CHAPTER II

REGIONAL TRENDS

DEVELOPING ECONOMIES

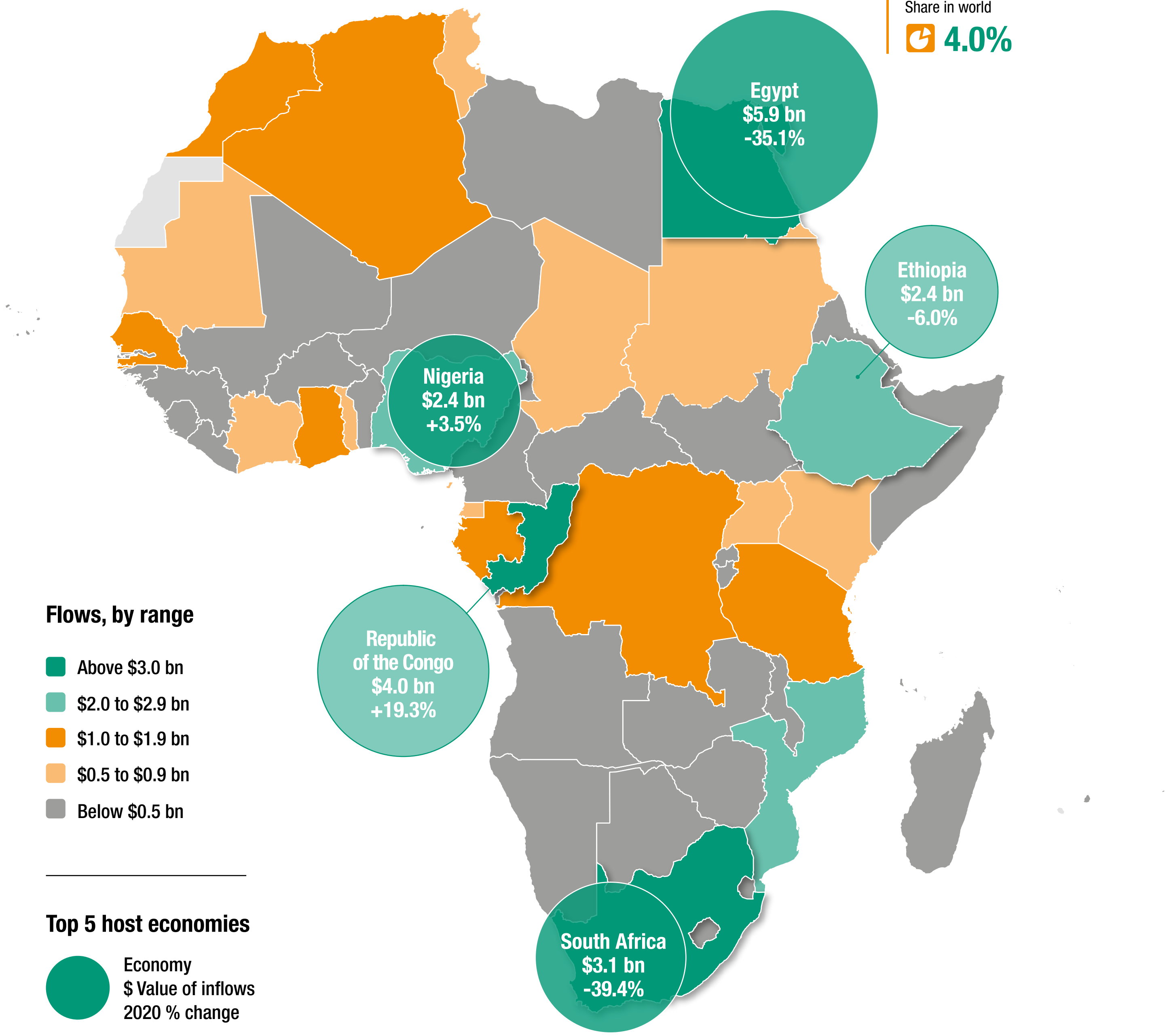
AFRICA

FDI flows, top 5 host economies, 2020 (Value and change)

2020 Inflows
39.8 bn

2020 Decrease
-15.6%

Share in world
4.0%



Outflows: top 5 home economies

(Billions of dollars and 2020 growth)

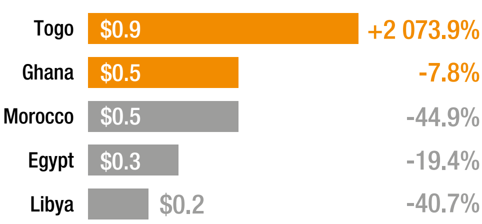
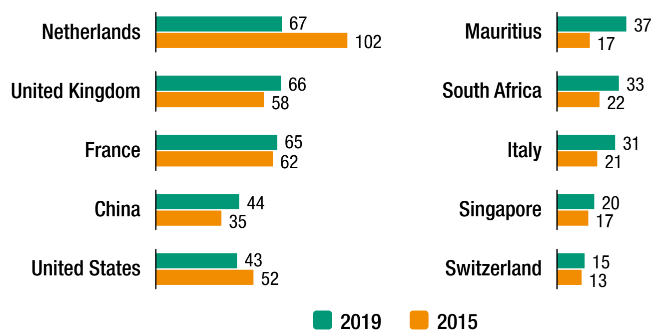


Figure A. **Top 10 investor economies by FDI stock, 2015 and 2019** (Billions of dollars)



Source: UNCTAD.

Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. Final boundary between the Sudan and South Sudan has not yet been determined. Final status of the Abyei area is not yet determined.

HIGHLIGHTS

- Pandemic and low oil prices depressed FDI flows
- Greenfield projects dropped by 62 per cent
- Flows to increase marginally in 2021

Figure B. FDI inflows, 2007–2009 and 2018–2020
(Billions of dollars and per cent)

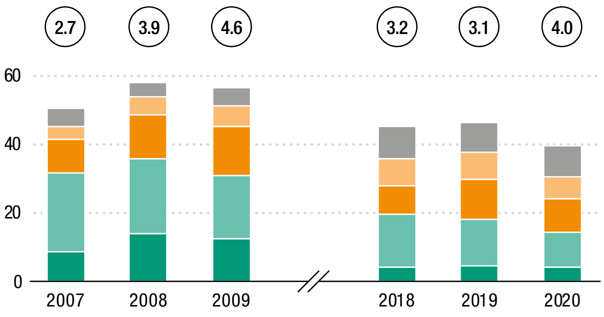
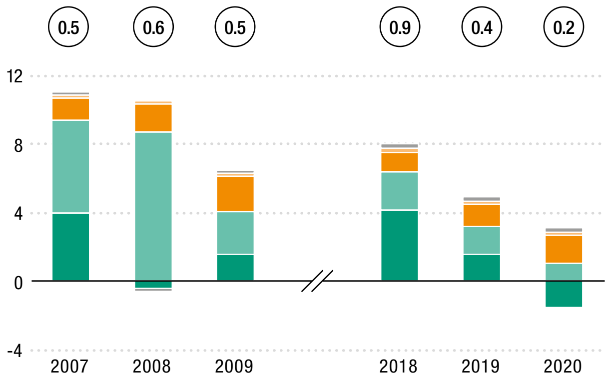


Figure C. FDI outflows, 2007–2009 and 2018–2020
(Billions of dollars and per cent)



Southern Africa | North Africa | West Africa | East Africa | Central Africa | Share in world total

Table A. Net cross-border M&A sales, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	2020	Number 2019	2020
Total	**5 835**	**3 334**	**140**	**87**
Primary	184	498	18	9
Manufacturing	2 114	2 247	36	18
Services	3 537	590	86	60
Top industries by value				
Food, beverages and tobacco	1 052	1 438	13	1
Pharmaceuticals	9	776	2	5
Extractive industries	143	458	15	6
Transportation and storage	533	235	10	6
Information and communication	- 90	193	13	9
Finance and insurance	20	74	24	20

Table B. Announced greenfield projects, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	2020	Number 2019	2020
Total	**76 637**	**28 997**	**1 063**	**556**
Primary	2 829	1 381	23	12
Manufacturing	32 621	8 468	409	198
Services	41 186	19 149	631	346
Top industries by value				
Information and communication	4 639	8 960	100	115
Energy	10 228	5 312	64	37
Coke and refined petroleum	7 727	2 315	13	3
Food, beverages and tobacco	2 448	1 382	54	38
Transportation and storage	5 402	1 277	50	26
Automotive	4 015	1 111	63	29

Table C. Announced international project finance deals, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	2020	Number 2019	2020
Total	**122 930**	**32 073**	**119**	**72**
Top industries by number				
Renewable energy	8 725	11 132	48	31
Mining	12 251	2 287	32	13
Transport infrastructure	9 885	13 969	7	7
Energy	3 587	1 448	9	5
Industrial real estate	3 192	846	5	5

Table D. SDG sectors: greenfield and project finance, selected trends, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	2020	Number 2019	2020
Infrastructure	60 473	15 417	17	12
Renewable energy	8 725	11 132	48	31
WASH	326	339	3	3
Food and agriculture	7 559	1 680	69	43
Health	639	267	37	14
Education	259	143	17	15

Foreign direct investment (FDI) to Africa declined by 16 per cent in 2020, to $40 billion, as the COVID-19 pandemic continued to have a persistent and multifaceted negative impact on cross-border investment globally and regionally. The decline in Africa, higher than the decline in the developing-country average, came on top of an existing stagnant trend, with FDI on the continent having remained almost unchanged in 2019 compared to 2018. The continent went into its first recession in 25 years; the economic slowdown and mobility restrictions weighed heavily on investment indicators. Greenfield project announcements, an indication of investor sentiment and future FDI trends, dropped by 62 per cent to $29 billion, while international project finance, especially relevant for large infrastructure projects plummeted by 74 per cent to $32 billion. Cross-border mergers and acquisitions (M&As) fell by 45 per cent to $3.2 billion. The FDI downturn in 2020 was particularly severe in resource-dependent economies due to low prices of and dampened demand for energy commodities. Amid the slow roll-out of vaccines and the emergence of new COVID strains, significant downside risks persist for foreign investment to Africa, and the prospects for an immediate substantial recovery are bleak. UNCTAD projects FDI in Africa to increase in 2021, but only marginally. An expected rise in demand for commodities, new opportunities due to global value chain (GVC) restructuring, the approval of key projects and the impending finalization of the African Continental Free Trade Area (AfCFTA) agreement's Sustainable Investment Protocol could lead to investment picking up greater momentum by 2022.

Inflows

The pandemic triggered cascading health and economic challenges in Africa throughout 2020, affecting FDI inflows significantly. The share of Africa in the FDI inflows of developing economies declined from 6.3 per cent to 5.9 per cent. Although most countries and regions within the continent were affected, foreign investment inflows were particularly impacted in resource dependent economies (table II.1).

FDI inflows to North Africa contracted by 25 per cent to $10 billion, down from $14 billion in 2019, with major declines in most countries. *Egypt* remained the largest recipient in Africa, albeit with a significant reduction (-35 per cent) to $5.9 billion in 2020. Attempts to promote FDI diversification include the recent agreement to activate the $16 billion Saudi–Egyptian investment fund that lists tourism, health, pharmaceuticals, infrastructure, digital technologies, financial services, education and food as priority sectors. Despite this, FDI to the country is still directed largely to natural resources. The discovery of the offshore Zohr gas field in the Eastern Mediterranean region has reinforced this pattern. In 2020, the development of the Baltim South West offshore project, the Kattameya field project and the third phase of the Kamose-North Sinai project were announced as priorities,

Table II.1. **Africa: pandemic impact on countries, by selected economic groupings**

Country economic grouping	Share of inflows (Per cent) 2019	Share of inflows (Per cent) 2020	Pandemic impact (Per cent change)
Oil exporters (10)	21	21	-15
Other resource-intensive economies (17)	50	44	-34
Non-resource-based economies (27)	29	35	-10

Source: UNCTAD.
Note: Country economic groupings based on IMF (2020).

all with significant participation expected from foreign investors. One sizeable investment ($210 million) outside the gas industry was the establishment by Realme (China), a smartphone manufacturer, of its regional sales and servicing facility in Cairo, to serve the entire African market. Flows to *Morocco* remained almost unchanged at $1.8 billion. Morocco's FDI profile is relatively diversified, with an established presence of some major MNEs in manufacturing industries including automotive, aerospace and textiles. The long-term commitment of these firms to the country, coupled with steady inflows in mining of phosphate – Morocco holds the largest reserves – mitigated against a decrease in cross-border investment inflows despite the global crisis.

