna Kagnassy, Président directeur général, Groupe Aiglon, Cotonou, Benin

Public Sector Service Standards

Mr. Patrick Nyaika, Director, Land Development Division, Uganda Investment Authority
 (UIA), Kampala, Uganda
 Mr. Jegathesan Jegasothy, Senior Advisor, Investment Promotion, Asia Africa Investment
 and Technology Promotion Centre (AAITPC), Kuala Lumpur, Malaysia

¹ In chronological order of speaking.

Corporate Governance and Investment Promotion

Mr. Hans-Ulrich Pfyffer, Partner KPMG, Switzerland

Mr. Jean-Luc De Buman, Senior Vice-President, Communication and Investor Relations,
Société Générale de Surveillance, (SGS), Geneva

Mr. Viktor Grabik, Regional Head for Africa, Swiss Organization for Facilitating
Investments (SOFI), Zurich

Use of Advanced IT Applications in IPAs

Mrs. Patricia Francis, President, Jamaica Promotions Corporation (JAMPRO), Kingston,
Jamaica

Policy Advocacy Role of IPAs

Mr. Samuel Sitta, Executive Director, Tanzania Investment Centre, (TIC), Dar Es Salaam,
United Republic of Tanzania

Mr. Kai Hammerich, WAIPA President, Invest in Sweden (ISA) Stockholm, Sweden

Mr. Herbert Oberhänsli, Assistant Vice President, Nestlé, Vevey, Switzerland

7. The following invitees attended the Meeting:

M. Lionel Dorie, L'Aiglon SA, Carouge, Switzerland

Mr. Arvind Marayam, Director, Rajasthan Institute of Public Administration, Jaipur, India

M. Gerard Merlo, L'Aiglon SA, Carouge, Switzerland

Sr. Ricardo Palma Valderrama, Representante Especial, Asociación Latino-Americana de
Instituciones Financieras para el Desarrollo (ALIDE), Lima, Peru

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