

# FDI Prospects, the SDGs and Investment Promotion Post COVID-19

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United Nations Conference on Trade and Development

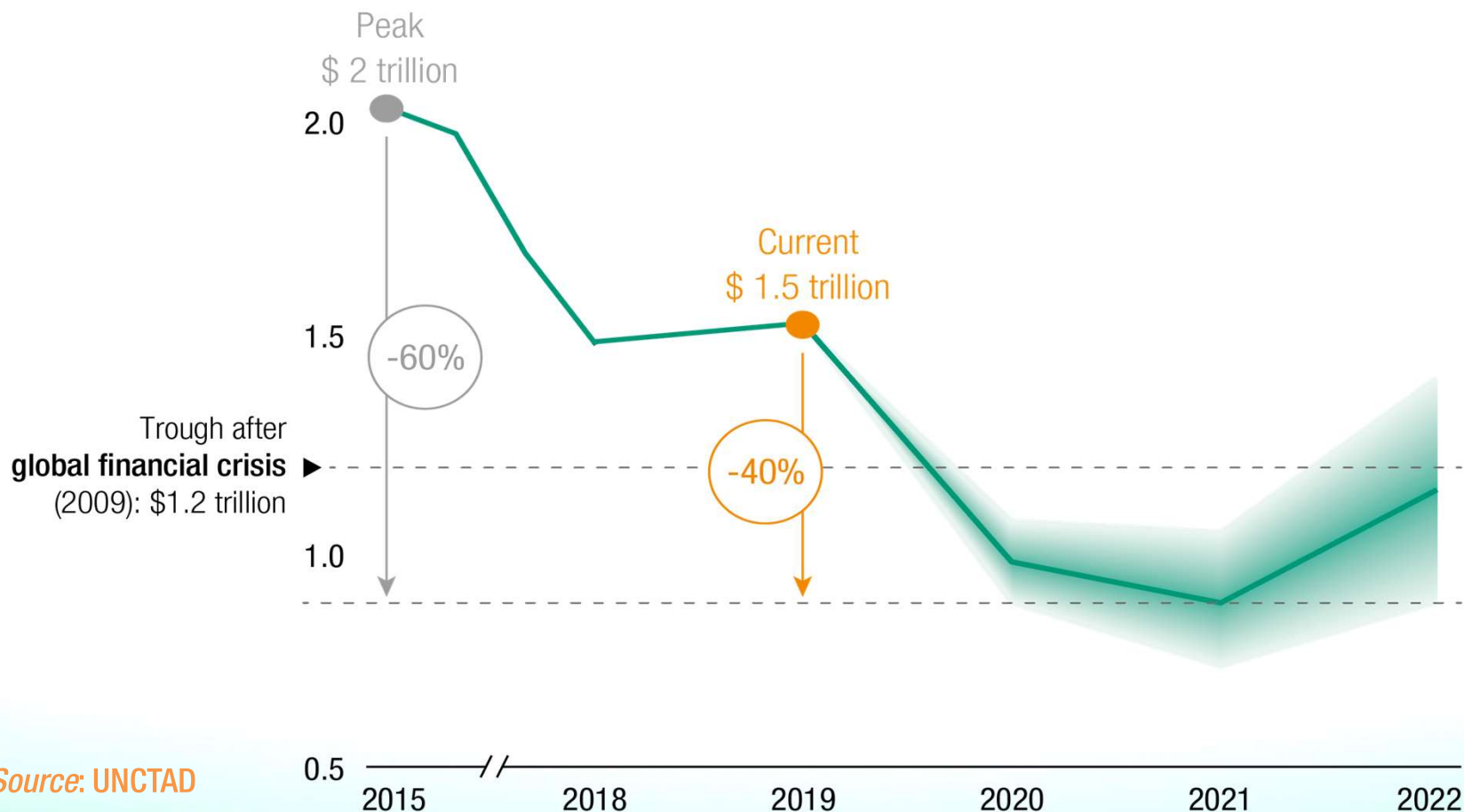


# What are the FDI trends and prospects post-COVID-19?



