

CONCEPT NOTE:

(Immediately after the Expert Discussion 2: “The specific challenges to finance sustainable development for countries in special situations” (12:00 p.m.–1:00 p.m.), which is asked to also pay attention to “adopting and implementing investment promotion regimes for the least developed countries” as mandated by GA resolution 71/238 on “Follow-up to the Fourth United Nations Conference on the Least Developed Countries”).

ECOSOC FORUM ON FINANCING FOR DEVELOPMENT (22-25 MAY 2017) SIDE EVENT: INVESTMENT PROMOTION AND FACILITATION MEASURES FOR THE LDCS

When: 25 May 2017, 1:15 PM - 2:30 PM

Where: Conference Room 7, UNHQ

BACKGROUND

Foreign Direct Investment (FDI) constitutes a dominant part of private capital flows to the least developed countries (LDCs). FDI plays a complementary and catalytic role in building and strengthening productive capacity as it can lead to tangible and intangible benefits, including export growth, technology and skills transfer, employment generation, higher wages and poverty eradication. While FDI flows to developing countries have risen dramatically in recent years, the total share of FDI to LDCs in global FDI remains below 2%, reflecting the general trend that the majority of FDI has been concentrated in very few countries. Furthermore many such investments have focused on resource extraction, which do not fully release the developmental potential of FDI. Thus it is not only important to promote FDI in general but the type of FDI that is beneficial for the host country is also an important consideration. Therefore it is not only important to promote FDI in general but the type of FDI that is beneficial for the host country.

Foreign direct investment is a priority of the Programme of Action for the Least Developed Countries for the Decade 2011-2020 (IPoA)¹. The twin goals with respect to FDI are: “(a) Attract and retain increased foreign direct investment in least developed countries, especially with the aim of diversifying the production base and enhancing productive capacity; (b) Enhance initiatives to

support investment in least developed countries.” (Paragraph 121). Towards these ends, the IPoA calls for action by development partners of the LDCs to:

- “Set up and strengthen, as appropriate, initiatives to support investment in least developed countries such as insurance, guarantees and preferential financing programmes and private enterprise funds for investment in least developed countries focusing in particular on sectors that are needed to build up a diversified production base and encourage linkages with domestic production activities as well as employment creation;
- Support capacity-building in least developed countries, and at the regional level, as appropriate, aimed at improving their abilities to attract foreign direct investment, including the ability to negotiate mutually beneficial investment agreements and disseminate information about investment opportunities in least developed countries;
- Support and implement initiatives aimed at encouraging investment in least developed countries, such as export credits, risk management tools, co-financing, venture capital and other lending instruments, business development services and feasibility studies;

- Strengthen partnership programmes for technology transfer under mutually agreed terms by fostering linkages between foreign and domestic firms.” (Paragraph 122.3).
- At the Third International Conference on Financing for Development in the Addis Ababa Action Agenda (AAAA), world leaders pledged to: “to adopt and implement investment promotion regimes for LDCs [and] offer financial and technical support for project preparation ..., access to information on investment facilities and risk insurance and guarantees such as through MIGA, as requested by the LDCs.”²

In the Political Declaration adopted last year in Antalya at the mid-term review of the IPoA development partners confirmed their commitments (made in the AAAA).³

OBJECTIVE

In order to foster sustainable development in the LDCs and attain the objectives set out in the IPOA it is necessary not only to promote FDI in general but also to pay close attention to the quality of FDI. Due to limited financial resources and of human capacities, LDCs may be drawn to accept any investment, and not the most beneficial type of sustainable FDI. In order to attract that type of FDI, development partners could assist LDCs in both promotion and facilitation of investment so as to contribute to national sustainable development objectives (as called for in the IPOA and the AAAA). The side event aims at exploring what LDCs' development partners can do to help them get more quality and sustainable FDI. It will review investment promotion and facilitation measures that can be undertaken by foreign investor's home states and development agencies and try to assess their feasibility and potential impact, also with a view to implementing the objectives and commitments set out in the IPoA and the AAAA.

¹. United Nations, “Programme of Action for the Least Developed Countries for the Decade 2011-2020”, A/CONF.219/3/Rev.1, 23 May 2011 available at: <http://unohrlls.org/UserFiles/File/IPoA.pdf>.

². United Nations, “Addis Ababa Action Agenda of the Third International Conference on Financing for Development (Addis Ababa Action Agenda)”, A/RES/69/313, 17 August 2015, paragraph 46.

³. United Nations, “Comprehensive High-level Midterm Review of the Implementation of the Istanbul Programme of Action for the Least Developed Countries for the Decade 2011-2020”, A/CONF.228/L.1, 23 May 2016, paragraph 67.



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