

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

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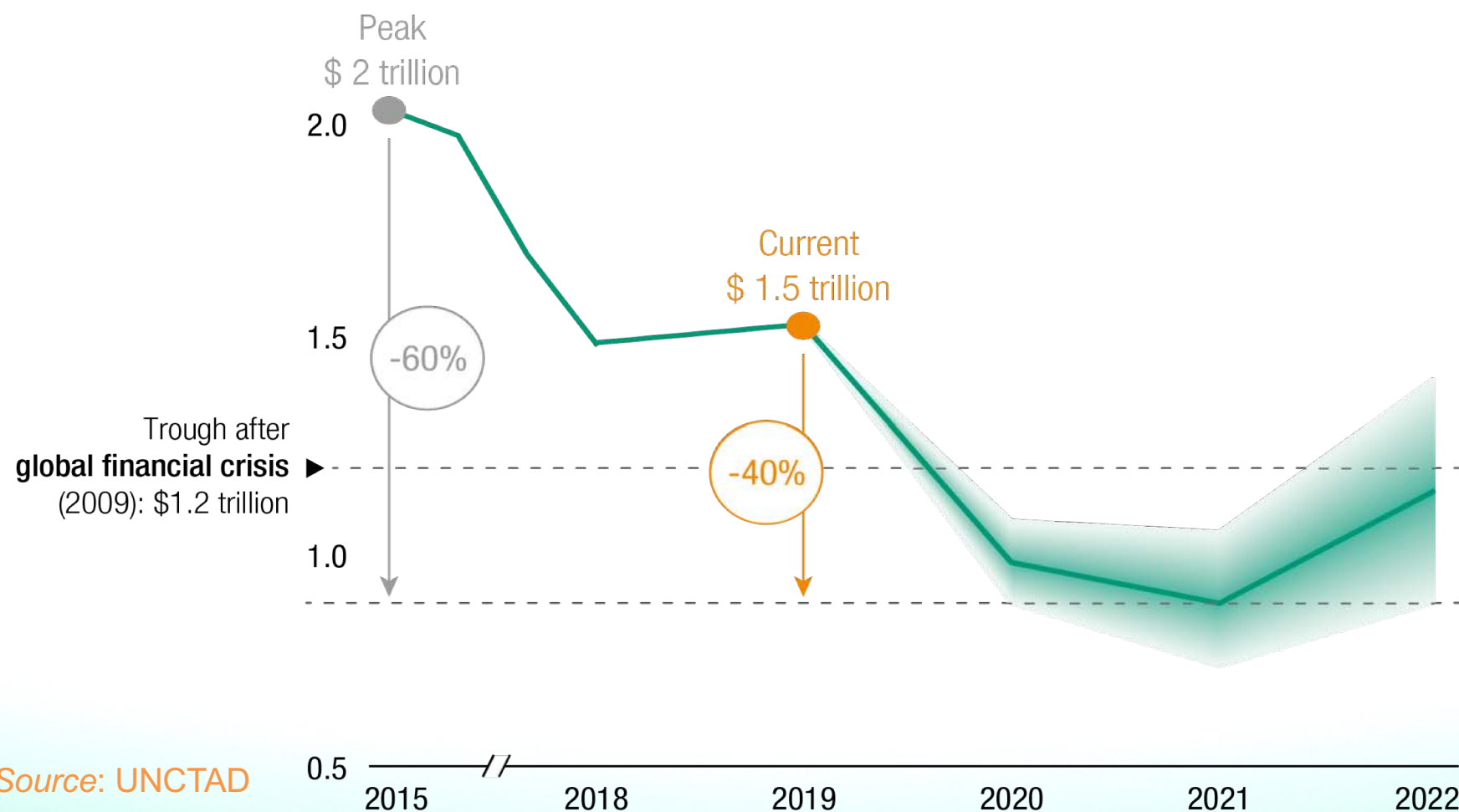
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Development