# The COVID-19 crisis is forecast to have an immediate impact on FDI

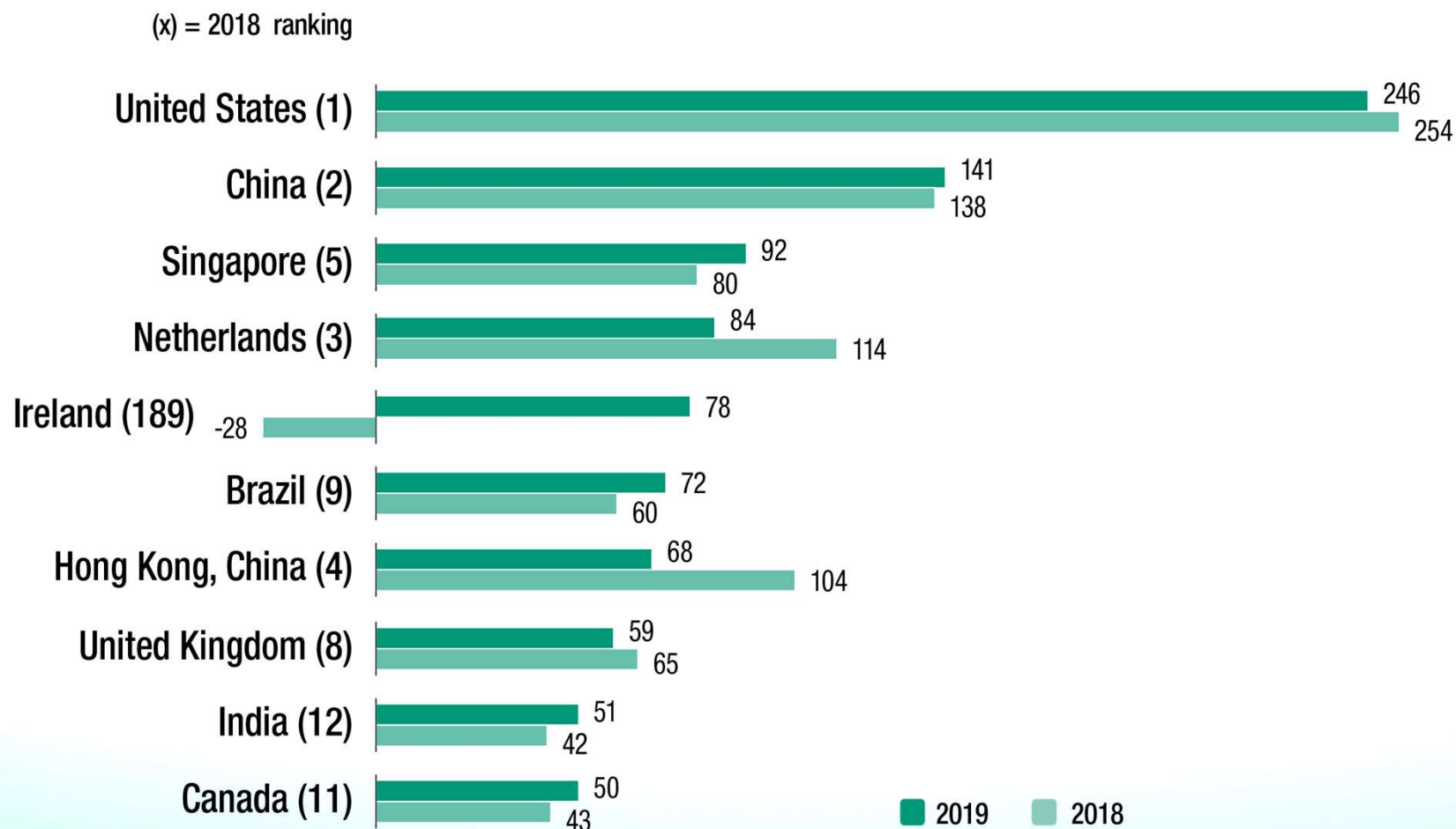
Global FDI inflows, 2015–2019 and 2020–2022 forecast



Source: UNCTAD

# In 2019, FDI flows increased marginally (+3%), after several years of decline

FDI inflows, top 10 host economies, 2018 and 2019 (Billions of dollars)



