Pursuing Social Justice and Economic Equity Within and Across Borders

WORLD INVESTMENT FORUM 2014

CUTS' Daily Bulletin

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WORLD LEADERS INVESTMENT SUMMIT II

Investment Policies and Development Strategies

The meeting started by reiterating that this year's WIF is an important journey towards evolving Sustainable Development Goals (SDGs). Secretary General of UNCTAD, Dr Kituyi, set the stage by stating that there is an urgent need to massively increase investment in infrastructure, health care, climate change adaptation, food and energy security. He also noted that developing countries need to substantially scale-up public finances so as to increase the rate of public investment. However, public investment will not enough. UNCTAD believes that there is a need to attract private investment towards achieving the goal of sustainable development. For this, an action plan is needed; where new investment promotion agencies are to facilitate investment in SDG-related sectors. Dr Kituyi also noted that there is an urgent need to change the business mindsets to encourage SDG-related investment.

Peter Robinson of the US Council for International Business (USCIB) responded to Dr Kituyi by stating that there is a need to develop a framework to enable private sector to invest in SDGs. This framework includes establishing good governance and rule of law in developing countries; economic growth and empowerment in developing countries; need to have a positive and welcoming attitude towards innovation and new technology and very importantly, need to have strong infrastructure. The need and significance of strong investment promotion measures was also emphasised.

Other representatives of the private sector also emphasised on creating an enabling environment to attract private investment. Also, it was stressed that there is an urgent need to provide a big push towards reforming institutions. The representative of a Chinese mining company laid down three priorities for foreign investors to help the local economy where the investment has been made. First, Responsibility First, which, as a principle is focused on understanding that the objective of investment is not to take over local enterprises but to create a win-win situation where the local economy also benefits. Second, Responsibility Fulfilled - during the process of investment, it needs to be seen that responsibility has been fulfilled such as first providing jobs to local population and protect the environment. Third, Responsibility Expanded – after the completion of the project the foreign investor should ensure that the society continues to benefit from the investment.

The need to evolve social investment bonds was also discussed, which would be a useful step towards strengthening SDG-related investment. Political representatives from Lebanon, Australia and New Zealand emphasised on innovation and developing new technology so as to invest in sustainable agriculture, environment, food security and similar other SDG-related investment. The representative from Australia mentioned that free trade and investment flows help reducing poverty much faster than official aid.

The Bulletin

CUTS is partnering with UNCTAD to update you every day on this year's World Investment Forum in Geneva. This high-level multi-stakeholder gathering is designed to facilitate dialogue and action on the world's key emerging investment-related challenges.

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PROMOTING LONG-TERM SUSTAINABLE INVESTMENT

Sovereign Wealth Fund (SWF) Round Table

Sovereign Wealth funds (SWFs) manage assets of more than $6tn, and public sector pension funds worldwide are almost triple this figure. With a long-term investment horizon, these investors have great potential to contribute to sustainable development through investment in relevant sectors, such as infrastructure, agriculture and healthcare. However, only a small portion of the available 'reservoir' is currently dedicated to direct investment and many developing countries, in particular those in Africa, are still largely absent from the portfolio of these funds.

At this high-level Round Table, policy makers, fund executives and investment experts examined

opportunities and challenges for mobilising more investment by sovereign wealth and public pension funds in SDG sectors, and how governments, and sovereign and public investors can work together to facilitate these investments and enhance their contributions to sustainable development

During the first session, speakers explored the opportunities of SWFs, highlighting their potential direct investment of these funds. Concrete opportunities such as creating large agricultural parks, building transport and irrigation infrastructures, developing eco-tourism etc. As a concrete example, Mr Moses Ikiara (Kenya Investment Authority) presented a project of a Kenyan “technical city” to the investors, as a lever of ICT innovation. Those kind of investments fit well with the necessity of long-term development. However there are different challenges to face when promoting investments. Developing and least-developed countries need to ensure political and economic stability, to create a consistent and predictable policy environment, as well as to support foreign and local players in the long run. A potential solution to overcome those challenges and manage the risks is through public/private investments. Mr Moger Pederson (PensionDenmark) gave the instance of a public/private pension fund that makes investments in climate oriented infrastructure in some developing countries and LDCs. This enables the private sector to access new markets while the risks are averted due to the State involvement.