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



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

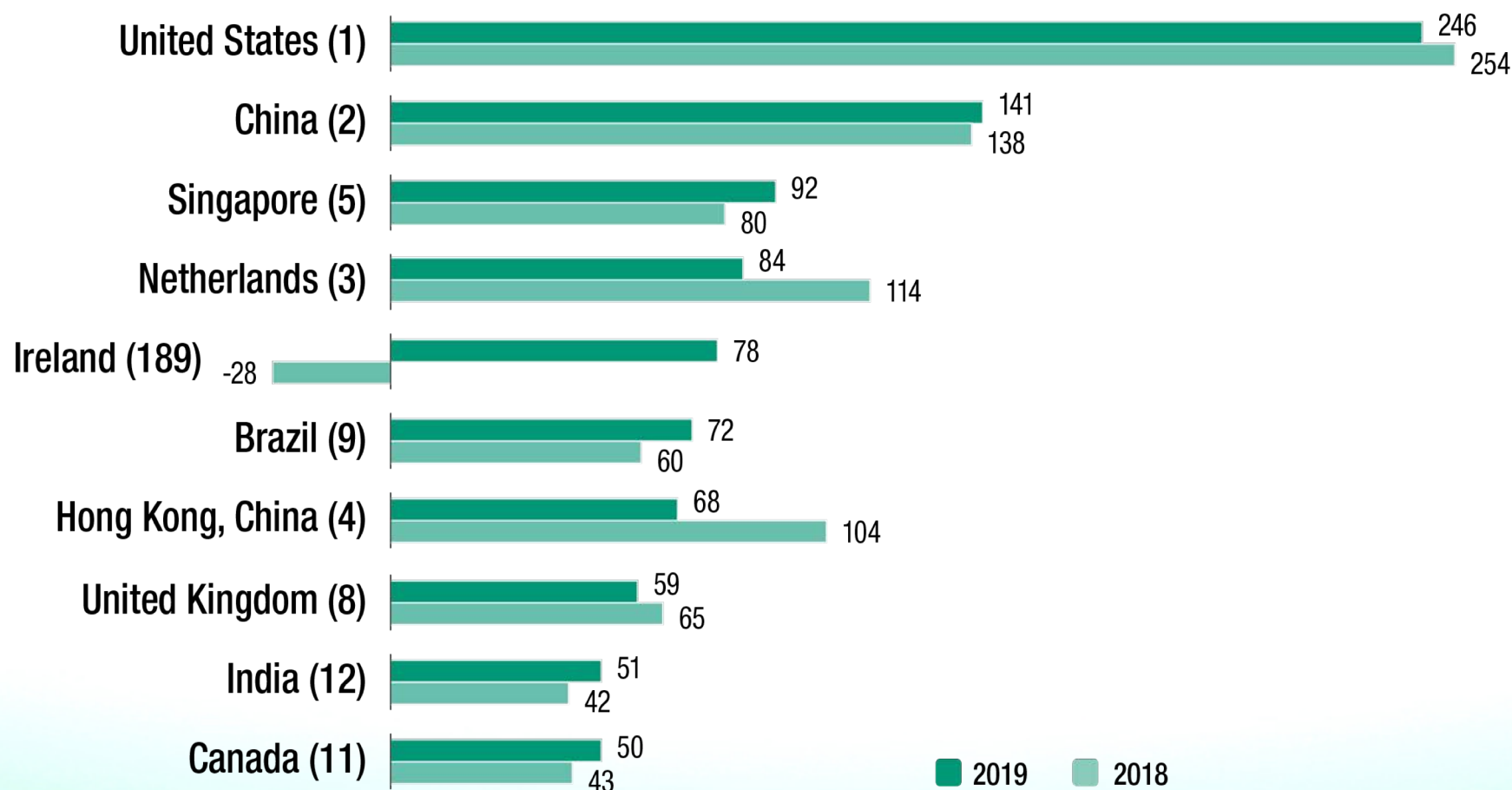
Global FDI inflows, 2015–2019 and 2020–2022 forecast