FDI to *Algeria* dropped by 19 per cent to $1.1 billion, with inflows mainly directed to the natural resources sector. In 2020, Algeria lifted restrictions that capped foreign ownership at 49 per cent, except in the retail industry and in strategic sectors, including infrastructure and natural resource processing.[1] Although this could encourage the diversification of FDI, the impact may appear only after foreign investment recovers more broadly. FDI to the *Sudan* shrank by 13 per cent to $717 million. Easing of political tensions between the Sudan and the United States in 2020, added to other political developments conducive to investment, should pave the way for higher investment inflows in the medium term, after the negative impact of the pandemic recedes. Inflows to *Tunisia* declined to $652 million from $845 million in 2019, a 23 per cent fall. The manufacturing sector attracted the most FDI (54 per cent), followed by energy (33 per cent). The biggest impact of the pandemic on investment was in the services sector, where FDI declined by 44 per cent, which left its share of total FDI flows in Tunisia at only 9 per cent in 2020.[2]

FDI inflows to Sub-Saharan Africa decreased by 12 per cent to $30 billion, with investment growing in only a few countries. In West Africa, inflows to *Nigeria* increased slightly, from $2.3 billion in 2019 to $2.4 billion. The average price of crude oil dropped by 33 per cent in 2020,[3] and lower demand along with supply-side constraints caused by the slowdown in site development restricted FDI to the country in the first half of 2020. Despite the pandemic, the long-term policy of FDI diversification appears to have had some impact. One important greenfield investment ($66 million) in the non-oil economy was the construction of a manufacturing facility in the Lekki Free Trade Zone by Ariel Foods (Kenya). There was also a significant M&A deal in the same region, with China Communications Construction Company providing the initial $221 million equity injection in Lekki Deep Sea Port, out of a planned total investment of $629 million. Other transactions that contributed to FDI diversification, such as the investment by Multichoice Group (South Africa) in Betking, a provider of data hosting services, were relatively small. *Senegal* was among the few economies on the continent to have received higher inflows in 2020, with a 39 per cent increase to $1.5 billion, due to investments in energy, in both the traditional oil and gas industry as well as renewables. Work on offshore oil and gas fields started for the first time in Senegal in 2020; with production expected to start in 2022, the Government expects double-digit economic growth by 2023. The largest of these projects is the SNE Oil Field, which is being developed 100 km south of the capital, Dakar, by a consortium comprising Woodside Petroleum (Australia), Cairn Energy (United Kingdom), FAR (Australia) and Petrosen (Senegal).

Ghana registered a 52 per cent decline in FDI in 2020, leaving inflows at $1.9 billion, from $3.9 billion in 2019. Stringent lockdown measures in the first half of the year contributed to the investment decline, with the country among the first in the continent to impose mobility restrictions. The main investing economies in 2020 were Australia, China, the Netherlands, South Africa and the United Kingdom. Almost half of the FDI to Ghana was in manufacturing, whereas the services and mining sectors accounted for 25 and 16 per cent of foreign investment, respectively. Inflows increased in *Mauritania* by 10 per cent, to $1.0 billion, as a result of investments from China. FDI to *Togo* almost doubled to $639 million, mainly due to investment from other West African countries. A key project was a $100 million plant for building construction material announced by CimMetal Group (Burkina Faso), which is to start production in 2021. Another significant investment realized in 2020 was the new cement plant constructed by Dangote (Nigeria) for $60 million.

Central Africa was the only region in Africa to register an increase in FDI in 2020, with inflows of $9.2 billion, as compared with $8.9 billion in 2019. Increasing inflows in the *Republic of the Congo* (by 19 per cent to $4.0 billion) helped prevent a decline. Investment in the country was buoyed by flows in offshore oil fields after the completion of the Phase 2 licensing round of available oil blocks in 2019. FDI also grew in the Democratic Republic of Congo and Gabon (by 11 per cent each), to $1.6 billion and $1.7 billion, respectively. In the *Democratic Republic of Congo*, inflows in mining supported FDI, as prices for cobalt increased with rising demand for its use in smartphones and electric car batteries. Similarly, *Gabon* registered robust inflows in the oil industry, as the adoption of its new Petroleum Code in 2019 led to several new offshore production-sharing agreements, some of which materialized in 2020. Inflows were relatively stable in *Chad*, decreasing only 2 per cent to $558 million. FDI to the country remained overwhelmingly concentrated in natural resources.

FDI to East Africa dropped to $6.5 billion, a 16 per cent decline from 2019. *Ethiopia*, despite registering a 6 per cent reduction in inflows to $2.4 billion, accounted for more than one third of foreign investment to the subregion. Although the Ethiopian economy suffered from the pandemic, especially in hospitality, aviation and other services, it still grew a substantial 6.1 per cent. The manufacturing, agriculture and hospitality industries drew the highest shares of investment in 2020. The Government initiated a programme to facilitate foreign investment in the manufacturing of personal protective equipment (PPE), and several Chinese firms have already started production. FDI to the *United Republic of Tanzania* was largely unchanged at $1.0 billion. FDI to *Uganda* decreased by 35 per cent to $823 million, compared with $1.3 billion in 2019, as work on the Lake Albert oil project slowed due to the pandemic as well as disagreements between the Government and oil companies on the development strategy. The approval of the $3.5 billion East African Crude Oil Pipeline project, which will result in the construction of a 1,400 km pipeline from Uganda to the Tanga seaport in the United Republic of Tanzania, augurs well for investment to both countries. FDI to *Somalia* increased marginally (4 per cent) to $464 million. The country launched a new investment promotion strategy in 2020 that outlined 10 priority areas for foreign investment, including livestock, fisheries, energy and manufacturing.

FDI to Southern Africa decreased by 16 per cent to $4.3 billion, with Mozambique and South Africa accounting for most inflows. In *Angola*, repatriation of capital by MNEs in the oil and gas industry slowed, and the country registered net inflows of -$1.9 billion, as compared with -$4.1 billion in 2019. Inflows were steady in *Mozambique*, increasing by 6 per cent to $2.3 billion. The implementation of the $20 billion investment led by Total (France) in the liquefied natural gas (LNG) project in the country slowed but continued, despite the pandemic and other challenges. FDI to *South Africa*, in contrast, decreased by 39 per cent to $3.1 billion. South Africa has borne high human and economic costs due to the pandemic, and the country's GDP is estimated to have dropped by 8 per cent in 2020.[4] Cross-border M&As in South Africa dipped significantly (by 52 per cent, to $2.2 billion) but still accounted for a large part of total inflows. The largest investment realized in 2020 was PepsiCo's acquisition of Pioneer Foods after the Competition Tribunal of South Africa approved the deal. The acquisition, announced in 2019, is worth $1.7 billion, to be disbursed over several years.

Cross-border M&As, which form a relatively small part of total inflows to Africa fell by 45 per cent to $3.2 billion in 2020. Although multinational enterprises (MNEs) from the United States accounted for the highest value ($2 billion) of M&As in Africa, transactions from developed economies fell considerably. In contrast, those from developing economies, especially China (at $844 million compared with $131 million in 2019), rose.

Foreign investment in Africa directed towards sectors related to the Sustainable Development Goals (SDGs) fell considerably in nearly all sectors in 2020. Renewable energy was an outlier, with international project finance deals increasing by 28 per cent to $11 billion, from $9.1 billion in 2019. This is consistent with global trends of investment in renewable energy, which has picked up even as the pandemic has constricted investment in other sectors. Renewable energy projects were announced in many countries, including some with weak electricity infrastructure. For example, Schneider Electric Solar (France) announced a $165 million solar energy project in Burkina Faso as a part of its plan to expand its presence in Sub-Saharan Africa. In contrast, greenfield investment projects fell significantly in food and agriculture (-78 per cent to $1.7 billion) as well as in health (-58 per cent to $267 million) and education (-45 per cent to $143 million), exacerbating investment gaps in human capital and the enhancement of value addition in natural resources.

Outflows

FDI outflows from Africa fell by two thirds in 2020 to $1.6 billion, from $4.9 billion in 2019. The highest outflows were from Togo ($931 million). Investment from that country was largely directed to other African countries. For example, Afrik Assurances opened operations in Benin and Côte d'Ivoire in the financial services industry. Outflows from Ghana ($542 million) and Morocco ($492 million) were also significant, although they dropped by 8 and 45 per cent, respectively, compared with 2019. In addition to intracontinental investment, OFDI from Morocco also included investments in France. Outward investment from South Africa, traditionally a key investor, was negative (-$2.0 billion) as South African MNEs repatriated capital from foreign countries.

Prospects

Heading into 2021, Africa is expected to see FDI rise, but only to a limited extent (table II.2). The large falls in greenfield investment (-62 per cent to $29 billion) and international project finance announcements (-63 per cent to $46 billion) in 2020 indicate the significant downside risks in the immediate future. Given a projected GDP growth rate in 2021 (3.8 per cent) that is lower than the projected global average and a slow vaccine roll-out programme, investment recovery in Africa is likely to lag behind the rest of the world.

Table II.2. Africa: growth rates of GDP, trade and FDI, 2013–2021 (Per cent)

Variable	2013	2014	2015	2016	2017	2018	2019	2020	2021[a]
GDP	1.1	3.2	2.6	1.8	3.4	3.4	2.9	-3.5	3.6
Trade	-25.2	-8.1	-4.5	3.8	13.7	4.9	1.6	-10.4	8.4
FDI	-11.3	7.6	6.2	-20.1	-13.1	12.9	3.9	-15.6	(0 to 10)

Source: UNCTAD, FDI/MNE database for FDI; UN DESA for GDP and trade.
[a] Forecasted.

This is in contrast to trade, which is forecast to grow (8.4 per cent) in parallel with global growth (8 per cent). In the long run, the speed and the scale of the FDI recovery will depend on the extent to which the economic and social impact of the pandemic can be contained on the continent, as well as the global economic situation and the pace of implementing key announced projects.

Despite significant risks related to foreign investment in 2021, some indicators point to a potential return of FDI to pre-COVID levels by 2022. Although the overall value of planned project finance and greenfield investments fell considerably, a few large deals announced in 2020 signal that foreign investors are engaged despite the unfavourable investment climate. For example, MTN Group (South Africa) announced it would invest $1.6 billion to strengthen its 4G network services in Nigeria. Also, Eni announced plans to construct a natural gas processing plant as part of a joint venture with a local firm in Angola, with the opening date scheduled for 2023. Major investment announcements were also made during the Third South Africa Investment Conference in November 2020. Google, for example, announced it would invest approximately $140 million in a fibre-optic submarine cable that will provide high-speed internet connectivity across the country. However, the realization of these sizeable investment projects is likely to be drawn out, due to the unfavourable investment, economic and epidemiological conditions.

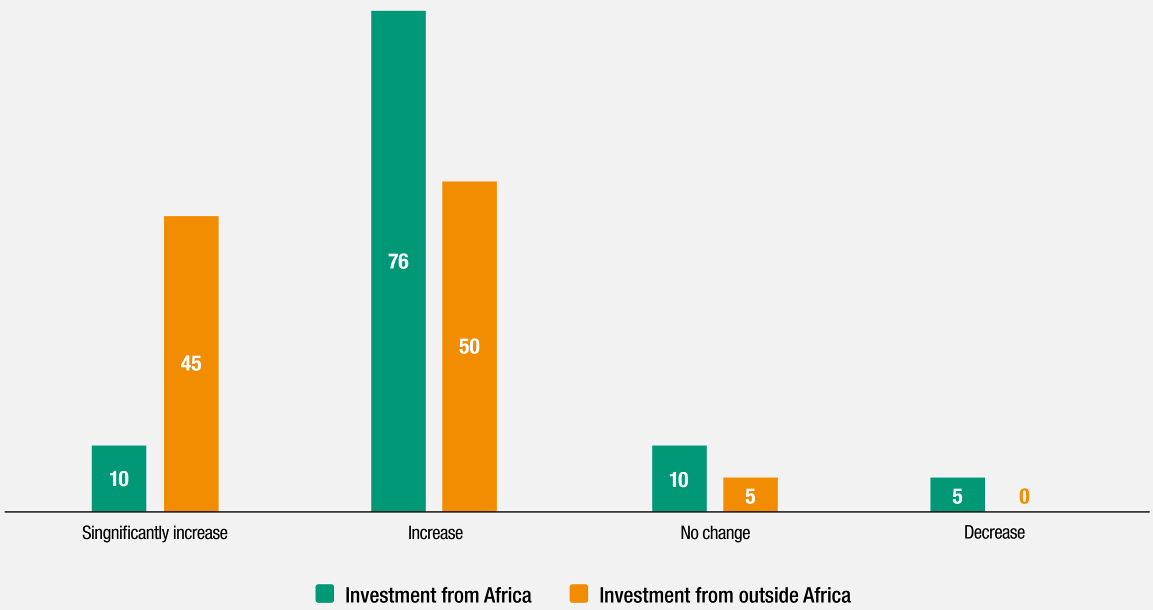
The expected adoption of the Sustainable Investment Protocol of AfCFTA (see chapter III) could also bolster FDI flows to and within Africa in the long term (box II.1). The protocol is being negotiated as a Phase 2 issue of the agreement, along with competition policy and intellectual property rights. Finally, indications of an increase in commodity prices in 2021, especially for crude oil and natural gas, could also encourage investment flows to Africa. Oil prices are projected to increase by 21 per cent on average and non-oil commodity prices by 13 per cent.

In conclusion, FDI to Africa faces strong headwinds in the short term with significant downside risks. In the longer run, vaccine availability, domestic economic recovery policies and international financial support will be critical to the revival of FDI and the post-pandemic recovery.