# All regions will see negative FDI growth rates in 2020

## FDI inflows and projections, by group of economies and region, 2017-2019, and forecast 2020

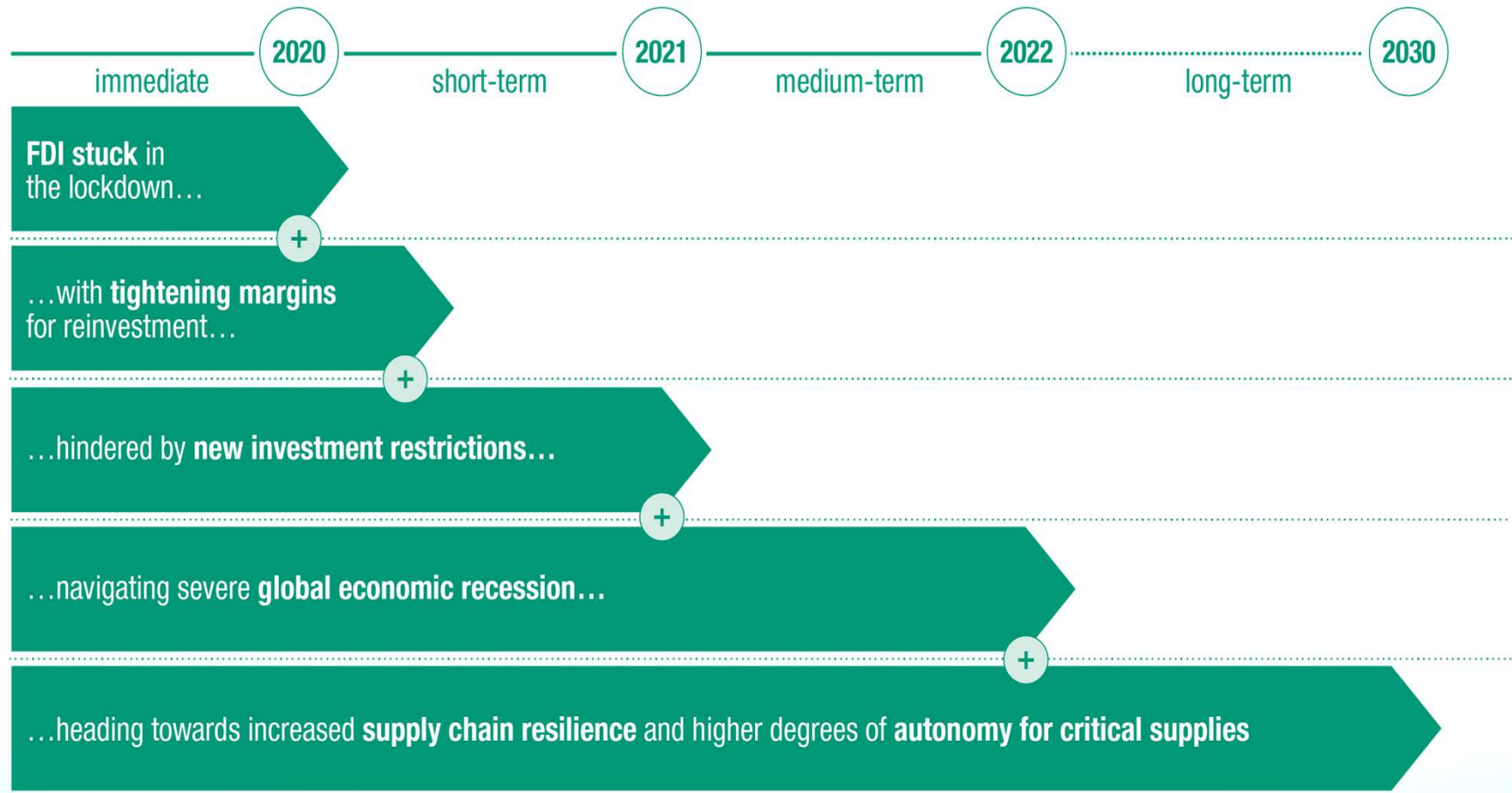
(Billions of dollars and per cent)