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

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

(x) = 2018 ranking



# All regions will see negative FDI growth rates in 2020

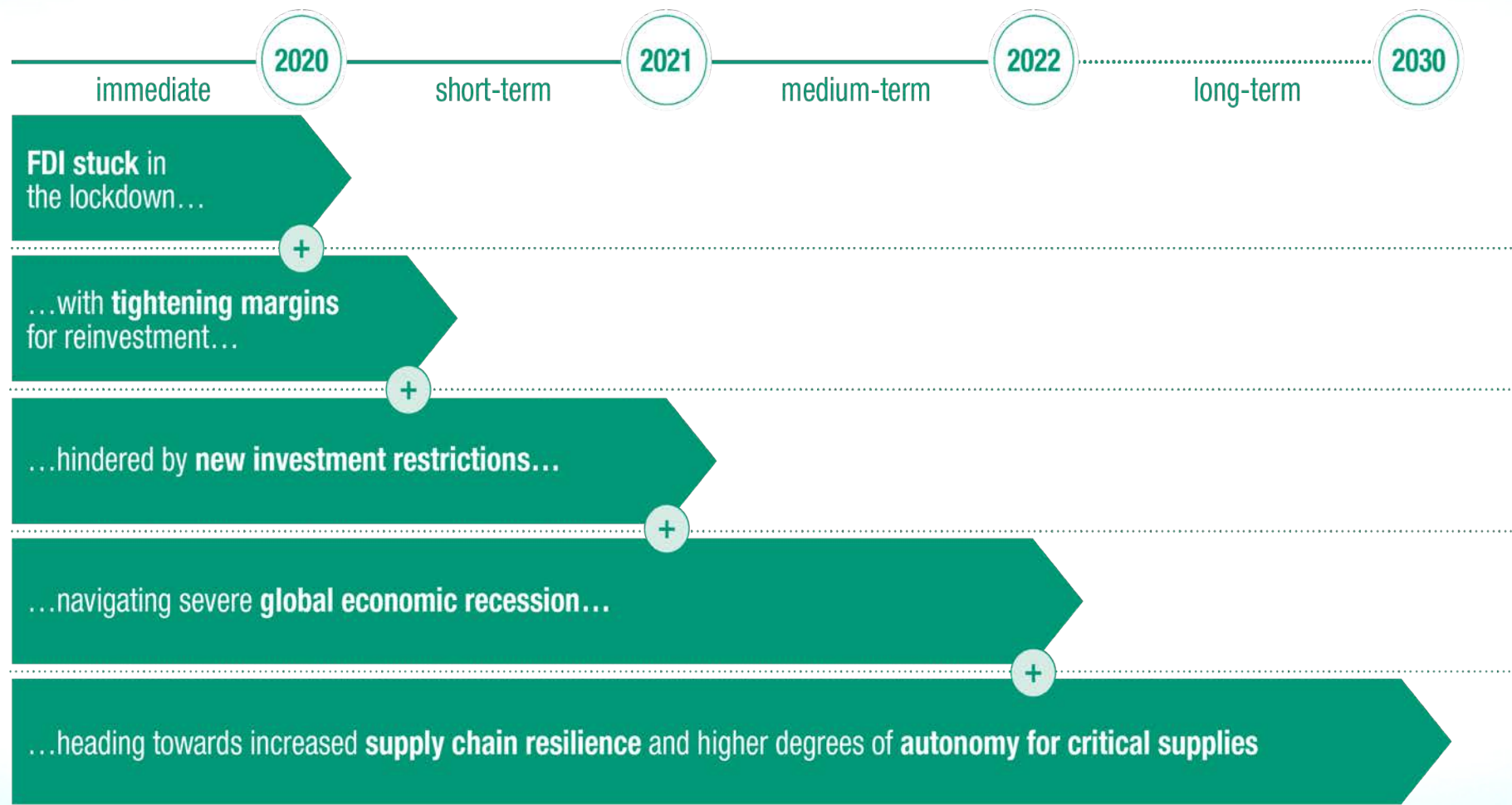
FDI inflows and projections, by group of economies and region, 2017-2019, and forecast 2020  
(Billions of dollars and per cent)