Box II.1. The AfCFTA and investment in SEZs

The implementation of the AfCFTA is expected to significantly shape foreign investment into African special economic zones (SEZs). It is also likely to affect target industries and source countries of investment. According to a recent UNCTAD survey of SEZ stakeholders in Africa carried out in collaboration with the African Economic Zones Organization (AEZO), FDI in SEZs is expected to increase by 15 per cent from other members of AfCFTA and by 30 per cent from outside Africa. The survey revealed that the vast majority of African SEZs view the AfCFTA with optimism: over 85 percent of respondents expect FDI from Africa to increase or significantly increase, while almost the entirety of respondents (95 per cent) expect investment from outside Africa to do so (box figure II.1.1). In the context of enhanced regional integration, international investors are likely to increasingly pursue regional market-seeking investments, considering African SEZs as points of entry into the whole continental market, therefore scaling up FDI towards the most competitive zones.

Box figure II.1.1. AfCFTA: expected impact on FDI in African SEZs (Per cent)



Source: UNCTAD in collaboration with AEZO.

According to SEZ stakeholders, the most promising industries for FDI flows in African SEZs post-AfCFTA implementation are agriculture and food, light manufacturing, textiles and electronics. More and more SEZs are also looking to attract investment in the automotive and construction sectors. In this regard, the implementation of the AfCFTA presents a window of opportunity for SEZs to pivot away from primary commodities traditionally driving African investment and trade flows, such as mining and hydrocarbons, while instead attracting and leveraging investment into higher value-added industries.

Source: UNCTAD.

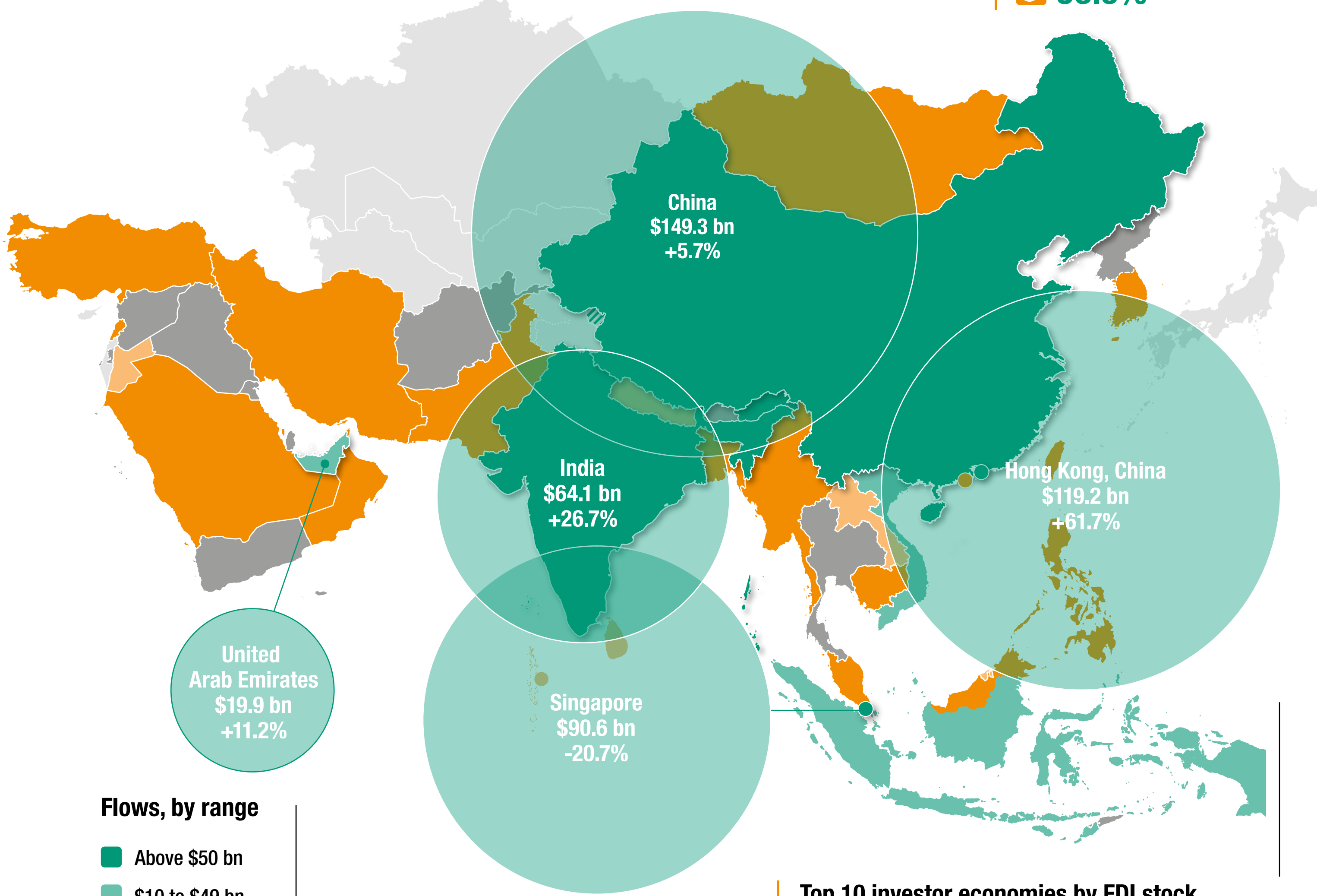
DEVELOPING ASIA

FDI flows, top 5 host economies, 2020 (Value and change)

2020 Inflows
535.3 bn

2020 Increase
+3.8%

Share in world
53.6%



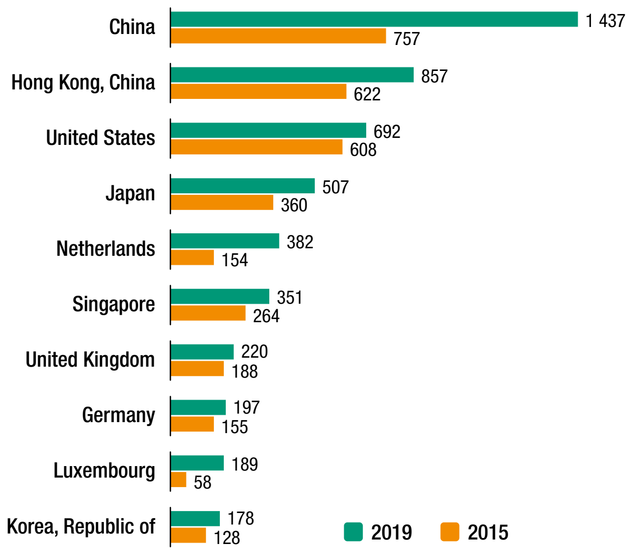
Flows, by range

- Above $50 bn
- $10 to $49 bn
- $1.0 to $9.9 bn
- $0.1 to $0.9 bn
- Below $0.1 bn

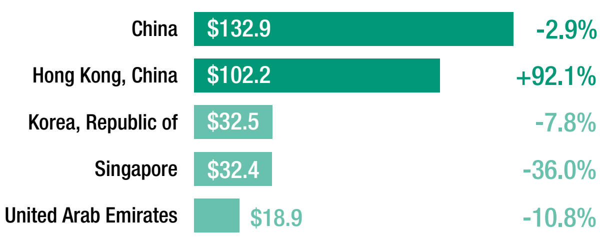
Top 5 host economies

Economy
$ Value of inflows
2020 % change

Figure A. **Top 10 investor economies by FDI stock, 2015 and 2019** (Billions of dollars)



Outflows: top 5 home economies
(Billions of dollars and 2020 growth)



Source: UNCTAD.
Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

HIGHLIGHTS

- Flows remained resilient
- The region accounted for half of global inward and outward FDI
- 2021 prospects favourable, with higher inflows expected

Figure B. FDI inflows, 2007–2009 and 2018–2020 (Billions of dollars and per cent)

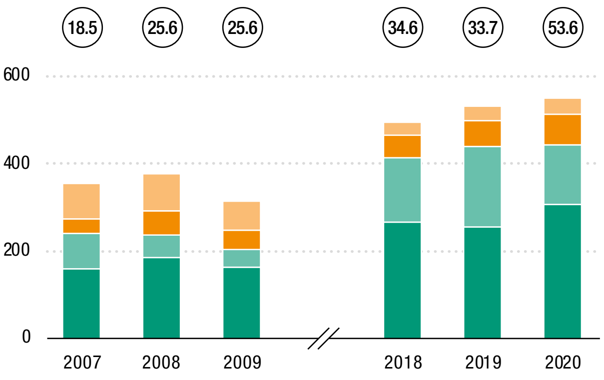


Figure C. FDI outflows, 2007–2009 and 2018–2020 (Billions of dollars and per cent)

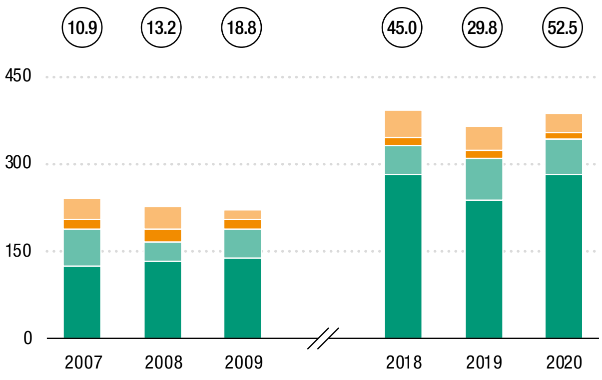


Table A. Net cross-border M&A sales, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	Value (Millions of dollars) 2020	Number 2019	Number 2020
Total	**52 656**	**73 234**	**749**	**606**
Primary	1 188	11 277	23	23
Manufacturing	19 411	23 545	164	134
Services	32 057	38 411	562	449
Top industries by value				
Information and communication	3 190	12 804	95	83
Pharmaceuticals	925	11 420	11	26
Extractive industries	469	10 787	16	11
Finance and insurance	7 619	7 887	112	93
Real estate	3 680	7 048	57	30
Utilities	-1 093	5 305	29	32

Table B. Announced greenfield projects, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	Value (Millions of dollars) 2020	Number 2019	Number 2020
Total	**265 117**	**169 743**	**4 336**	**2 626**
Primary	4 545	673	33	25
Manufacturing	149 375	101 319	1 974	1 113
Services	111 197	67 752	2 329	1 488
Top industries by value				
Chemicals	16 686	29 003	237	137
Coke and refined petroleum	52 656	22 659	39	18
Electronics and electrical equipment	20 410	17 818	382	230
Information and communication	14 373	15 538	771	541
Energy	19 682	14 374	65	55
Finance and insurance	9 463	10 923	286	229

Table C. Announced international project finance deals, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	Value (Millions of dollars) 2020	Number 2019	Number 2020
Total	**156 818**	**93 633**	**186**	**182**
Top industries by number				
Renewable energy	30 711	33 354	62	88
Energy	12 816	16 113	19	22
Oil and gas	68 079	16 567	15	18
Industrial real estate	6 714	11 132	15	16
Residential/commercial real estate	6 484	3 329	30	15

Table D. SDG sectors: greenfield and project finance, selected trends, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	Value (Millions of dollars) 2020	Number 2019	Number 2020
Infrastructure	30 964	23 000	39	31
Renewable energy	30 711	33 354	62	88
WASH	1 479	259	13	4
Food and agriculture	5 037	4 327	167	125
Health	3 693	2 464	143	91
Education	525	606	38	37

FDI inflows to developing Asia grew by 4 per cent to $535 billion in 2020, increasing Asia's share of global inflows to 54 per cent. M&As were robust, but the value of announced greenfield investments in 2020 contracted, and the number of international project finance deals stagnated. FDI growth in the region was fundamentally driven by resilient inflows in the largest economies and inflated by a sharp rebound of inflows in Hong Kong, China after anomalously low inflows in 2019 and because of corporate reconfigurations and transactions by MNEs headquartered in the economy. In China and India, FDI increased by 6 per cent (to $149 billion) and 27 per cent (to $64 billion), respectively. In the United Arab Emirates, FDI increased by 11 per cent to $20 billion. Elsewhere in the region, FDI contracted. In South-East Asia, it declined by 25 per cent, to $136 billion, with the severe disruptions of supply chains and manufacturing activities. Investment in Singapore, a major FDI recipient, fell by 21 per cent to $91 billion. OFDI from Asia rose 7 per cent to $389 billion, driven mainly by an increase in outflows from Hong Kong, China and from Thailand, while OFDI from China, the largest investor country in 2020, was flat. FDI prospects for the region are more positive than those for other developing regions, owing to resilient intraregional value chains and stronger economic growth prospects. Manufacturing, an important FDI sector for the region, already showed signs of recovery in the second half of 2020. However, in smaller economies oriented towards services and labour-intensive industries, particularly hospitality, tourism, and garments, FDI could remain weak in 2021.

Inflows

FDI in developing Asia grew by 4 per cent, to $535 billion in 2020, making it the only region to record growth. That growth was due to corporate reconfigurations and transactions by MNEs headquartered in Hong Kong, China, inflated by a rebound of investment in the economy after social unrest suppressed FDI in 2019. Excluding that economy, which traditionally accounts for sizeable conduit flows (chapter I), FDI to the region was down by 6 per cent ($26 billion) in 2020. M&A activity was robust across the region, growing 39 per cent to $73 billion – particularly in technology, financial services and consumer goods. In contrast, the value of greenfield investments announced in 2020 contracted by 36 per cent, to $170 billion, from the value in 2019, and the number of international project finance transactions stagnated. Within the region, there are large divergences in the FDI trend. Whereas some of the largest economies, such as China and India, recorded FDI growth in 2020, the rest recorded a contraction. In smaller economies where FDI is concentrated in tourism or manufacturing, contractions were particularly severe.

