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World Investment Forum

Forum Mondial de l'Investissement – Foro Mundial de la Inversión

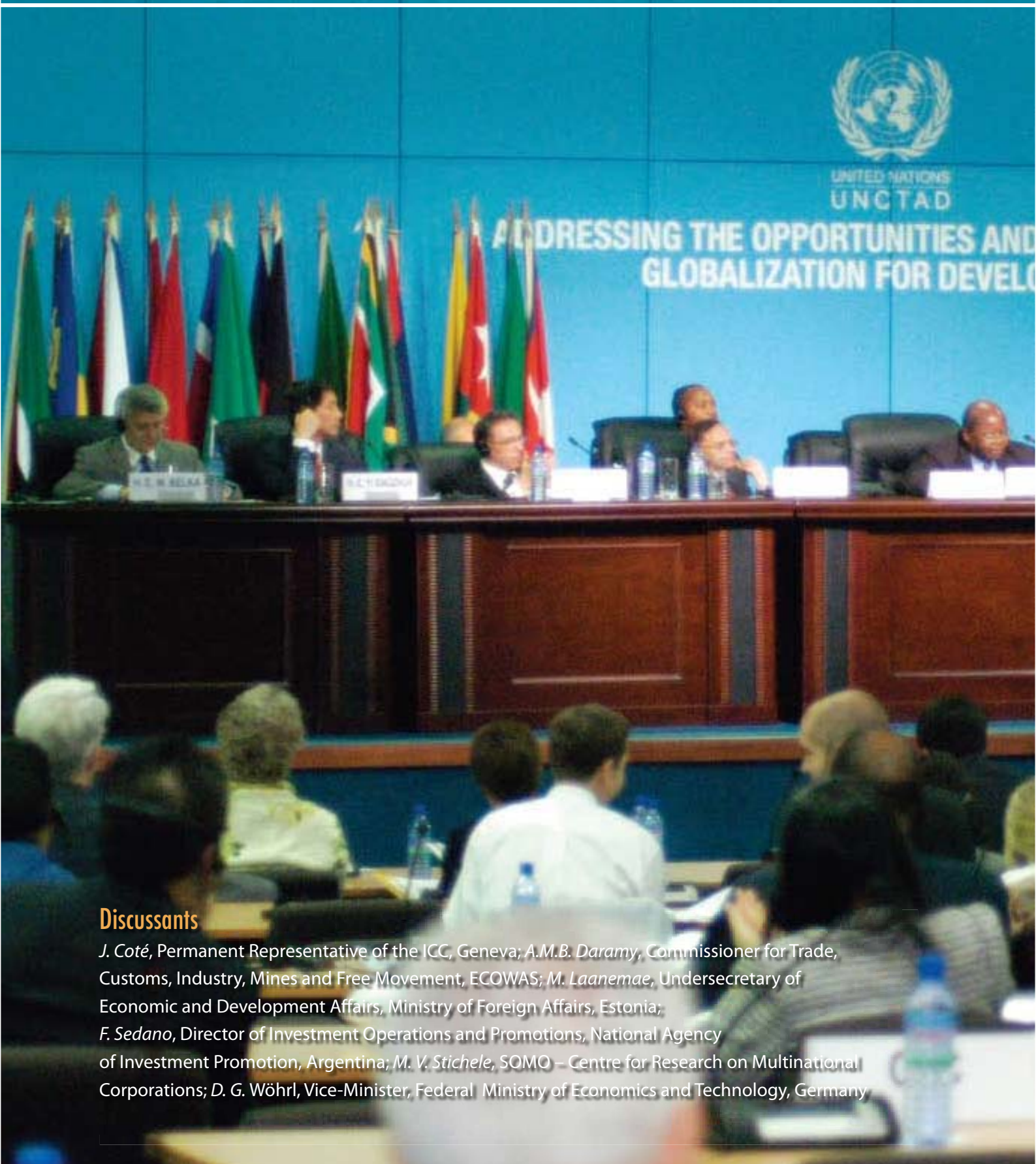
Accra, Ghana, 18-22 April 2008

UNCTAD XII

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
ACCRA, GHANA, 20 - 25 APRIL 2008

Part 4





Discussants

J. Coté, Permanent Representative of the ICC, Geneva; *A.M.B. Daramy*, Commissioner for Trade, Customs, Industry, Mines and Free Movement, ECOWAS; *M. Laanemae*, Undersecretary of Economic and Development Affairs, Ministry of Foreign Affairs, Estonia; *F. Sedano*, Director of Investment Operations and Promotions, National Agency of Investment Promotion, Argentina; *M. V. Stichele*, SOMO – Centre for Research on Multinational Corporations; *D. G. Wöhr*, Vice-Minister, Federal Ministry of Economics and Technology, Germany



Ministerial round table

Creating an institutional environment conducive to increased foreign investment and sustainable development

Moderator

H.E. B. Mkapa, former President of Tanzania and Co-Chair of the Investment Climate Facility for Africa.