| 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

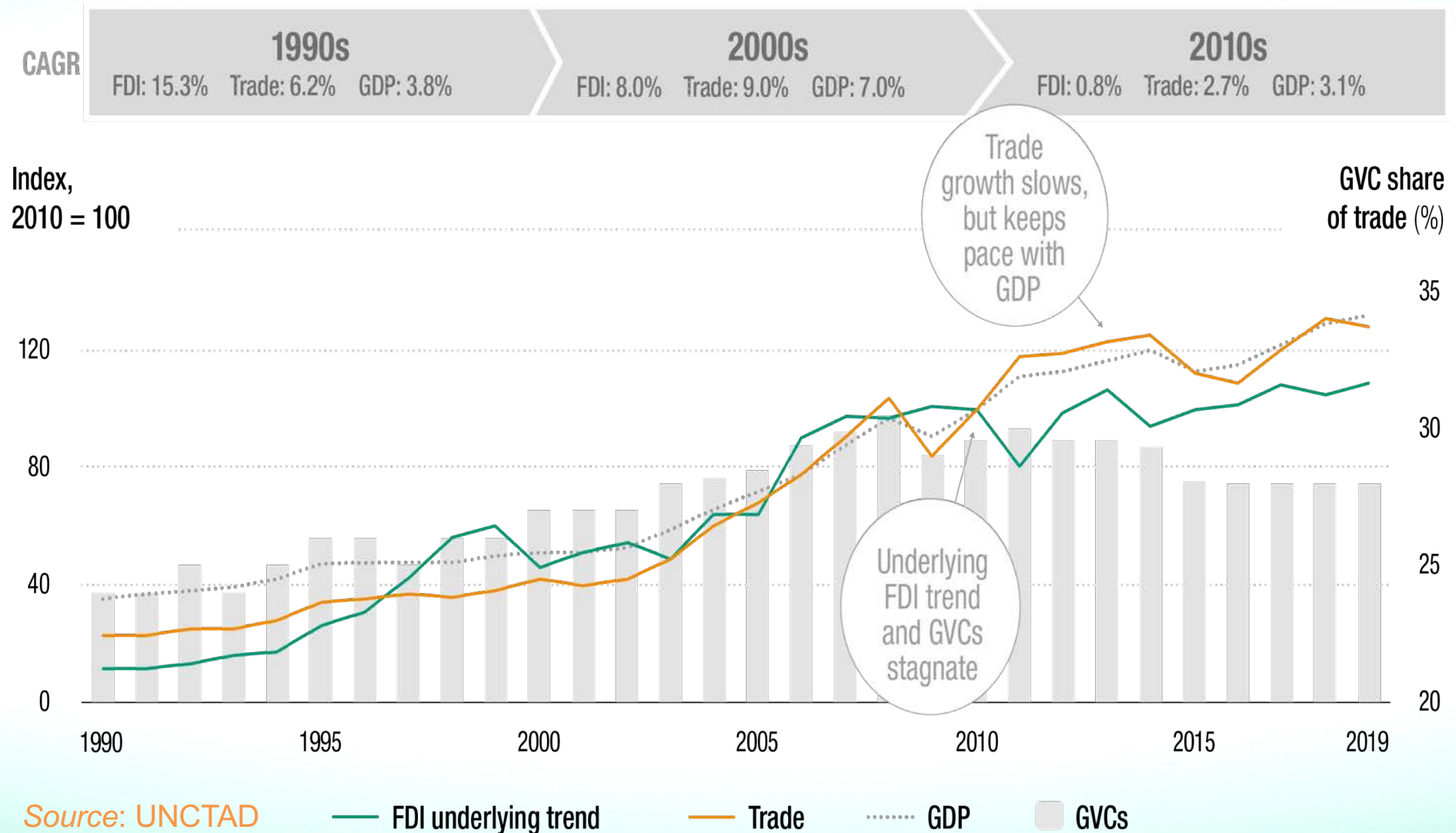
# The COVID-19 pandemic is a supply, demand and policy shock