FDI in *East Asia* increased 21 per cent to $292 billion. Overall growth was inflated by the FDI recovery in *Hong Kong, China* in 2020. FDI surged 62 per cent, to $119 billion, driven mainly by an increase in intracompany loans and reinvested earnings – dominant components of FDI for the economy. Although accounting for a small share of FDI, the rebound in cross-border M&A sales to $11 billion (from -$1 billion in 2019) also contributed to this rise, due to many instances of Chinese MNEs consolidating affiliates in Hong Kong, China. Considering the economy's substantial intrafirm flows and its close ties with China, which contributes 28 per cent of its FDI stock,[5] growth in FDI in Hong Kong, China reflects corporate restructuring, particularly by Chinese MNEs, more than new investment.

FDI growth in *China* continued in 2020, growing by 6 per cent to $149 billion. This reflects, to a degree, success in containing the pandemic and the rapid recovery. A quicker return to positive GDP growth in the second quarter of 2020 and removal of investment restrictions helped sustain investment. Growth was driven by the services sector, which accounted for more than 70 per cent of inflows; FDI accelerated particularly in technology-related industries. To facilitate investment, the government expanded the number of industries opened to FDI, lifted foreign investment restrictions in major industries and amended the negative list for foreign investment in pilot free trade zones (see chapter III[6] FDI in high-tech industries (hardware, software, e-commerce and research and development (R&D)) increased by 11 per cent. Growth in M&As and international project finance deals also contributed to China's FDI growth, though marginally. M&A sales rose by 97 per cent (to $19 billion), mostly in the information and communication technology (ICT) and pharmaceutical industries. The value of new greenfield investments announced in 2020 contracted substantially in industries such as transportation and automotive.

In the *Republic of Korea*, FDI declined by 4 per cent to $9.2 billion. Though the country was among the earliest to contain the outbreak and economic growth remained strong, a large drop in cross-border M&As caused FDI to decline. In 2020, M&As fell from $3.8 billion in 2019 to -$1.9 billion, driven by large divestments.[7] Despite their overall decline, FDI inflows remained strong in some industries, particularly those related to the fourth industrial revolution (e.g. artificial intelligence (AI), big data, cloud computing), as well as electric cars and biotechnology. FDI inflows pledged to these industries grew 9.3 per cent to $8.4 billion, amounting to more than 40 per cent of the country's total pledged FDI.

FDI in *South-East Asia*, an engine of global FDI growth for the past decade, contracted by 25 per cent to $136 billion. Announced greenfield investments and international project finance deals each declined by about 20 per cent in value. Cross-border M&As, which account for a marginal portion of FDI, fell to -$4.7 billion from $9.8 billion in 2019. The three largest recipients (Singapore, Indonesia and Viet Nam) in that order, which accounted for more than 90 per cent of inflows in 2020, all recorded FDI declines. Lockdown measures, successive waves of COVID-19 infection, supply chain disruption, falling corporate earnings, economic uncertainties and delayed investment plans were key reasons for the contraction.

FDI in *Singapore* fell by 21 per cent to $91 billion. Even so, the country remained the largest recipient and source of intraregional investment. FDI in the three largest recipient industries (finance, wholesale and retail trade, and manufacturing) contracted, but investment in manufacturing declined the most – by more than 80 per cent. In *Indonesia*, FDI declined by 22 per cent, to $19 billion, because of a 58 per cent drop in investment in the manufacturing industry. Two major sources of FDI fell: investment from Japan shrunk by 75 per cent, to $2.1 billion, and investment from Singapore by nearly 30 per cent, to $4.6 billion. In *Viet Nam*, FDI fell by 2 per cent because of significant investment contractions in manufacturing and real estate activities (the two largest recipients last year) but was cushioned by a rise in investment in electricity projects. Inflows from major Asian economies (e.g. China, Hong Kong (China), Japan, Republic of Korea), traditionally the largest sources of FDI to Viet Nam, declined.

FDI to other South-East Asian countries also fell. In *Thailand*, FDI sank to -$6 billion, driven by the divestment of Tesco (United Kingdom) to a Thai investor group for $10 billion. In *Malaysia*, FDI fell by 55 per cent to $3 billion. In *Myanmar*, FDI dropped 34 per cent to $1.8 billion. FDI in *Cambodia* was flat at $3.6 billion thanks to inflows in finance, which rose by 13 per cent to $1.4 billion, compensating for a 7 per cent fall in manufacturing, primarily in the garment industry (the traditional largest manufacturing recipient) and investment declines in industries such as hospitality and real estate. FDI in the *Lao People's Democratic Republic*, in contrast, rose to $968 million, driven by investments in hydropower. International project finance deals in that country nearly quadrupled in 2020 to $3.3 billion, to be invested over several years.

FDI in *South Asia* rose by 20 per cent to $71 billion, driven mainly by strong M&As in India. In that country, FDI increased 27 per cent to $64 billion. Amid India's struggle to contain the COVID-19 outbreak, robust investment through acquisitions in ICT (software and hardware) and construction bolstered FDI. Cross-border M&As surged 83 per cent to $27 billion, with major deals involving ICT, health, infrastructure and energy. Large transactions included the acquisition of Jio Platforms by Jaadhu (a subsidiary of Facebook (United States)) for $5.7 billion, the acquisition of Tower Infrastructure Trust by Brookfield (Canada) and GIC (Singapore) for $3.7 billion and the sale of the electrical and automation division of Larsen & Toubro India for $2.1 billion. Another megadeal – Unilever India's merger with GlaxoSmithKline Consumer Healthcare India (a subsidiary of GSK United Kingdom) for $4.6 billion – also contributed.

In *Pakistan*, FDI was down by 6 per cent to $2.1 billion, cushioned by continued investments in power generation and telecommunication industries. Inflows in *Bangladesh* and *Sri Lanka* contracted by 11 per cent and 43 per cent, respectively. FDI fell in other South-Asian economies that rely on export-oriented garment manufacturing, as orders from the United States and the European Union dropped substantially in 2020.

FDI flows to *West Asia* increased by 9 per cent to $37 billion in 2020. A significant rise in M&As (60 per cent to $21 billion) drove this growth, particularly some key acquisitions in natural resource-related projects in some of the region's main economies. By contrast, the pandemic combined with low energy prices and commodity prices significantly curtailed greenfield investment projects. The impact was particularly severe in the region's relatively smaller economies, where the needs for investment are the greatest.

FDI to the *United Arab Emirates* expanded by 11 per cent to $20 billion. Natural resources transactions drove investments in the country, primarily ADNOC's $10 billion sale of a 49 per cent stake in its natural-gas pipelines to a group of six investors including Global Infrastructure Partners (United States), Brookfield Asset Management (Canada) and Singapore's sovereign wealth fund. The United Arab Emirates also received investments in other industries: for example, some 53 per cent of FDI to the Emirate of Dubai in the first half of 2020 was in medium- and high-tech sectors; and a key deal was realized in the pharmaceuticals industry, with CCL Pharmaceuticals (Pakistan) acquiring a majority stake in StratHealth Pharma for an undisclosed sum. The United Arab Emirates continued to liberalize its FDI regime with the promulgation of the 2020 FDI Decree, which further facilitated foreign investment by extending some of the free zone incentives to the broader economy.[8]

Inflows to *Turkey* decreased by 15 per cent to $7.9 billion in 2020. FDI picked up towards the end of the year ($2.3 billion in Q4), preventing a steeper decline. European economies continued to account for the largest share of inflows (55 per cent), but the United States (14 per cent) as well as Middle Eastern (7 per cent) and Asian economies (6 per cent) were also significant investors.[9] Major deals included a $200 million investment by Metric Capita (France) in a pharmaceuticals manufacturing unit and the Qatar Investment Authority's acquisition of a 10 per cent equity stake in a stock exchange operator valued also at $200 million.

FDI to *Saudi Arabia* remained robust despite the pandemic, increasing by 20 per cent to $5.5 billion. As in Turkey, investment picked up in late 2020, reaching almost $1.9 billion in the last quarter. The policy interventions to diversify investment appear to be effective: key investments were reported in financial services, retail, e-commerce and ICT. For example, Gulf International Bank (Bahrain) launched its new commercial banking operations in Saudi Arabia with an investment of almost $450 million. Another sizeable investment was the acquisition of a minority stake in Saudi Digital Payments Company, a subsidiary of Saudi Telecom, by Western Union (United States) for $200 million.

In terms of the number of new foreign investment licences awarded in 2020, Egypt and India were the most active in Saudi Arabia, followed by the United Kingdom. FDI to *Bahrain*, in contrast, contracted by a third to $1 billion. The Government announced plans to continue implementing wide-ranging reforms to attract foreign investment and link it to national development and economic diversification plans. Foreign investment in 2020 was primarily directed at the country's manufacturing, education, health-care and information technology industries.

Across developing Asia in 2020, investment in SDG-related sectors fell (table D). Renewables saw a rise in international project finance deals to $33 billion, with Viet Nam accounting for more than 40 per cent of all projects for wind and solar plants,[10] followed by India. Investment in infrastructure (telecommunication, power and transportation), which expanded significantly before the pandemic, was suppressed in 2020.

Outflows

OFDI from Asia increased 7 per cent to $389 billion – the only region recording growth in outflows. This underscores the region's prominence as an important investor for the developing region. Growth was driven by strong outflows from East and South-East Asia, in particular from Hong Kong (China) and from Thailand. OFDI flows from China were flat, while those from Singapore fell by 36 per cent.

OFDI from *East Asia* rose 19 per cent to $282 billion. OFDI from *Hong Kong, China* doubled to $102 billion – mostly in the form of reinvested earnings. Growth reflects, to a degree, reinvestments by MNEs listed in Hong Kong, China to affiliates in China and other parts of Asia.

China's OFDI stabilized at $133 billion in 2020. The country's tighter screening of OFDI, added to heightened scrutiny by the United States of investments originating from China, had weighed on the country's OFDI since 2017. Continued expansion of Chinese MNEs and ongoing Belt and Road Initiative projects underpinned the stabilization in 2020. In addition, M&A purchases by Chinese investors, which almost doubled to $32 billion, also helped stabilize OFDI.

OFDI from *South-East Asia* decreased by 16 per cent to $61 billion, but the region's share of global outward investment flows rose from 6 per cent in 2019 to 8 per cent. Singapore and Thailand were the two largest investors from the region in 2020.

OFDI from *Singapore* was down 36 per cent to $32 billion, a significant share of which was invested in ASEAN. Singapore remained a major source of investment not only for ASEAN countries, but also for other economies such as China and India. In 2020, companies from Singapore were the largest investor group in some Asian countries. More than 25 per cent of FDI in Indonesia and 40 per cent in Viet Nam was from Singapore.[11] OFDI from *Thailand* more than doubled to $17 billion. In 2020, about 85 per cent of FDI from the country was in financial services, manufacturing, real estate and construction activities, going mostly to ASEAN. Thai companies are actively investing in the construction of power plants and in retail activities in the region. For instance, in Viet Nam, EGAT and the Electricity Generating Company are building a $2.4 billion power plant, Super Energy is constructing the $384 million Loc Ninh power plant, and B. Grimm Power is involved in a $300 million solar power project. Thai companies actively pursued M&A transactions as well, mainly in ASEAN. In 2020, Bangkok Bank acquired Bank Permata in Indonesia for $2.3 billion, Thai Beverage acquired Frasers Commercial Trust (Singapore) for $1.1 billion, and a Thai investor group led by Charoen Pokphand acquired Tesco's operation in Malaysia for $700 million.

Outward investment from *Indonesia* and the *Philippines* rose to $4.5 billion and $3.5 billion, respectively. Companies from these two countries made some significant M&A purchases and were involved in infrastructure projects, particularly in neighbouring countries. For example, Ayala Corporation (Philippines) and a Singaporean partner are constructing a $172 million wind farm in Viet Nam, and Japfa Comfeed (Indonesia) inaugurated a $13 million feed mill, also in Viet Nam.

OFDI from *South Asia*, by contrast, fell 12 per cent to $12 billion, driven by a drop in investment from *India*. These outflows remained small, representing less than 2 per cent of global outflows. Companies in India are South Asia's largest investors, with more than 90 per cent of outflows in 2020. Investments from India are expected to stabilize in 2021, supported by the country's resumption of free trade agreement (FTA) talks with the European Union (EU) and its strong investment in Africa.

OFDI from *West Asia* dropped by 18 per cent to $34 billion. Outward flows from *Saudi Arabia* slowed considerably (-64 per cent to $4.9 billion), driving the overall contraction. This was a result of the Saudi Public Investment Fund refocusing on domestic investment to counterbalance the negative economic effects of the pandemic as well as the slowdown of inward FDI. After investing only $15 billion domestically in 2019, the Fund announced plans to increase this amount to $40 billion annually from 2020 to 2025. FDI from *Kuwait* increased considerably, to $2.4 billion in 2020 despite the pandemic. This was mainly due to the sovereign wealth fund's new strategy of focusing on equity and infrastructure projects overseas, as opposed to portfolio investment.