Group of economies/region	2017	2018	2019	Projections
				2020
<b>World</b>	<b>1 700</b>	<b>1 495</b>	<b>1 540</b>	<b>920 to 1 080</b>
<b>Developed economies</b>	<b>950</b>	<b>761</b>	<b>800</b>	<b>480 to 600</b>
Europe	570	364	429	240 to 300
North America	304	297	297	190 to 240
<b>Developing economies</b>	<b>701</b>	<b>699</b>	<b>685</b>	<b>380 to 480</b>
Africa	42	51	45	25 to 35
Asia	502	499	474	260 to 330
Latin America and the Caribbean	156	149	164	70 to 100
<b>Transition economies</b>	<b>50</b>	<b>35</b>	<b>55</b>	<b>30 to 40</b>
<i>Memorandum: annual growth rate (per cent)</i>				
<b>World</b>	<b>-14</b>	<b>-12</b>	<b>3</b>	<b>(-40 to -30)</b>
<b>Developed economies</b>	<b>-25</b>	<b>-20</b>	<b>5</b>	<b>(-40 to -25)</b>
Europe	-16	-36	18	(-45 to -30)
North America	-40	-2	0	(-35 to -20)
<b>Developing economies</b>	<b>7</b>	<b>0</b>	<b>-2</b>	<b>(-45 to -30)</b>
Africa	-10	22	-10	(-40 to -25)
Asia	7	-1	-5	(-45 to -30)
Latin America and the Caribbean	14	-5	10	(-55 to -40)
<b>Transition economies</b>	<b>-25</b>	<b>-31</b>	<b>59</b>	<b>(-45 to -30)</b>

Source: UNCTAD

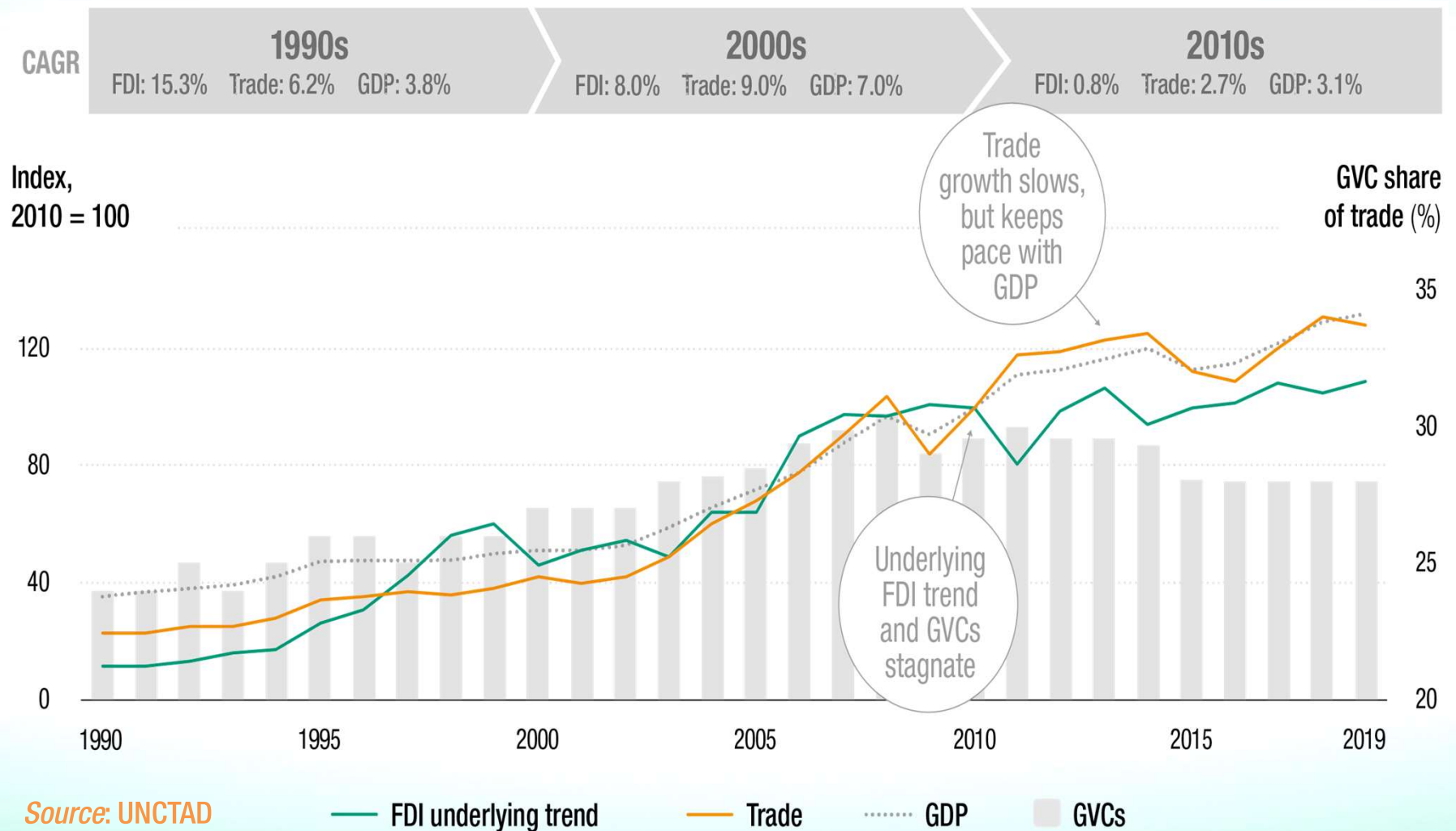
# The COVID-19 pandemic is a supply, demand and policy shock