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



# 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

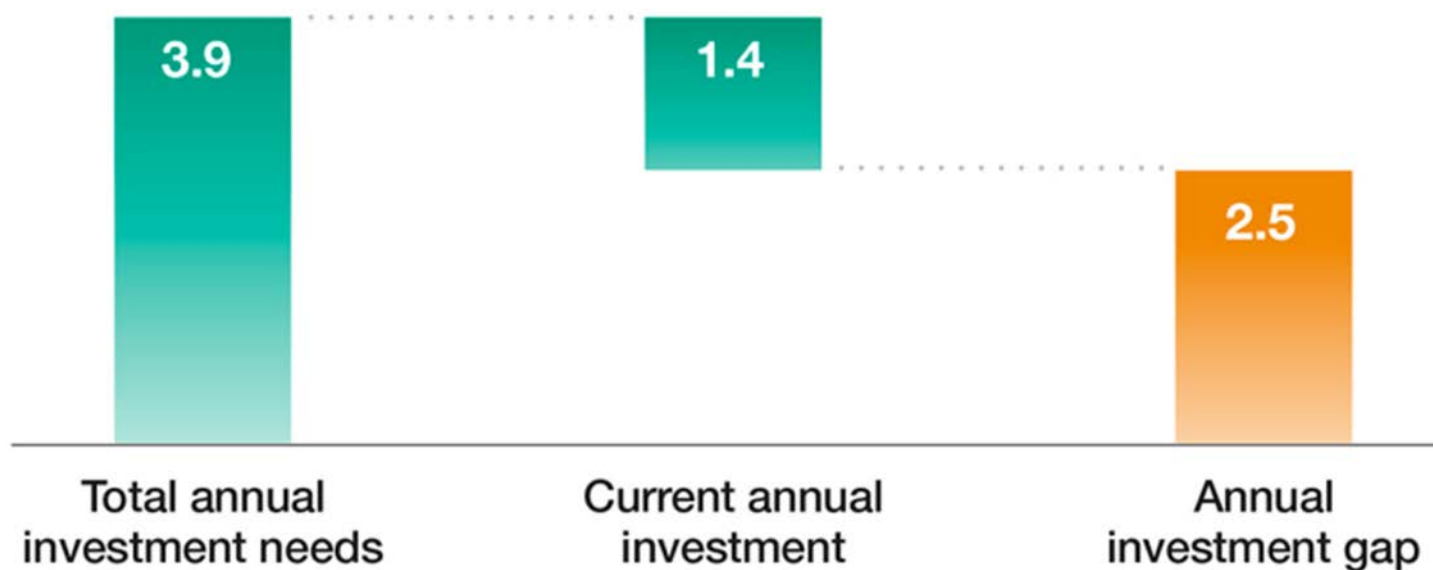
Source: UNCTAD

# 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.

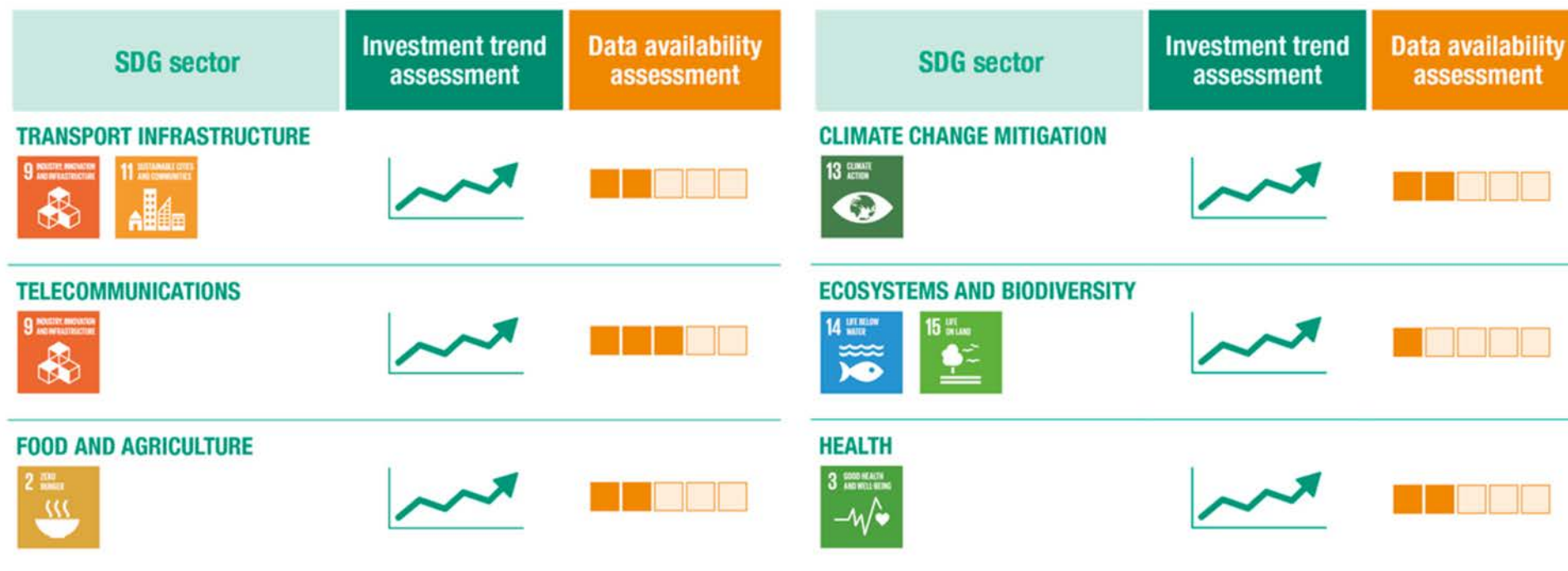
# WIR 2014 assessed investment needs/gaps across 10 sectors

| SDG sector                           | Most relevant SDGs                                                                                                                                                  | WIR14 estimated annual investment gap <sup>1</sup><br>(Billion of dollars) | SDG sector                  | Most relevant