Prospects

FDI inflows in Asia are expected to increase in 2021, outperforming other developing regions with a projected growth of 5–10 per cent (table II.3). Signs of trade and industrial production recovering in the second half of 2020 provide a strong foundation for FDI growth in 2021. Yet, substantial downside risks remain for the many economies in the region that struggle to contain successive waves of COVID-19 cases and where fiscal capacity for recovery spending is limited. Investment in tourism-related industries and labour-intensive manufacturing will remain weak in 2021, whereas investment in the digital economy, data centres and ICT as well as health care will be robust. Economies in East and South-East Asia, and India, will continue to attract foreign investment in high-tech industries, given their market size and their advanced digital and technology ecosystem. In 2020, amid an overall contraction in greenfield investment announcements in the region, the value of new projects in the ICT industry grew 8 per cent (table B). In many economies, accelerating infrastructure development as part of stimulus programmes is expected to encourage investment in infrastructure-related activities. In other SDG sectors,

Table II.3. Developing Asia: growth rates of GDP, trade and FDI, 2013–2021 (Per cent)

Variable	2013	2014	2015	2016	2017	2018	2019	2020	2021[a]
GDP	6.1	6.0	5.8	6.3	5.7	5.3	4.2	-1.3	7.5
Trade	6.0	4.6	0.2	2.5	7.5	4.1	-0.4	-2.9	8.3
FDI	2.3	10.7	11.8	-8.5	7.3	-1.7	3.8	3.8	(5 to 10)

Source: UNCTAD, FDI/MNE database for FDI; UN (2021) for GDP and trade.
[a] Forecasted.

FDI in renewables is expected to continue to grow as countries push for greener energy sources (such as in China, the Republic of Korea, Saudi Arabia and a few South-East Asian countries).

In *East Asia*, FDI growth is expected to continue because of strong investment in China. This investment was triggered by the early economic recovery and by robust growth. After a severe contraction in GDP at the height of the pandemic (-6.8 per cent in Q1 2020), China reported 18.3 per cent GDP growth in the first quarter of 2021. Industrial output, fixed-asset investment and trade also expanded (by 25, 26 and 29 per cent, respectively) – suggesting an overall recovery in production and investment activities. FDI flows in the first quarter of 2021 surged 44 per cent to $45 billion.[12] FDI in the high-tech, manufacturing and services industries is expected to remain strong, and policies to attract and retain FDI adopted in 2020 will continue to bolster investment. In terms of outward investment, despite stabilization in 2020, a return to the 2016 peak of investment from China looks unlikely in the medium term, given continued geopolitical tensions and global screening mechanisms. The country's national policies are expected to inhibit its overseas investment; this includes the new "dual circulation" strategy, which prioritizes domestic investment, and the 2017 policy that tightened the screening of OFDI.

Hong Kong, China will remain an important financial hub in Asia and a gateway to invest in China, because of its favourable tax regime, easy listing process, absence of capital controls and good regulatory framework. The stabilization of FDI, after several tumultuous years, rests on the resolution of conflicts arising from the implementation of the National Security Law, and the normalization of tensions between China and the United States. Yet progress so far has been slow, suggesting that flows to and from Hong Kong, China will remain volatile in the medium term.

In the Republic of Korea, FDI is set to recover. In the first quarter of 2021, FDI commitments grew 45 per cent to $4.7 billion, signalling a recovery in progress.[13] Korean MNEs will continue to be important investors for infrastructure and manufacturing projects around the region. For example, KEPCO has multiple energy projects in the region; Doosan Heavy Industries announced an investment in hydroelectric power plant construction in Phou Ngoy, in the Lao People's Democratic Republic; and Samsung is expanding its investment in manufacturing in India under that country's federal plan to boost domestic smartphone production over the next five years.

In *South-East Asia*, FDI is likely to increase, but much will depend on how well countries in the region are able to contain the new wave of the pandemic unfolding in 2021. Improving global and regional economic growth in 2021, as well as ASEAN Member States' economic stimulus packages, will help bolster the resilience of the region. Investment in selected service industries and technology-related activities such as the digital economy, e-commerce, digital infrastructure (5G networks and data centres) and cloud computing, is expected to remain robust. The region is projected to become a rapidly growing global data centre hub in the next five years, overtaking growth in North America and in other Asia-Pacific countries.[14] Many data centre and cloud MNEs are increasing investment or building more facilities, which are expected to be completed in 2021–2022. Industrial production activities in the region are also gaining momentum, which will encourage further capital expenditure and investment to increase capacity.

To mitigate the impact of the pandemic, countries in the region are accelerating the development of major physical infrastructure (e.g. transportation, telecommunication, power and SEZs). For example, Indonesia is accelerating SEZ development, adding incentives and facilitating investment in priority industries. Large infrastructure projects launched in 2020 will stretch into the next few years. These projects include the $10 billion La Gan wind power project in Viet Nam, led by a consortium involving

Copenhagen Infrastructure Partners (Denmark); and a $4 billion LNG power generation facility in Bac Lieu Viet Nam by Delta Offshore Energy (Singapore). In 2020, the region was the largest location for announced greenfield investment projects (at $68 billion), indicating MNEs' strong investment commitment to the region.

The signing of the Regional Comprehensive Economic Partnership (RCEP) Agreement in November 2020, involving the ASEAN Member States plus Australia, China, Japan, the Republic of Korea and New Zealand, will also help the region attract FDI for post-pandemic recovery.[15] The RCEP establishes the world's largest free trade area with provisions promoting investment, trade and services, including e-commerce development. Relocation of production by Chinese firms and other MNEs for cost reasons and to circumvent the impact of the United States–China trade tensions, as well as to build a more resilient supply chain network, will continue to benefit the ASEAN countries in 2021 and beyond. Home-country measures such as Japan's programme to strengthen overseas supply chains will help the region host more factories and business services (JETRO, 2020).

Long-term investment growth in *South Asia* is expected to reverse. The value of greenfield investments announced in 2020 contracted (-59 per cent to $27 billion in 2020), and the second wave of the COVID-19 outbreak in India weighs heavily on the country's overall economic activities. Announced greenfield projects in India contracted by 19 per cent to $24 billion, and the second wave in April 2021 is affecting economic activities, which could lead to a larger contraction in 2021. The outbreak severely hit main investment destinations such as Maharashtra (home to one of the biggest automotive manufacturing clusters, Mumbai–Pune–Nasik–Aurangabad), and Karnataka (home to the Bengaluru tech hub), which face another lockdown as of April 2021, exposing the country to production disruption and investment delays. Yet India's strong fundamentals provide optimism for the medium term. FDI to India has been on a long-term growth trend and its market size will continue to attract market-seeking investments. In addition, investment into the ICT industry is expected to keep growing. Export-related manufacturing, a priority investment sector, will take longer to recover, but government facilitation can help. The country's Production Linkage Incentive scheme, designed to attract manufacturing and export-oriented investments in priority industries (e.g. automotive and electronics) can drive a rebound of investment in manufacturing.

In Bangladesh and Sri Lanka, FDI inflows will take longer to recover, as investment commitments in these countries remained weak. For instance, announced greenfield investment projects in 2020, an indication of FDI trends over the next few years, contracted significantly (-87 per cent in Bangladesh, and -96 per cent in Sri Lanka). This contraction is due to weak investment interests in garment production, a major export industry and FDI recipient in these countries. Investment in, and production of, garments suffered severely in 2020, with no sign of recovery as of early 2021. Garment factories in Bangladesh for example, faced some $3 billion worth of cancelled export orders in 2020.[16] In Sri Lanka, export data for January 2021 show no recovery yet.[17]

In *West Asia*, a few factors point to FDI growth continuing its upward trajectory. First, large acquisitions completed in the first half of 2021 suggest that M&A activities are likely to remain robust. For example, in April 2021, EIG Global Energy Partners (United States) acquired a 49 per cent stake in Aramco Oil Pipelines (Saudi Arabia) for $12.4 billion. Second, major economies have been actively facilitating FDI to support economic recovery and development. Turkey, for example, is extending its specialized free zone programme that focuses on software and ICT activities to other high value added and technology-intensive activities. As part of this initiative, Ford (United States) is building a $2.6 billion plant for a commercial vehicle and battery assembly operation for electric vehicles in the Kocaeli industrial zone. Saudi Arabia launched an SEZ programme that focuses on non-traditional industries, which include cloud computing, tourism, renewable energy and logistics. In late 2020, Alphabet (United States) announced plans to launch a "cloud region" to provide Google's cloud services through a joint venture with Saudi Aramco. Similarly, the United Arab Emirates is further liberalizing its foreign investment regime and expanding foreign investors' access to the domestic economy. This move, combined with continued acquisitions in the oil and gas sector and the implementation of major announced projects in innovative industries is likely to ensure that the country will continue driving FDI to the region.

The normalization of relations between Qatar and other members of the Gulf Cooperation Council is also expected to encourage FDI in West Asia. In addition to improving investment prospects for Qatar specifically, this is also likely to boost intraregional flows. Finally, the rebound in commodity prices in 2021 is expected to stimulate demand, driving a recovery in natural resource-seeking FDI. Oil prices are projected to increase by more than 20 per cent in 2021, which will significantly encourage future FDI flows to West Asia through its major oil-exporting economies.

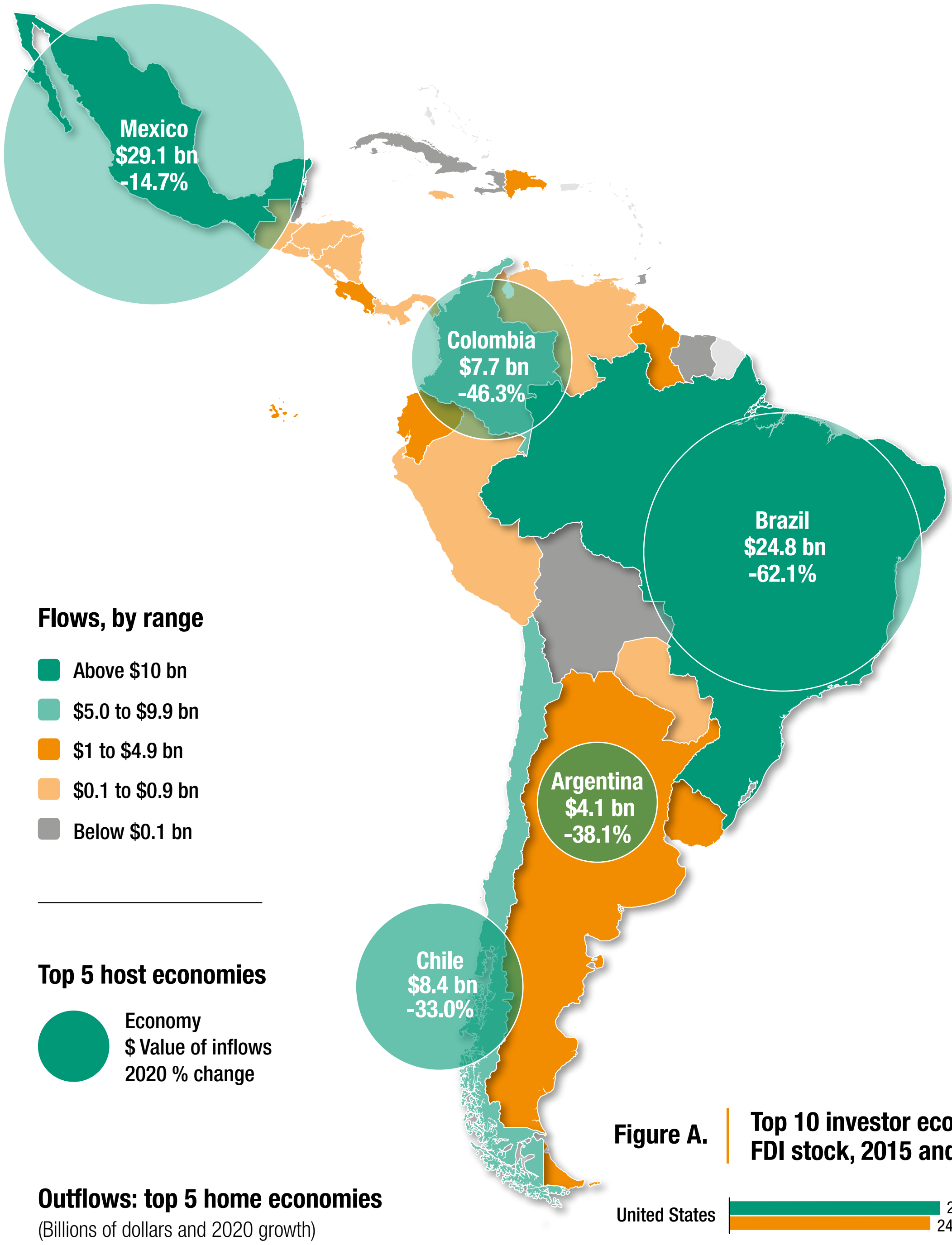
LATIN AMERICA AND THE CARIBBEAN

FDI flows, top 5 host economies, 2020 (Value and change)

2020 Inflows
87.6 bn

2020 Decrease
-45.4%

Share in world
8.8%



Flows, by range

- Above $10 bn
- $5.0 to $9.9 bn
- $1 to $4.9 bn
- $0.1 to $0.9 bn
- Below $0.1 bn

Top 5 host economies

Economy
$ Value of inflows
2020 % change

Outflows: top 5 home economies
(Billions of dollars and 2020 growth)