## Impact of the pandemic on FDI: transmission mechanisms



Source: UNCTAD

# Since the 1990s, international production has seen two decades of growth followed by one of stagnation



Source: UNCTAD

# The COVID-19 pandemic arrived on top of 3 existing megatrends shaping international production

## Trends

### Technology/ New Industrial Revolution

- Advanced robotics and AI
- Digitalization in the supply chain
- Additive manufacturing (3D printing)

### Policy and economic governance

- More interventionism in national policies
- More protectionism in trade and investment
- More regional, bilateral and ad hoc economic cooperation

### Sustainability

- Sustainability policies and regulations
- Market-driven changes in products and processes
- Physical supply chain impacts

Source: UNCTAD

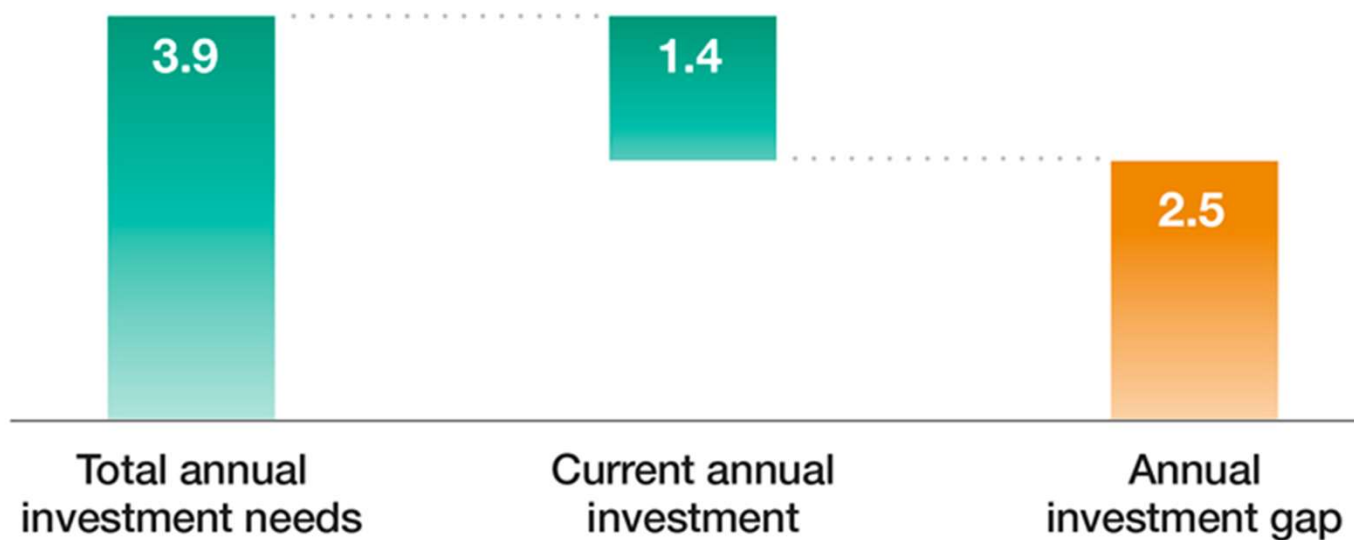


# Are we investing in the SDGs?















# Investment requirements to achieve the SDGs in developing countries

## 2014 World Investment Report Estimates (Trillions of dollars)



Source: UNCTAD, WIR 2014.





















