

Ambassadors Retreat in Preparation for LDC5

Presentation by James Zhan

Director, Division on Investment and Enterprise, UNCTAD

22-10-2021

Investment currently does not have any global institutional arrangement to oversee its governance, unlike trade or finance. UNCTAD's Division on Investment and Enterprise, building on over 3 decades of successful experience, has been serving as the focal point for the international investment policy community. It has also been instrumental in shaping a new generation of investment policies at the national, regional and global level.

Overall Work Programme

A global centre of excellence, the Division conducts leading-edge policy research, provides technical assistance and builds international consensus among member States. Its work is structured across flagship products and core services that provide a comprehensive and unique value chain in support of countries' development and that are globally recognized by the investment-development community. These include:

- The *World Investment Report (WIR)*, which for over 30 years has provided leading-edge research and policy analysis on investment for development. Offering trends analysis and policy recommendations to address investment for development challenges, the WIR is recognized as the authoritative reference for highest-level policy makers, business and academia.
- The *Global Investment Monitors* which provide quarterly information on the level, structure and evolution of global investment flows and investment policies to help policymakers formulate development-oriented investment policies. This is possible because the Division on Investment maintains the largest global databases on foreign direct investment (FDI) and multinational enterprise (MNE) activities, containing information on 200 economies covering a period of 50 years and has acquired a reputation as the most authoritative source on FDI data. Here, allow me to stress that UNCTAD also plays a central role in international efforts to improve methodological standards on FDI statistics.
- *Investment Policy Reviews (IPRs)* which help countries translating their national development strategies into investment policy frameworks and action plans in line with the 2030 Agenda. All our reviews are conducted using UNCTAD's *Investment Policy Framework for Sustainable Development (IPFSD)*, which ensures that all recommendations are in line with sustainable development principles. The division also has several large databases on investment policies, industrial policies and national investment laws. It provides regular investment policy monitors on the global policy developments and periodical reports on investment measures for the G20.

- *Investment Promotion and Facilitation Programmes* through which we strengthen the capacity of countries to attract investment by identifying, targeting and facilitating strategic investment projects. This is done through direct engagement with investment promotion agencies (IPAs) in over 150 countries, over 7,000 special economic zones (SEZ), and other stakeholders, including diplomats. In this regard, allow me to point out that the World Association of Investment Promotion Agencies (WAIPA) was in fact established by UNCTAD, and that we are still active on the Consultative Committee of the organization. We provide advisory services, training and capacity-building on the ground, while high-level international meetings, including G20, BRICS, and Commonwealth, and strategic publications are used to share trends and best practices. In recent years, we have intensified our efforts in enhancing the capacity of developing countries, least developed countries (LDCs) in particular, in preparing pipelines of investment projects in Sustainable Development Goal (SDG) sectors.
- *Our Programme on International Investment Agreements (IIAs)*: UNCTAD has been the global focal point for all matters related to the international investment treaty regime. It has a unique database with over 3,000 investment treaties, and a database of all known Investor-State Dispute Settlement cases. Its work includes analyzing latest trends and key emerging issues in IIAs, building the capacity of developing countries to negotiate and implement investment treaties that can foster sustainable investment, and providing a platform for universal, inclusive and transparent engagement on these issues. As you are aware, the ongoing process of IIA reform, including the area of Investors State Dispute Settlement is directly assisted by UNCTAD.

The strategic positioning of UNCTAD's Division in the global investment for development space is, from an institutional perspective, established through several resolutions. These include the General Assembly Resolution on Financing for Development and the General Assembly resolution on "Promoting Investment for Development", which commends UNCTAD's work in the area of investment, acknowledges [the World Investment Report](#) and the [World Investment Forum](#) for their contribution to development and requests UNCTAD to continue its analysis of gaps and challenges faced and progress made on promoting investment for sustainable development as well as concrete recommendations for the advancement of the 2030 Agenda. On this note, you will all recall that WIR2014 provided the first-ever estimate of the SDG-investment gap of 2.3 trillion US dollars and the sector breakdown.

A concrete illustration of this leadership role is the initialization of the World Investment for Development Alliance (WIDA) by UNCTAD together with the World Economic Forum – a new global alliance for sustainable investment to support greater collaboration on investment issues during the 2021 World Investment Forum. Several partners, including the World Economic Forum, the World Bank, OECD, the African Union Commission, WAIPA, the Academy of International Business, the International Institute for Sustainable Development and others are joining this initiative to support international investment and its sustainable development outcomes.