SDGs                                                                                                                                                      | WIR14 estimated annual investment gap <sup>1</sup><br>(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:



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><br>                          |    |    |
| <b>CLIMATE CHANGE ADAPTATION</b><br>      |    |    |
| <b>WATER, SANITATION AND HYGIENE</b><br> |   |    |
| <b>EDUCATION</b><br>                    |  |  |

Source: UNCTAD, SDG Investment Trends Monitor, 2019

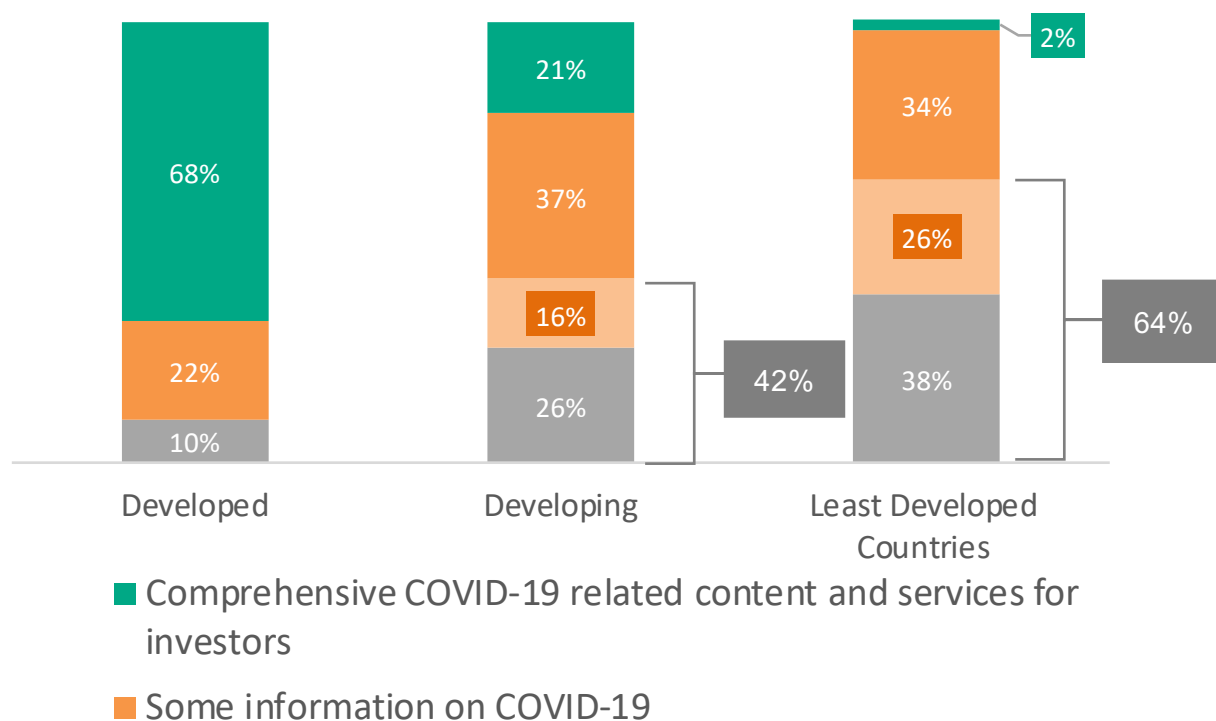
**How is investment promotion  
affected by the pandemic?**