# WIR 2014 assessed investment needs/gaps across 10 sectors

SDG sector	Most relevant SDGs	WIR14 estimated annual investment gap <sup>1</sup> (Billion of dollars)	SDG sector	Most relevant SDGs	WIR14 estimated annual investment gap <sup>1</sup> (Billion of dollars)
POWER		370–690	CLIMATE CHANGE MITIGATION		380–680
TRANSPORT INFRASTRUCTURE	 	50–470	CLIMATE CHANGE ADAPTATION		60–100
TELECOMMUNICATIONS		70–240	ECOSYSTEMS AND BIODIVERSITY	 	N.D.
WATER, SANITATION AND HYGIENE (WASH)		260	HEALTH		140
FOOD AND AGRICULTURE		260	EDUCATION		250

Source: UNCTAD, WIR 2019.

# What does the data show?

Overall, the data paints a **mixed picture** of both investment trends and monitoring capacities. **Signs of progress** are evident in the following sectors:













SDG sector	Investment trend assessment	Data availability assessment	SDG sector	Investment trend assessment	Data availability assessment
<b>TRANSPORT INFRASTRUCTURE</b>  			<b>CLIMATE CHANGE MITIGATION</b> 		
<b>TELECOMMUNICATIONS</b> 			<b>ECOSYSTEMS AND BIODIVERSITY</b>  		
<b>FOOD AND AGRICULTURE</b> 			<b>HEALTH</b> 		

Investment growth falls short of estimated investment gaps across the board. The transition towards sustainable-development-oriented investment is not happening at the necessary scale.

Source: UNCTAD, *SDG Investment Trends Monitor*, 2019.

# What does the data show? (continued)

Investment in some sectors is either **stagnant** or **declining**:

SDG sector	Investment trend assessment	Data availability assessment
<b>POWER</b> 		
<b>CLIMATE CHANGE ADAPTATION</b> 		
<b>WATER, SANITATION AND HYGIENE</b> 		
<b>EDUCATION</b> 		

Source: UNCTAD, SDG Investment Trends Monitor, 2019

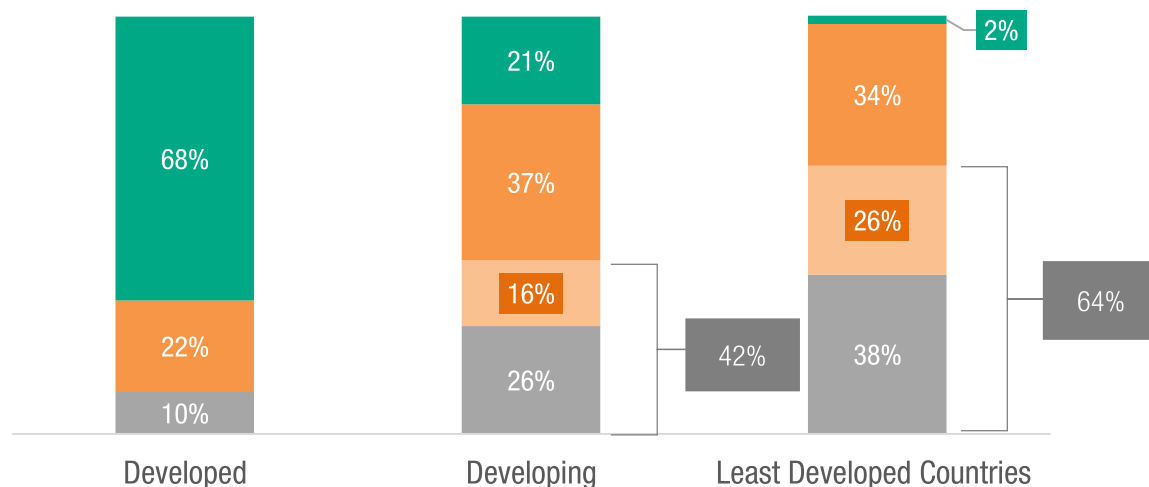
**How is investment promotion  
affected by the pandemic?**