In the second session, innovative schemes and tools to leverage long-term investment by sovereign investors were presented and discussed. To be able to use the right tools on the subject, there is a need to have a change of mindsets of the owners of capital (quarterly/annual cycles are not relevant anymore; management boards are too traditional by nature and do not understand all the different economies where they operate; focusing on short term results is an inconsistency; etc.). Develop risk-sharing skills will allow to deal with some critical issues when investing in the long-term, and addressing governance and the underlining macro-environment where the operation is done. Governments that own the SWFs have to change the mandate of SWFs. In fact, investments need to be consistent with OECD financial principles and governments need to implement an appropriate regulatory framework with good balance between risks and returns. Finally, the aspect of co-investment was raised, and on this point Mr Philman (UK Standard Chartered Bank) affirmed that partnerships with local partners are critical to invest sustainably (co investing rule).

The last speakers discussed the role of host countries during the 3rd session. Practical actions proposed by Mr Santiso (ESADE Business School) that can be taken by the governments and their SWFs are: (i) deploying more offices and human resources on the ground; (ii) investing more in sophisticated assets/alternatives (clean tech, efficiency, etc.), and (iii) being more innovative in the (corporation) schemes. Moreover, it was highlighted that government can take some further steps on information access to the investors, enhancing the transparency of their market and investment opportunities, but also reducing the bureaucracy ... in order to ease the collaboration between public and private entities, and hence maximising the development benefits of sovereign investments while minimising potential risks and negative impacts.

MAKING VALUE CHAINS WORK FOR THE POOR

High-Level Round Table

The session provided a platform for international experts and practitioners to discuss how best to promote inclusive and sustainable value chains as a means of empowering small enterprises to link with all businesses in the value chain. Speakers reviewed how to facilitate transition from informal to formal businesses and considered different business sectors’ perspectives, including the integration of target groups such as women and youth.

Session 1 : Promoting sustainable and inclusive value chains

In his opening remarks, Mr. Petko Draganov, Deputy Secretary General, UNCTAD, noted that it is important to link small enterprises in developing countries to regional and global value chains, as well as to establish partnerships between government, transnational companies and the private sector. To make the value chains more inclusive, the World Investment Report emphasised the needs for integrating the poorer communities, enterprise clustering, business development services, building facilities to help local firms meet standards, entrepreneurship promotion to help the youth and women, as well as financing for SMEs to support local domestic capacities to help small producers and workers. He concluded by saying that the majority in developing countries are at the low end of the value chain, which is a challenge to be addressed.

Speaking about coffee value chains, G. Lavazza, Vice President, LAVAZZA noted that coffee is one of the most consumed drinks in the world and growing. Today, 20 to 25 million people are growing coffee; 100 million are involved in coffee business with 70-80 % of coffee producers being smallholders. Growing coffee should be a means of living and a source of pride for the people involved. However, coffee prices are volatile due to supply and demand, consumer behaviour, speculation, climate change etc. He also emphasised the need to help smallholders develop good agricultural practices, product quality, entrepreneurial conduct and lower dependency on middlemen. For purposes of sustainability and inclusiveness it is important to ensure gender equality, empowering men and women in coffee growing families, and greening through good agricultural practices.

Francois Perrot then presented the involvement of LAFARGE in affordable housing projects impacting 250,000 people to solve the local-urban issues faced by the local people and improve the housing conditions. He stressed that providing access to basic housing for those living at the bottom of the pyramid is a business opportunity. They do so through providing affordable loans/access to financing, access to construction and technical assistance, leveraging networks of retailers, introducing new technologies such as with soil stabilised bricks. Mathilde Iweins then explained that the OneDollarGlasses Project aims at bringing technologies where they are most needed and teach people how to produce and sell glasses to make a living for themselves, by partnering with local organisations. This is being done in 9 countries, partnering with governments, civil society, the UN, private sector and investors.