List of panellists

Supachai Panitchpakdi, Secretary-General of UNCTAD;
M. Amano, Deputy Secretary-General, OECD;
H.E. A.B. Baiget, Vice-Minister and General Secretary for Trade, Ministry of Industry, Tourism and Trade, Spain;
H.E. M. Belka, Executive Secretary, United Nations Economic Commission for Europe and former Prime Minister of Poland;
H.E. S. Kiwanuka, Minister of State for Finance, Planning and Economic Development, Uganda;
H.E. C. Mamoghli, Deputy Minister of Trade, Tunisia;
H.E. G.L. Peiris, Minister of Export Development and International Trade, Sri Lanka;
H.E. R. Robinson, Minister of State, Ministry of Foreign Affairs and Foreign Trade, Jamaica;
H.E. Yi Xiaozhun, Vice-Minister of Commerce, People's Republic of China.

The interactive debate, one of the series of ministerial roundtables of UNCTAD XII, focused on how FDI could work more for development. More specifically, what national and international policy measures could ensure that FDI brought not only capital to host countries but also technology, management know-how and access to new markets, in addition to generating employment and tax revenues and contributing to infrastructure and productive capacity. The debate also addressed how to facilitate FDI and develop institutional capacities, safeguard the public interest in the conduct of business and minimize risks while maximizing the wider benefits that FDI could bring to the broadest possible portion of the population.

Participants included key ministers and senior officials from all UNCTAD member States and heads of international organizations, as

well as representatives from business and civil society.

The debate was structured around eight strategic challenges in making FDI work for development. Those challenges had emerged from UNCTAD's Investment Policy Reviews and the organization's other extensive research and technical assistance work in the investment area. They include upgrading the economy, building business linkages, overcoming size constraints of small economies, upgrading infrastructure, increasing systematic competitiveness, aiding transition economies, protecting the environment, and contributing to peace-building.

It was agreed that the creation of an institutional environment that enabled countries to take up those challenges remained a key policy task for all countries, in particular developing and transition economies. In addressing that issue, policymakers should draw on lessons learned from successful experiences and past failures.





The policy toolkit developed on the basis of the implementation experience of the OECD's Policy Framework for Investment could be useful in that regard. Policymakers should also engage in an exercise of collective learning aimed at sharing best practices. Those should be widely disseminated, including through international dialogue, as called for at the 2007 G8 Summit and the Financing for Development Monterrey Consensus.

As the forum for international consensus-building on FDI and development, UNCTAD was well placed to pursue the creation of an inventory of best practices in the interest of helping developing countries and economies in transition make investment work for their development.

Some specific points highlighted by speakers:

- *The “software environment” (i.e. judicial system, intellectual property rights, international agreements) are as important as the “hardware environment” (i.e. infrastructure, including information and communication technologies) in attracting FDI.*
- *FDI can help with economic transition and the creation of adequate regulatory and institutional frameworks, in the diversification of ownership structures and reform of State enterprises.*
- *Size constraints in terms of attracting and benefiting from FDI can be overcome with proactive policies aimed at enhancing infrastructure and skills, developing labour policies, facilitating diversification and upgrading.*
- *Enhancing markets by entering into regional trade agreements or bilateral agreements with larger economies is equally important.*
- *The productive sector has a key role to play in mitigating environmental degradation through the use of greener investment and the development of cleaner technology.*
- *Account needs to be taken of the social costs and potential benefits of foreign investments, an assessment to be shared by all stakeholders.*
- *Maintaining strong SME sectors and ensuring that the activities of foreign enterprises do not deter or undercut local investors is also a key consideration.*
- *Bilateral investment treaties can contribute to building a conducive institutional environment by strengthening the rule of law and creating legal stability.*



UNCTAD/ICC

Investment Advisory Council



D. HU

D. WICKRAM

R. KHAN

E. BORY

Participants

Government

H.E. Tarja Halonen, President, Republic of Finland and Co-Chair of the United Nations Millennium Summit;
H.E. Ana Vilma Albanez de Escobar, Vice-President, Republic of El Salvador;
H.E. Bert Koenders, Minister of Development, Netherlands;
H.E. G.L. Peiris, Minister for Export Development and International Trade, Sri Lanka;
H.E. Semakula Kiwanuka, Minister for Finance, Planning and Economic Development, Uganda;
H.E. Dagmar Wöhrl, Vice-Minister, Federal Ministry of Economics and Technology, Germany;
H.E. Jarmo Viinanen, Secretary-General, Office of the President of the Republic of Finland;
H.E. Muktar Djumaliev, Ambassador, Permanent Mission of the Kyrgyz Republic to the United Nations Office in Geneva;
Russell Curtis, Head, Durban Investment Promotion Agency, Republic of South Africa;
Fredrik Arthur, Counsellor, Permanent Mission of Norway to the United Nations Office in Geneva.