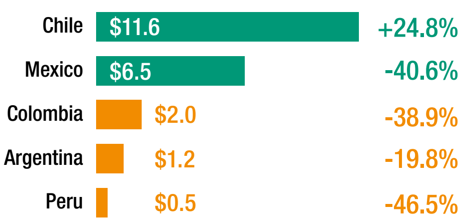
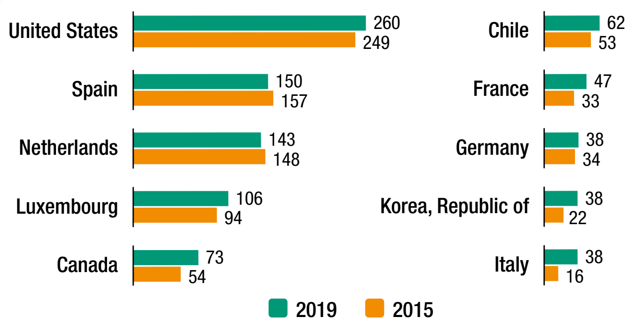


Figure A. **Top 10 investor economies by FDI stock, 2015 and 2019** (Billions of dollars)



Source: UNCTAD.
Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

HIGHLIGHTS

- The sharpest FDI decline in developing regions
- Outflows turned negative
- FDI to remain at a low level in 2021

Figure B. FDI inflows, 2007–2009 and 2018–2020
(Billions of dollars and per cent)

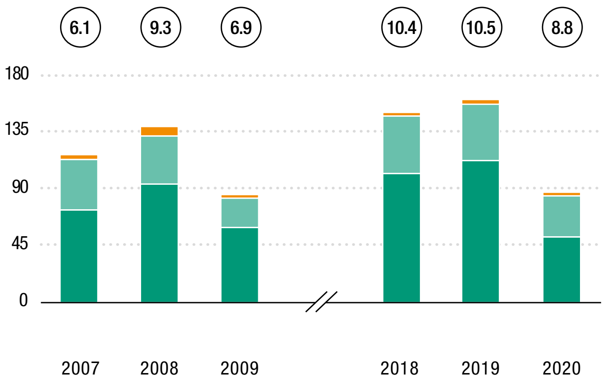


Figure C. FDI outflows, 2007–2009 and 2018–2020
(Billions of dollars and per cent)

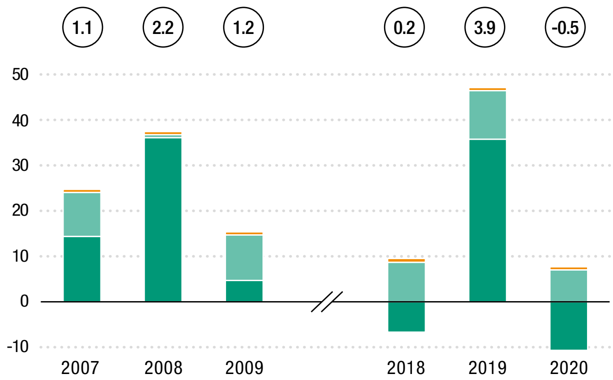


Table A. Net cross-border M&A sales, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	Value (Millions of dollars) 2020	Number 2019	Number 2020
Total	**23 625**	**7 808**	**305**	**210**
Primary	1 267	1 907	14	17
Manufacturing	2 925	203	82	29
Services	19 434	5 697	209	164
Top industries by value				
Construction	243	2 864	7	4
Extractive industries	1 596	1 468	12	11
Finance and insurance	1 725	1 198	34	14
Administrative and support services	347	808	16	7
Other manufacturing	-	518	-2	2
Information and communication	1 037	439	43	38

Table B. Announced greenfield projects, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	Value (Millions of dollars) 2020	Number 2019	Number 2020
Total	**112 315**	**56 540**	**1 832**	**1 042**
Primary	8 026	944	24	19
Manufacturing	41 204	19 764	935	405
Services	63 084	35 832	873	618
Top industries by value				
Energy	25 701	16 458	126	102
Information and communication	9 272	6 525	270	199
Automotive	10 087	4 537	152	55
Hospitality	6 691	3 787	77	26
Coke and refined petroleum	2 024	3 473	16	8
Paper and paper products	5 521	3 419	20	7

Table C. Announced international project finance deals, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	Value (Millions of dollars) 2020	Number 2019	Number 2020
Total	**85 243**	**44 376**	**211**	**189**
Top industries by number				
Renewable energy	21 019	21 157	114	115
Mining	14 772	6 491	24	21
Energy	10 409	3 337	28	18
Oil and gas	19 069	7 702	16	17
Transport infrastructure	15 269	2 714	18	9

Table D. SDG sectors: greenfield and project finance, selected trends, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	Value (Millions of dollars) 2020	Number 2019	Number 2020
Infrastructure	27 523	6 741	50	31
Renewable energy	21 019	21 157	114	115
WASH	14	-	1	-
Food and agriculture	3 940	2 606	86	52
Health	1 100	740	71	48
Education	455	63	21	9

In 2020, FDI flows to Latin America plummeted 45 per cent to $88 billion, the sharpest decline among developing regions. The continent suffered the highest COVID-19 death rate in the world to date, and its economies faced a collapse in export demand, a fall in commodity prices and the disappearance of tourism. For exporters of minerals and metals, the drop in FDI was partly cushioned by the relatively quick recovery of commodity terms of trade during the second half of the year. Inflows in the hydrocarbon, hospitality and manufacturing industries were affected severely. International investment in SDG-relevant sectors suffered important setbacks, especially in spending on transport infrastructure, energy and telecommunication. Outflows from the region turned negative, to -$3.5 billion, affected by Brazilian firms' practice of raising funds through their overseas subsidiaries. In 2021, FDI to the region is expected to remain stagnant, challenged by many downside risks, including economic and policy uncertainties. The recovery of inflows will vary across countries and industries, with foreign investors set to target clean energy, pushed by a worldwide drive towards a sustainable recovery. Other industries showing signs of a rebound include information and communication, electronics and medical device manufacturing.

Inflows

Latin America recorded an extraordinary $73 billion reduction of FDI in 2020 (-45 per cent to $88 billion) as it suffered the worst contraction in economic activity (-8 per cent) in the developing world. The region also recorded the worst reduction in fixed-capital formation (-13 per cent).[18] Since the decline in commodity prices late in 2014, economic expansion in Latin America had been slowing from an already rather low level. The economic crisis put further pressure on the already-falling trajectory of FDI in the region.

Cross-border M&A activity plummeted 67 per cent to $7.8 billion as both manufacturing and services suffered sharp contractions, only partly offset by higher activity in the primary sector (table A). The construction industry recorded the biggest M&A deal in Latin America – the acquisition from CPP Investments (Canada) of the 40 per cent share capital of IDEAL (Mexico), a company specializing in infrastructure construction, for $2.5 billion. The number of announced greenfield projects declined 43 per cent, as a result of fewer commitments in the automotive, hospitality and energy industries (table B), whereas announced international project finance deals were more resilient, down only 10 per cent, as announcements in renewable energy (accounting for more than half of the number of projects) increased marginally (table C). Yet, in terms of value, both greenfield and project finance deals dropped by half.

In South America, FDI declined 54 per cent to $52 billion. FDI to *Brazil*, the largest recipient in Latin America, plunged by 62 per cent to $25 billion – its lowest level in two decades. Experiencing both the highest incidence of COVID-19 cases and deaths in the region and a severe economic contraction, Brazil adopted soft containment measures for the population's mobility and implemented conspicuous fiscal transfers aimed at the vulnerable population, attenuating the contraction of GDP (-4.1 per cent versus -6.6 per cent in the subregion). Among the major Latin American economies, Brazil's real GDP is now expected to make the fastest recovery to pre-pandemic levels. In this context, FDI equity flows to the domestic service sector contracted (-37 per cent), reflecting a reduction of foreign investment in electricity and gas services (-62 per cent), commerce excluding vehicles (-33 per cent), financial services (-68 per cent) and transportation and logistics (-90 per cent). In contrast, the insurance industry registered an unprecedented rise of FDI, as CNP Assurances (France) acquired the insurance portfolio of Caixa Seguridade Participacoes, an insurance agency ultimately owned by the State-owned Caixa Economica

Federal, for $1.9 billion. FDI into oil and gas extraction activities plummeted by almost 60 per cent but nevertheless recorded important inflows owing to privatizations. Petrobras, the State-owned oil and gas company, sold two Rio de Janeiro-based producers of crude petroleum and natural gas: Trident Energy Management (United Kingdom) acquired a 52 per cent stake of Enchova & Pampo Oil Hubs for an estimated $1.1 billion, and Karoon Energy (Australia) bought the Bauna oil field for an estimated $665 million. The privatization programme is set to be revamped this year. In the first months of 2021, three privatization plans had already gained legislative approbation: for the post office, Correios; for the broadcasting company EBC and for the sale of a stake (reducing State participation from 61 to 45 per cent) in Electrobras, the country's major electricity provider. Looking forward, announced greenfield and international project finance deals indicate foreign investors' continued interest in investment in renewable energy in the country.

Peru and Chile, as well as other minerals and metals exporters, benefitted from a quick recovery of the commodity terms of trade during the second half of the year that will possibly revamp inflows during 2021. In the midst of severe lockdown measures, FDI flows to *Chile* declined 33 per cent to $8.4 billion, owing to lower capital investments (-29 per cent) and lower reinvested earnings (-28 per cent). The country's resilience, relative to peers in South America, resulted from the quick recovery in mineral prices, supportive fiscal spending (14 per cent of GDP) and execution of one of the fastest vaccination campaigns in the world. Yet, cross-border M&As nearly vanished (-92 per cent) as deals from China and European partners such as Spain and France plummeted. From a sectoral perspective, Chile's commitment to a green transition has laid the ground to attract additional foreign capital in the green energy industries. Indeed, 40 per cent of greenfield announcements were recorded in the renewable energy industry, especially in solar electric power. The newly enacted Energy Efficiency Law and an upcoming national energy policy for 2050 could further enhance favourable conditions for FDI in the sector.[19] Announcements, which intensified in the second half of the year, included six projects from Enel (Italy), three from OPDEnergy (Spain) and three from Solarcentury (United Kingdom). Looking ahead, FDI inflows are set to rebound slightly in 2021, benefitting from a fast domestic economic recovery, stronger investment and consumption, higher lithium and copper prices, and the Chinese recovery stimulus on exports. The encouraging outlook for FDI is reflected in the announcement of 41 international project finance deals in 2020, a figure unchanged from 2019. For instance, Mainstream Renewable Power (Ireland) raised senior debt for the construction of a green energy transmission line that cost about $1.8 billion.

In *Peru*, the combination of prolonged lockdowns, the economic contraction and political instability contributed to the 88 per cent reduction in FDI to $982 million. The drop in FDI reflected lower capital investment (-88 per cent), higher loan repayments to parent companies (-$1 billion) and lower reinvestment of earnings (-28 per cent). In the second quarter of the year, GDP plummeted 30 per cent and capital formation shrank by 56 per cent, in one of the worst slumps in the world. In response, the Government used its previous surplus to fund a massive stimulus package – equivalent to 15 per cent of GDP – to support the most vulnerable populations. Despite the government effort, the prolonged lockdown had a major impact on foreign investment in manufacturing activities, as shown by greenfield data (-98 per cent), only partially offset by rising inflows to the financial and utility industries, which expanded by 38 and 96 per cent, respectively. Cross-country M&As also plummeted: the only deal of the year was the acquisition from Orica (Australia) of 84 per cent of Exsa, a Lima-based manufacturer of explosives, for $202 million. Looking ahead, FDI is expected to partially rebound in 2021 and 2022,[20] boosted by the recovery of commodity prices, the related economic recovery, the formation of a new government after the June elections, further fiscal support and a probable currency appreciation. The encouraging outlook is reflected in the 20 per cent increase in international project finance deals. More than half of the new project announcements are in energy generation and only about a quarter in transport infrastructure upgrading (three projects); the rest are in mining (two projects) and oil (one project).

South American hydrocarbons exporters such as Colombia and Ecuador suffered from falling oil prices that compounded the sanitary and economic crises, leading to contractions of FDI. In *Colombia*, FDI tumbled by 46 per cent to $8 billion, with much lower flows to industries connected to commodities – oil extraction (-68 per cent) and mining (-49 per cent) – and manufacturing (-57 per cent). FDI cutbacks intensified in the second half of the year, in particular in oil-related industries, which recorded disinvestments of -$229 million in the third quarter. Large-scale social protests and the downgrade of the country's investment rating[21] weighed heavily on inflows. Despite the challenging economic context, fixed investment is expected to rebound by 10.5 per cent in 2021, benefitting from the Government's efforts to improve the business climate. For instance, it introduced a special tax regime for mega-investments by providing tax breaks and other fiscal incentives.[22] It also implemented a domestic infrastructural programme (5G network plan) to enhance connectivity for its growing digital sector. This sector showed signs of FDI dynamism as Teleperformance (France) and Amazon (United States) announced they would increase their business operations in the country, whereas in the customer experience sector, Alorica (United States), Transcom (Sweden) and TDCX (Singapore) announced new openings.[23]

Argentina's FDI inflows, already on a downward trajectory since 2018, plummeted by 38 per cent to $4.1 billion in 2020. The country experienced a prolonged shutdown of the industrial sector, which caused a fall in fixed-capital formation and a decrease in economic activity (10 per cent).[24] These contractions further complicated financing conditions for the country (in recession since 2018), which ultimately defaulted on its foreign debt. The challenging environment had a major impact on FDI: new investments retracted by 45 per cent and reinvested earnings decreased by 22 per cent. M&A deals recorded a divestment of $290 million after sizeable international investors (among them Walmart (United States), Schlumberger (United States), MetLife (United States) and Danone (France))[25] sold their local assets to domestic or regional investors.