**Can we still promote SDG  
investment?**



# How did IPAs respond to the pandemic?

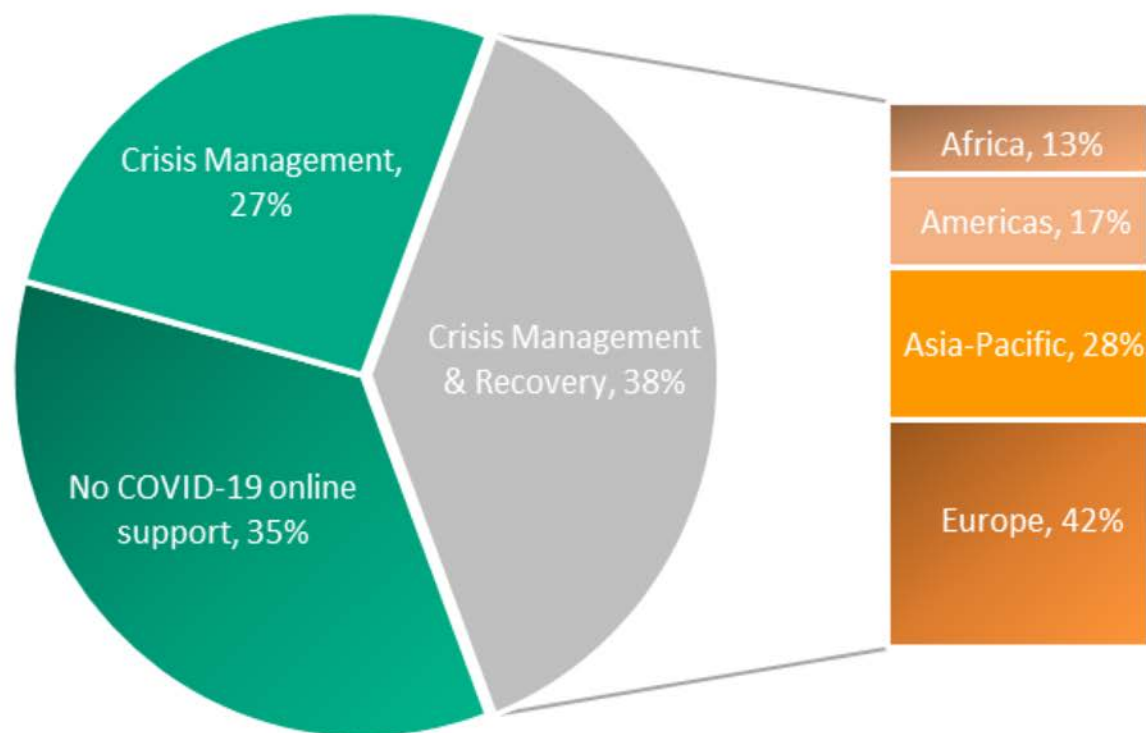
Differentials in online IPA response reflecting the digital divide (per cent of 180 national IPAs, July 2020)



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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