Development partner institutions

H.E. Mary Robinson, former President of Ireland and current Chair of Realizing Rights: the Ethical Globalization Initiative;
Jacqueline Coté, Permanent Representative, International Chamber of Commerce (ICC) in Geneva;
Karl P. Sauvant, Co-Director, United Nations Millennium Cities Initiative;
Siphana Sok, Director of Resources and Partnerships, Bureau of Policy Implementation and Programme, International Trade Centre;
Alessandro Teixeira, President, World Association of Investment Promotion Agencies.

Private sector

Peter Barker-Homek, CEO, Abu Dhabi National Energy Company;
Eliane Borges, Director, SEBRAE;
Pierre Cailleteau, Chief Economist, Moody's Investors Service Ltd;
Pankaj Chawla, COO, 3i Infotech Limited;
Charles Cofie, CEO, Unilever Ghana;
Fumio Hoshi, Executive Director, Japan Bank for International Cooperation;
Deping Hu, President, China–Africa Business Council and Vice-President of the China Federation of Industry and Commerce;
Mo Ibrahim, Chairman, Mo Ibrahim Foundation and Founder of Celtel;
Razia Khan, Chief Africa Economist, Standard Chartered Bank;
Rainer Koch, Managing Director and Technology Solutions Group Lead, Hewlett Packard Africa;
Gengshu Miao, President of the China International Investment Council and Chairman of SINOTRANS;
Mamphela Ramphela, Chair, Circle Capital Ventures;
Art Reilly, Senior Director, Technology Policy, CISCO Systems;
T.C. Venkat Subramanian, Chairman and Managing Director, EXIM Bank of India.

UNCTAD

Supachai Panitchpakdi, Secretary-General of UNCTAD;
James Zhan, Acting Director, Division on Investment and Enterprise – Facilitator of the IAC Meeting.

The seventh meeting of the Investment Advisory Council (IAC) took place with executives of global companies, Heads of State and ministers, as well as partner institutions brainstorming over a working lunch on practical means to address emerging challenges in the area of investment. The IAC is a dedicated forum aimed at crystallizing the international community's views on the role of FDI in national and international development efforts. It seeks to pilot new and innovative initiatives in this area.



As a backdrop to the meeting, the medium and long-term impact of FDI were set out, including direct effects on employment generation, capital formation and exports, as well as indirect effects through the channels of technology and knowledge transfer via linkages with the local economy. It was added that while global FDI flows had reached an all time record of USD 1,800 billion,

regional distribution remained uneven and crucial development challenges persisted. Many smaller developing countries, and in particular the least developed countries (LDCs), were marginalized from FDI, preventing the benefits of FDI to be reaped for the "bottom billion". How could those countries attract more FDI and more importantly benefit therefrom?

Several participants stressed the importance of good governance and corporate responsibility in making investment work for development. A participant called for greater transparency and openness from sovereign wealth funds. Several corporate executives stressed the



The meeting identified five specific investment issues:

- *The role of foreign investment in accelerating the achievement of the Millennium Development Goals;*
- *The need to ensure that investment flows go not only to extractive industries but also into agro-business, infrastructure and manufacturing in sub-Saharan Africa;*
- *The need for business to address the challenges of climate change in an ever more concrete manner;*
- *The urgency of addressing policy challenges in a rapidly changing international investment landscape, especially renewed investment protectionism;*
- *The importance of investment in addressing the challenges of building food production capacity in the poorest countries.*

role of South–South investment links. In that context, two IPAs, which had met at a previous IAC session, signed an MOU.

In achieving the objectives set up by the Millennium Declaration, participants agreed that the involvement of all stakeholders was required, which could be achieved most effectively through the creation of new tripartite partnerships involving the public and private sectors as well as civil society organizations. Accordingly, corporate heads placed particular emphasis on the development of productive capacities through linkages between domestic and foreign companies and investment in human capital.

Participants reviewed their initiatives, including UNCTAD's Blue Books series. The series, geared to practical and actionable steps to improve a country's institutional framework for investment, have been funded by the Japanese Bank for International Cooperation (JIBC).