**Can we still promote SDG  
investment?**



# How did IPAs respond to the pandemic?

Differentials in online IPA response reflecting the digital divide (per cent of 180 national IPAs, July 2020)

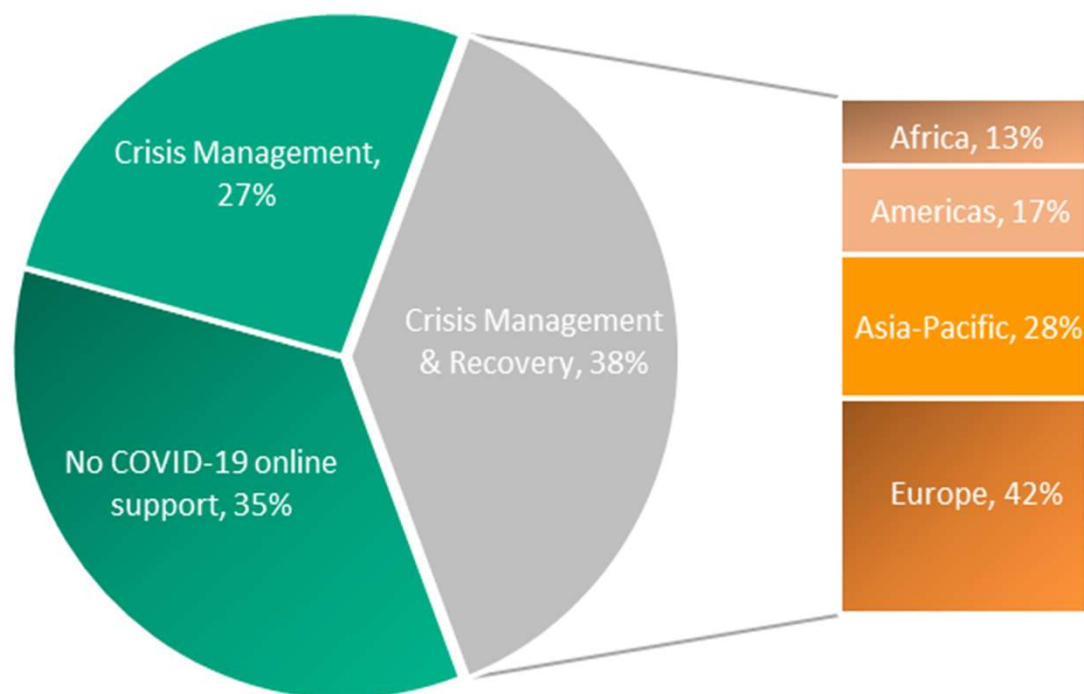


- Comprehensive COVID-19 related content and services for investors
- Some information on COVID-19
- Only notification that IPA is operating or not
- No reference to COVID-19

Source: UNCTAD

# IPAs are moving from crisis management to recovery services

Global results of a survey of 180 national IPAs, July 2020



Source: UNCTAD



# A shift of focus in investment promotion is needed

## ❑ A change in investment promotion strategies and targeting tools

- ✓ With a shift of focus from efficiency seeking to market seeking investment, large to smaller scale projects, and more attention for new national priority areas, including health and agriculture (post-COVID-19) and other SDG investments
- ✓ An increase of online and virtual outreach activities

## ❑ An enhanced service offering

- ✓ With online investment facilitation becoming the norm
- ✓ A bigger role for other government entities to maximize outreach, particularly the diplomatic service

## ❑ More strategic and long-term support

- ✓ Reinforcing aftercare services, including to domestic companies
- ✓ With renewed attention to MNE business linkages

## ❑ Increased attention for data that can support IPA functions

- ✓ Through investor enquiries/grievances analysis, investor surveys and client-relation management systems
- ✓ Including a more robust policy advocacy role

## ❑ More strategic partnerships and enhanced regional cooperation to

- ✓ Develop regional value chains
- ✓ Advance the Sustainable Development Goals



# Thank you!

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