Inflows to *Uruguay* increased 43 per cent to $2.6 billion, the highest level since 2012, owing to the lowest levels of COVID-19 infection in the region, the creation of the Coronavirus Fund of $625 million and the dynamism of the tech industry, along with increases in several tax benefits granted to eligible projects under the investment promotion regime.[26] FDI flows recovered quickly from the drop recorded in the first quarter of the year as new capital investment rose and intercompany loans expanded. Looking forward, the doubling of the number of greenfield projects in information and communication, reaching over 37 per cent of all projects announced, point to a thriving industry.

In *Ecuador* FDI inflows in 2020 remained stable at $1 billion. Despite fiscal difficulties, recent efforts to attract investment in the extractive industries by reintroducing production-sharing contracts and eliminating the 70 per cent "windfall tax" on profits in mining bore some fruits. The first large-scale mines Fruta del Norte (gold) and Mirador (copper) started production at the end of 2019. International project finance deals accelerated in number and volume in 2020 as investors pursued other opportunities in mining activities, such as the Cangrejos copper-gold project announced in June 2020 and valued at up to $1.5 billion. Lumina (Canada) received approval for its environmental impact study on the concession in February 2021.

FDI to Central America fell 24 per cent to $33 billion. Inflows to *Mexico*, which was already suffering a recession in 2019, were relatively resilient compared with the rest of the region and dipped by only 15 per cent, to $29 billion. Yet, 60 per cent of inflows were generated during the first quarter of the year, when reinvested earnings are typically registered. Excluding these data, FDI fell 63 per cent over the last three quarters of the year compared with the same period in 2019, affected by the growing uncertainty over the Government's economic agenda, its commitment to fiscal austerity, the collapse of fixed investment and GDP contraction (-8.2 per cent). Added to these factors were persistent concerns regarding the current administration's critical stance on public-private partnerships (PPPs) and the role of the private sector in key industries, as well as the financial situation of State-owned oil company Pemex and the massive assistance it receives from the Government (worth $3.5 billion). In this uncertain context, falling commodity prices provoked contractions in FDI into mining (-49 per cent) and oil and gas extraction (-46 per cent). In addition, changes in the five-year plan and policy of CFE, the State-owned electricity provider, have deterred private investment in utilities and contributed to a 67 per cent contraction in FDI in the generation, transmission and distribution of electricity.

In 2020, FDI concentrated in manufacturing (41 per cent of total FDI): activities related to the automotive industry, which captured almost half of inflows to the industrial sector, declined -29 per cent due to lower worldwide production, while manufacture of computer and electronic parts (50 per cent) as well as of machinery and equipment (113 per cent) registered positive surges in response to spikes in United States demand. For instance, during the first three quarters of the year, FDI inflows into the production of medical equipment and supplies amounted to $132 million, up 20 per cent from the same period of 2019, because of higher demand for COVID-19-related supplies.[27] This is still small with respect to total flows to the country but is expected to grow, as reflected by a 50 per cent increase in the value of announced projects to produce medical devices. Becton Dickinson (United States) invested $9 million in a new plant in the state of Sonora to expand its assembly of infusion sets. Integer Holdings (United States) announced the expansion of its facilities in Tijuana, where it produces battery for ventilators; and Paykel (New Zealand) started planning the construction of its third facility in Mexico, to produce respiratory equipment. More foreign capital in this industry is to be expected. Several United States manufacturers – IIMAK, Centerpiece and Eastek – have already announced their intention to add factories in Mexico. Apart from manufacturing, inflows were allocated to financial services (23 per cent), transportation (10 per cent), trade (8 per cent) and mining activities (5 per cent). Looking forward, the entry into force on 1 July 2020 of the United States–Mexico–Canada (USMCA) FTA could have a dampening effect on FDI inflows through its possible impact on the labour cost of manufacturing there.

FDI to *Costa Rica* declined by 38 per cent to $1.7 billion, owing to lower external demand, the collapse of tourism and other pandemic-related factors. The recession deepened fiscal imbalances, and the Government had to secure a multiyear $1.8 billion assistance from the IMF, a deal that caused civil unrest.[28] FDI to SEZs, which accounts for the largest portion of inflows to the country, declined by 41 per cent to approximately $1.1 billion. Tourism activities also attracted much lower foreign investment (-70 per cent to $18 million), as did factories outside of SEZs (-40 per cent to $313 million). Yet the past industrial development push for medical device manufacturing in SEZs is bearing fruit, with Costa Rica attracting 22 of the 32 greenfield projects to produce medical devices and equipment announced in the region, representing the highest volume. Capital flows to the medical devices industry come mostly from United States companies such as Nevro, which committed $21 million to build a manufacturing facility in the Coyol free zone, and ICU Medical, which announced a $13 million investment to expand its operations and install solar panels in its Heredia plant. Looking ahead, Costa Rica's admission to the Organization for Economic Cooperation and Development (OECD), approved in May 2020, and the endorsement of PPP regulations[29] are expected to bolster FDI.

FDI flows to *Panama* shrank 86 per cent to $589 million, the lowest level in almost two decades. To counter the economic impact of the pandemic, the Government launched several construction projects for highways, railways and bridges and approved a new investment incentives regime, mainly in the form of tax benefits, targeting multinational companies that carry out operations from Panama and provide manufacturing services.[30] Despite the rather unfavourable economic picture, M&As increased from $175 to $480 million, mainly because of the purchase of Multibank (Panama), a commercial bank, by Leasing Bogota (Colombia). Looking forward, the resumption of global trade will sustain flows, but the recovery will probably be slow, as indicated by the slump in announced greenfield projects (-26 per cent in number).

In 2020, FDI in the Caribbean region, excluding the offshore financial centres, declined 36 per cent to $2.5 billion. The Caribbean region suffered from the collapse in tourism and the halt in investment in the travel and leisure industry triggered by the pandemic. The overall contraction was mainly caused by a 15 per cent decline in FDI to the *Dominican Republic*, the major recipient in the region, to $2.6 billion. Divestments in telecommunication (-$122 million) and lower investment in SEZs (-11 per cent, to $232 million) and mining (-90 per cent, to $21 million) are responsible for the decline. Nonetheless, greenfield project announcements increased from $1.1 billion to $2.5 billion, boosted by government approval of a PPP law that improved the business climate for foreign investors. More than 60 per cent of the value of the projects announced went to three industries: financial services, renewable energy and medical devices (three projects each, out of a total of 14 projects).

In *Haiti*, FDI flows dropped from $75 to $30 million, in response not only to the pandemic crisis but also to civil unrest and the alarming worsening of the humanitarian crisis that has continued since 2018.[31] Finally, FDI to *Trinidad and Tobago* turned negative, to -$439 million, with a severe impact in the energy industry, which accounts for approximately half of GDP.[32]

SDG investment flows in Latin America and the Caribbean also retracted (table D). Except for renewable energy, unchanged in 2020 in both the number of projects and their value, investment activity fell sharply across all SDG sectors. Particularly worrying is the contraction of infrastructure investment (including in telecommunication, energy and transport) by more than -75 per cent. Before the pandemic, the region was already suffering an acute gap in infrastructure investment – estimated at 2.5 per cent of GDP – representing a major roadblock to growth.[33] In education, international investment was 86 per cent lower in value, the worst contraction across SDG sectors in the region. Greenfield projects in the food and agriculture industries declined by one third. Despite the greater need to upgrade the health care industry and expand access to care, SDG investment in health industries failed to improve, with the value and number of deals lower by one third.

Outflows

The outward investment of Latin America MNEs collapsed in 2020, recording an overall disinvestment of -$3.5 billion, as the region suffered this deep contraction in economic activity and fixed capital formation. The collapse was mostly caused by largely negative outflows from Brazilian firms (-$26 billion), which continued to raise funds through their overseas subsidiaries. The result was partly offset by Chilean firms, which increased outflows by 25 per cent to $12 billion owing to an increase in intracompany loans granted to affiliated companies to $2.3 billion, the highest volume since 2015. Mexican corporations also recorded positive outflows ($6.5 billion), albeit significantly lower (-41 per cent) than in 2019. Similarly, outflows from Colombia plummeted 39 per cent to $2 billion. Overall, Chile, Colombia and Mexico generated almost all outward investment from Latin America.

Latin America MNEs also announced fewer greenfield projects in 2020, with an aggregate value down 57 per cent to $7.9 billion, due to retrenchment by all of the main outward investors: Mexico (-71 per cent), Colombia (-65 per cent), Brazil (-39 per cent) and Chile (-37 per cent). The biggest outward deal in the region in 2020 was the acquisition of Multibank (Panama) by Banco de Bogota (Colombia) for $434 million.

Prospects

In 2021 FDI to the region is likely to remain substantially stable (table II.4) and below the average increase expected for developing economies as a whole. Muted expectations are supported by the values of greenfield projects announced in 2020, which halved to $56.5 billon, and of international project finance deals, which, with the exception of projects in renewables, decreased by 64 per cent (table C).

Even assuming that fiscal and monetary conditions continue to accommodate the economic recovery and that vaccination campaigns make rapid progress, FDI is not expected to recover to its pre-crisis level before 2023.[34] In 2021, real GDP is expected to grow at a similar pace across the subregions: 4.4 per cent in South America, 5.6 per cent in Central America and 3.7 per cent in the Caribbean. This economic recovery, however, is much slower than the 6.7 per cent rebound expected in emerging-market and developing countries. Recovery of FDI inflows will follow closely the recovery of fixed-capital formation, both private and public, but will also depend on political factors such as general elections in Peru, Chile, Honduras and Nicaragua, and midterm elections scheduled in Mexico and Argentina. Particularly critical exogenous factors include the strength of the economic recovery in China and its neighbours, the impact of the major fiscal push in the United States to modernize infrastructure and support green industries – as it may boost demand for mineral exports, thus bolstering FDI inflows – and changes in global monetary and financial conditions.

Inflows in manufacturing industries should recover slowly overall, with food, beverages and tobacco as well as motor vehicles recovering relatively quicker. The United States' efforts to diversify the supply chain in specific industries, such as electronics and medical devices, could fuel inflows in these industries. In the services sector, the information and communication industry is expected to continue to show dynamism, especially in software production, business process outsourcing services and fintech. Foreign investment in traditional industries such as oil and gas, should recover at a slower pace following the gradual global reopening of productive activity, while FDI in the transport and telecommunication industries will be the slowest to rebound, at least until tourism and free mobility are restored. Finally, the global push for a green recovery will boost demand for minerals critical to clean energy technologies – present in the region are mostly lithium, nickel and copper – possibly leading to a faster recovery of international investment in mining projects. Related to this, the regional commitment to energy transition is sustaining and attracting investment in renewables, which will continue to grow and is already accelerating in 2021.

Table II.4. Latin America and the Caribbean: growth rates of GDP, trade and FDI, 2013–2021 (Per cent)

Variable	2013	2014	2015	2016	2017	2018	2019	2020	2021[a]
GDP	2.8	1	0.1	-1.2	0.9	0.5	-0.3	-7.3	4.3
Trade	1.1	1.3	4.7	1.8	3.7	3.6	0.4	-7.7	8.4
FDI	-7.0	-13.7	-2.8	-13.3	15.1	-4.0	6.9	-45.4	(-5 to 5)

Source: UNCTAD, FDI/MNE database for FDI; UN (2021) for GDP and trade.
[a] Forecasted.