Contributions to LDCs

LDCs as a group largely benefit from the work and support of UNCTAD in the area of investment for sustainable development. Indeed, the unique know-how, expertise and experience of UNCTAD allows for extending dedicated support to the Group. Dedicated, because in the same way that policy recommendations to the group need to be grounded in solid research and evidence-based best practice on FDI policies, the specific difficulties faced by LDCs need specific attention and care. For this reason, UNCTAD's Division on Investment and Enterprise has, building on 5 decades of research and policy analysis, provided over the past few years:

- A comprehensive analysis of investment trends and policy analysis in LDCs in a dedicated section of the WIR. In addition, we publish an investment monitor on the Overview of FDI in LDCs: Trends and Issues. The monitor provides analysis and updates on investment trends, opportunities and challenges in LDCs. It is prepared annually by UNCTAD as part of a set of activities that were recommended to the United Nations System CEB to help increase the coverage, scope and effectiveness of the United Nations system's support to investment promotion in LDCs.
- Extended targeted technical assistance to LDCs. To date, 40 per cent of all investment policy reviews were prepared for LDCs, with the follow-up technical assistance packages to implement the IPRs. And indeed, the IPR programme demonstrated its relevance, quality and impact. The Implementation Reports prepared by UNCTAD for LDCs prior to the pandemic, showed good to strong implementation records, increased interest by existing investors, and increased capacity to market investment opportunities. In most cases, following the review of their investment policies by UNCTAD, beneficiary countries recorded significant increases in FDI inflows.
- Responding to requests from beneficiary countries, we also reviewed LDC's international investment agreements. The reviews identified areas for reform and aimed at safeguarding the strategic interests of the LDCs and strengthening the development dimension of the IIAs concluded by the beneficiary countries.
- We support investment promotion and facilitation activities in many LDCs, notably through capacity-building activities and sharing best practice and experience from around the world to assist investment promotion strategies for the purpose of promoting and facilitating more FDI where needs are greatest. We launched and coordinated Phase I of a Multi-agency Capacity Development Programme for IPAs of LDCs. The project aims at improving the institutional capacity and integration of trade and investment in LDCs to attract investment that contributes to sustainable development, particularly in SDG-related sectors that LDC governments are paying particular attention to post-pandemic. Our Business Facilitation programme (e-Regulation in particular) is already operational in 16 LDCs, where it contributes to greater institutional capacity, thereby facilitating business and making LDC countries more attractive to international investors.

- Last but not least, our consensus-building activities, in particular our World Investment Forum dedicates specific attention to countries of the Group with Ministerial level session, where LDCs Ministers, senior policymakers and business executive engage in a dialogue on the most promising trade and investment strategies. The convening power of UNCTAD's Division on Investment and Enterprise is evidenced by the participation of all actors of the global investment-development community, including the IPA community, the Stock Exchange community, the Sovereign Wealth Fund community and the Family Business Community. Concrete results from such initiatives are countless, the World Investment Forum having allowed specific projects to be initiated thanks to direct contacts between LDCs policy makers and CEOs of global company.

A great deal of this work is pursued in partnership with other institutional partners, such as OHRRLLS, UNCITRAL, IDLO, UNIDO, ILO and others.

UNCTAD's latest research shows that global foreign direct investment flows in the first half of 2021 showed a rebound momentum at 852 billion US dollars. The increase in the first two quarters recovered more than 70% of the Covid-19 pandemic induced loss in 2020. Developed countries saw the bigger rise. FDI flows in developing economies also increased. However, low-income countries experienced a decline. In particular, the number of SDG-relevant investment projects in LDCs continues to fall precipitously. This is deeply worrying.

A lot still needs to be done to make LDC economies competitive for international investment projects. UNCTAD's Division on Investment and Enterprise fully recognizes its responsibility as the centre of excellence and focal point in the United Nations system on investment for sustainable development and remains committed to furthering its support to LDCs. This will however require reversing the downward trends in terms of regular budget resources allocated to the division and an increased support from donor countries. Providing resources to UNCTAD's Division on Investment and Enterprise will have numerous multiplier effects based on our critical mass of research, decades of expertise, and our global networks.

Thank you for your attention.