Mr. Robert Sichinga, Minister for Commerce, Trade and Industry, Zambia explained that Zambia is improving the business environment for MSMEs. The development plan on value chain targets, mining, agriculture, infrastructure, tourism which are being developed through partnerships with stakeholders generate wealth and create decent jobs equitably. Inclusive value chain development in Zambia for sustainable development is critical in construction, rural development, and procurement in the mining industry. He also spoke about two pilot programmes on green jobs and food security that are targeted to youth and women.

Session 2: Integrating Women and Youth in GVCs

Ms. Tarja Kaarina Halonen, former President of the Republic of Finland explained that the effective ways of supporting women participation in the global value chains could be done through improving working conditions. Importantly, workers have to be organised, national governments and corporations have duties to play a positive pioneering role in providing human capital, and education and training are to be provided while dealing with gender based violence and child labour. Y. Borgstedt, Founder and President, Womanity gave examples of how they have trained women to become journalists in Afghanistan and change their reality by bringing role models from their own communities. He emphasised that media can bring change in the society if well utilised.

Charles Ocici of EMPRETEC, Uganda spoke about the importance of introducing women in the world of business and making them globally competitive. By doing this, EMPRETEC is able to tackle the twin challenges of access to markets and finance, and enable women to create parallel enterprises that can create new value chains. Large companies should be willing to outsource their services to women, offer them technical skills, and work with established business development advisors.

The UN Secretary General's Envoy on Youth Mr. Ahmed Alhendawi emphasised the role of the youth in the value chain and innovation activities. Access to credit and financial literacy remains crucial in inspiring the young people. He was followed by Peter Ptasho of Unltd who spoke about the importance of supporting social entrepreneurs with social ventures to lead particular business through an endowment fund. Social impact ventures remain very critical for the youth coming from the minority communities. They launched a global network with 43 partners from 36 countries to promote social entrepreneurship. Finally, Dr. Armen Orujyan, Founder and Chairman, Athgo Corporation stressed the importance of creating an ecosystem for the young people to help them grow. Access to education, access to networks and access to financing should be the priorities.

INVESTMENT AND REGIONAL INTEGRATION

High-Level Inter-Regional Dialogue

The objective of this session was to discuss how regional integration impacts flow of foreign investment and how it impacts and influences the working of the Transnational Corporations (TNCs). The session brought together members of different regional groupings and members of the private sector to debate on these core issues.

The session discussed the example of successful regional integrations and how these integrations have helped attract more foreign investment and expand opportunities to trade. A key example that was discussed is ASEAN. It was highlighted how various agreements between ASEAN states covering trade in goods, investment and services have enormously helped the process of regional integration. The session also discussed how ASEAN aims to move towards creating an Economic Union, which will result into free flow of trade in goods and services, capital etc.

The other example of successful regional integration that was discussed was of the Energy Charter Treaty, which is the only multilateral treaty on investment covering the energy sector – it is a good example of how regional integration of 54 countries who are members of the ECT have benefitted by creating a favourable investment climate in the energy sector. Another key example of how successful regional integration can boost trade and investment that was discussed is Europe. The UN Economic Commission for Europe has been working for greater and deeper regional integration in Europe. There has been harmonisation of standards in agriculture, transport in Europe, which has increased trade across borders. The session also discussed how, Huawei, Chinese MNC, plans to benefit from regional integration involving India and ASEAN countries.

The session also identified problems in deepening regional integration. Problems related to non-tariff barriers in trade were particularly highlighted. Also, it was highlighted that negotiations for regional integration should be multi-stakeholder oriented and not be limited to merely government officials or negotiators. Also, it was highlighted that there is a need to create a fund to compensate the country that looses out because of regional integration.

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