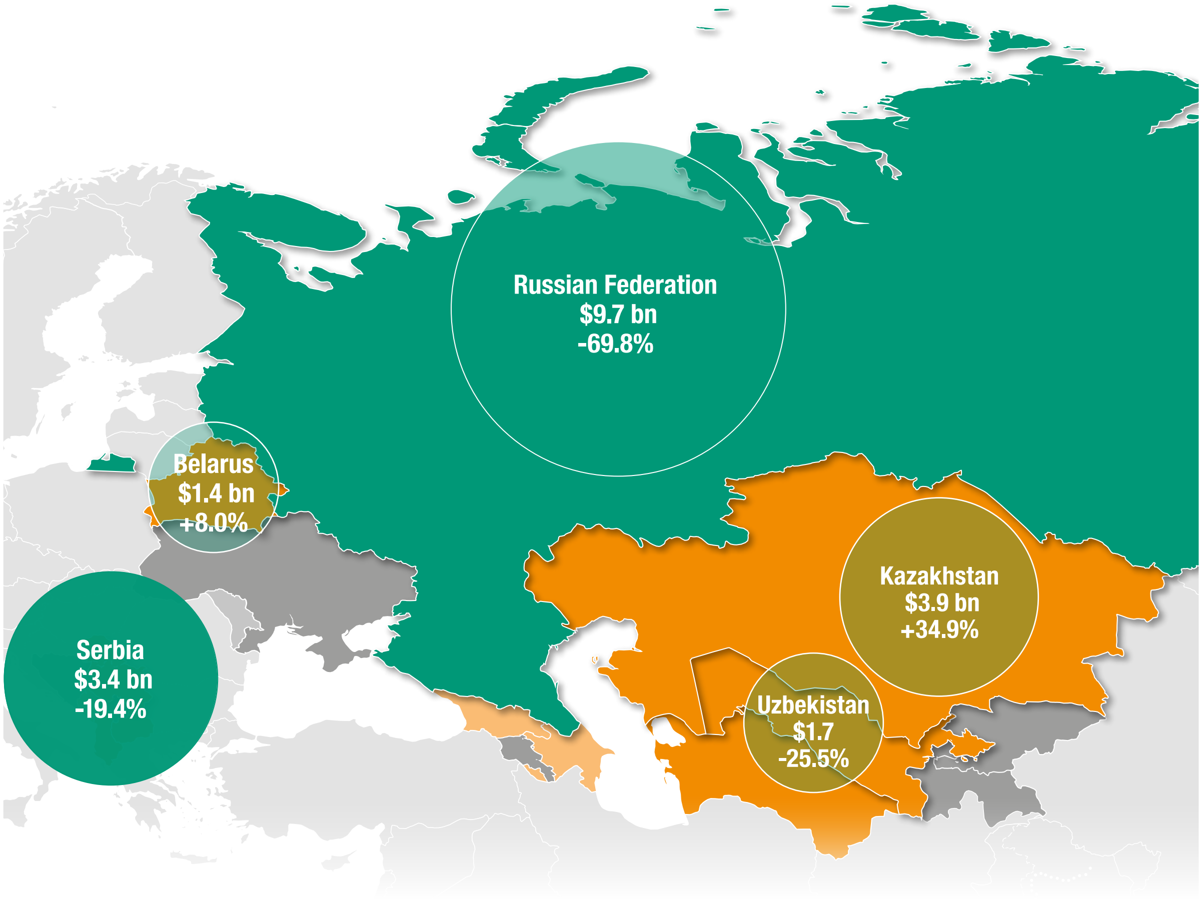
TRANSITION ECONOMIES

FDI flows, top 5 host economies, 2020 (Value and change)

2020 Inflows
24.2 bn

2020 Decrease
-58.2%

Share in world
2.4%



Flows, by range

- Above $10.0 bn
- $5.0 to $9.9 bn
- $1.0 to $4.9 bn
- $0.5 to $0.9 bn
- Below $0.5 bn

Top 5 host economies

Economy
$ Value of inflows
2020 % change

Outflows: top 5 home economies

(Billions of dollars and 2020 growth)

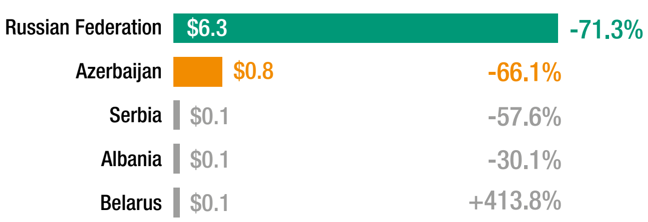
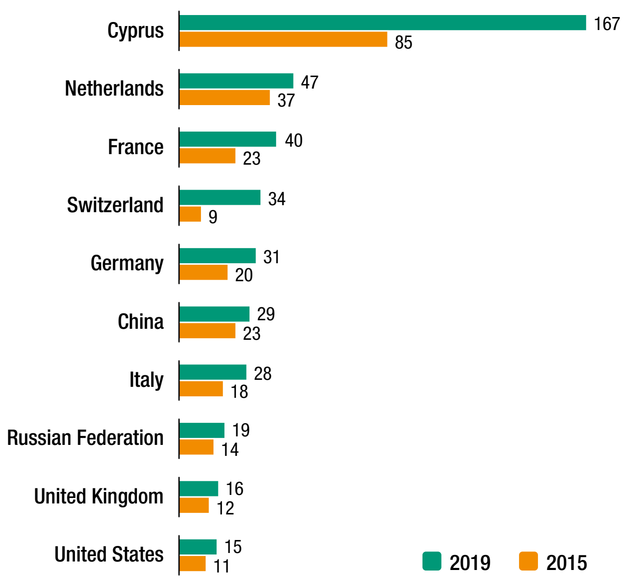


Figure A. Top 10 investor economies by FDI stock, 2015 and 2019 (Billions of dollars)



Source: UNCTAD.

Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

HIGHLIGHTS

- Inflows more than halved
- Outflows suffered a three-quarter decline
- A return to pre-pandemic levels of inward FDI is unlikely

Figure B. FDI inflows, 2007–2009 and 2018–2020
(Billions of dollars and per cent)

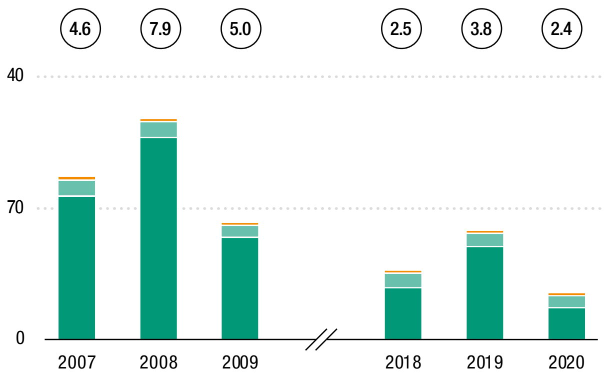
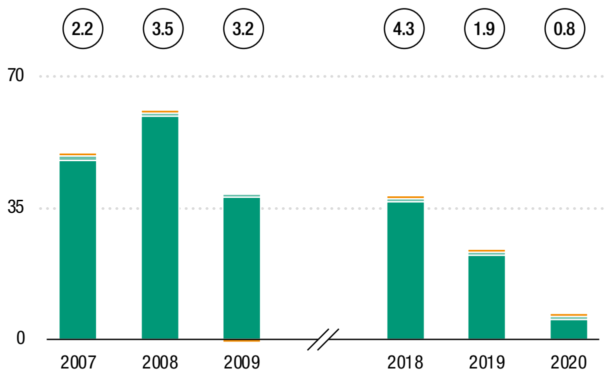


Figure C. FDI outflows, 2007–2009 and 2018–2020
(Billions of dollars and per cent)



Commonwealth of Independent States · South-East Europe · Georgia · Share in world total

Table A. Net cross-border M&A sales, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	Value (Millions of dollars) 2020	Number 2019	Number 2020
Total	**1 422**	**11 596**	**115**	**69**
Primary	291	11 608	12	15
Manufacturing	275	-680	29	9
Services	856	668	74	45
Top industries by value				
Extractive industries	131	11 608	6	15
Trade	-38	296	11	6
Information and communication	149	252	31	6
Utilities	-66	161	-2	6
Hospitality	-	44	-2	3
Pharmaceuticals	181	33	2	4

Table B. Announced greenfield projects, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	Value (Millions of dollars) 2020	Number 2019	Number 2020
Total	**46 036**	**19 529**	**697**	**371**
Primary	806	862	15	10
Manufacturing	31 870	7 884	430	207
Services	13 360	10 784	252	154
Top industries by value				
Energy	5 127	4 608	33	16
Automotive	5 393	1 777	45	20
Information and communication	916	1 681	46	50
Food, beverages and tobacco	3 285	1 665	47	36
Hospitality	1 050	1 427	10	9
Construction	1 629	1 229	13	10
Paper and paper products	528	789	6	9

Table C. Announced international project finance deals, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	Value (Millions of dollars) 2020	Number 2019	Number 2020
Total	**26 225**	**21 424**	**59**	**31**
Top industries by number				
Renewable energy	6 194	4 702	33	16
Industrial real estate	1 829	10 057	7	3
Mining	1 589	653	3	3
Petrochemicals	231	4 211	1	2
Transport infrastructure	12 480	784	4	2

Table D. SDG sectors: greenfield and project finance, selected trends, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	Value (Millions of dollars) 2020	Number 2019	Number 2020
Infrastructure	14 945	1 015	10	3
Renewable energy	6 194	4 702	33	16
WASH	75	-	2	-
Food and agriculture	4 180	2 228	62	47
Health	816	369	34	12
Education	33	-	3	-

In 2020, the pandemic hit FDI flows to the transition economies of South-East Europe, the Commonwealth of Independent States (CIS) and Georgia harder than economies in most other regions. Inflows shrank by more than half to $24 billion, their lowest level since 2003. This fall was significantly bigger than the average for the world (-34 per cent) or developing economies (-8 per cent). The contraction of inflows was far more severe in the CIS and Georgia than in South-East Europe. Overall, only three countries in the region recorded higher FDI in 2020 than in 2019. Pre-existing problems and economic vulnerabilities, such as significant reliance on natural resource-based investment (among some large CIS countries) or on GVCs (in South-East Europe), were exacerbated. The value of greenfield project announcements fell by 58 per cent to $20 billion in 2020, the lowest level ever recorded, and the number of announced cross-border project finance deals almost halved. Outflows, based largely on the activities of natural-resource-based Russian MNEs, also suffered from the crisis and declined by three quarters. Despite recovery efforts, a return to pre-pandemic levels of inward FDI is unlikely in the coming years, owing to slow economic growth affecting market-seeking FDI, the constraints of the pandemic limiting fast diversification, economic sanctions and geopolitical instability in parts of the region.

Inflows

FDI flows to the transition economies declined by 58 per cent to $24 billion in 2020, their lowest recorded level since 2003. It was both the deepest crisis-related fall and the largest year-to-year fall registered in the region's inflows to date.[35] Most economies in the region – including the Russian Federation – experienced declines, though to greatly varying degrees. FDI grew in only three countries: Belarus, Kazakhstan and Montenegro.

In South-East Europe, which is less dependent on natural resources, FDI decreased too (-14 per cent, to $6 billion), although to a far lesser extent than in the CIS and Georgia (-64 per cent, to $18 billion). Activities related to supplying global value chains were under pressure in practically all countries, explaining part of the decline in FDI. Delays in implementing export-oriented investment projects related to GVCs weighed on inflows to the South-Eastern European economies, as well as the Republic of Moldova – all customarily attractive destinations for investment in automotive supply and assembly, as well as hospitality activities *(WIR19, WIR20)*. Despite South-East Europe's close links with the EU, which could translate into nearshoring activities, new projects were slow to materialize in the early phase of the crisis.

Economies in transition continued to receive most of their inward FDI from Western European economies.[36] The top 10 also included China, the Russian Federation and the United States. Cyprus, traditionally the main conduit for round-tripped and trans-shipped FDI to transition economies, is still the biggest source country, followed by the Netherlands.

The *Russian Federation* remained the largest recipient of FDI in the region, accounting for more than 40 per cent of inflows. However, inflows declined by 70 per cent to $10 billion as a result of both the pandemic and very low prices for raw materials, the latter exacerbated by the conflict between the Russian Federation and Saudi Arabia about oil prices in March and April 2020. Prices have since recovered, as producer countries agreed to resolve the disagreement and hold back production, but remain still far below their pre-crisis level. Severe lockdowns also weighed on production in the spring. The country's GDP decreased by 3.1 per cent in 2020.

FDI inflows were negative in the first quarter of the year due to significant repatriation of intracompany loans but recovered gradually in the subsequent quarters. New equity investment decreased more moderately (by 31 per cent), recovering in the second half of the year from the early slump. Among the largest sources of inflows in 2020 were some large economies such as France, Turkey, the United Kingdom and the United States. Geographical proximity also shaped FDI within the territory of the Russian Federation, with continued Chinese cross-border investment in the Russian Far East[37] and resilient investment from Finland.[38]

The pandemic created challenges for Russian policies aimed at diversifying the industry composition of FDI inflows. Despite the downturn in commodity prices, oil and gas kept receiving a large share (over one quarter) of inflows, followed by wholesale and retail trade, and metallurgy. FDI flows to other industries declined. The economic downturn severely affected foreign investment in high-tech industries. Most of the projects initiated by the State-owned Russian Direct Investment Fund in the development of AI, agribusiness and renewable energy with foreign partners were frozen in 2020. The Fund was more successful with new projects in other industries, such as its co-investment with Barilla (Italy) to build mills and produce pasta in one of the country's SEZs. Diversification of FDI is still at an early stage: the share of inward FDI stock of industries other than oil and gas is well below 1 per cent.

The Russian Government has been considering providing more protection for large domestic and international private investors, reimbursing part of the costs of infrastructure development and providing subsidized loans. By 2024, the Government expects to sign up to 1,000 such agreements, covering $185 billion worth of investment. At the same time, the Government announced plans to modernize the system of special investment contracts (SPICs) by including new activities declared as priorities for the post-pandemic period. In the last decade, SPICs played a role in attracting foreign investment in the Russian automotive industry.

One major exception to the overall decline of inflows in the region was *Kazakhstan*, the second largest recipient of FDI, where inflows grew by 35 per cent to $3.9 billion. Growing investment in mining, transport, financial services, telecommunication and energy compensated for declining inflows in construction, metallurgy and trade, which suffered particularly from the effects of the pandemic. Most of the FDI in the country's large hydrocarbons industry was related to the Tengiz megaproject with Chevron (United States), expected to be completed by 2022. In international project finance deals, the Kazakhstan QazTechna bus manufacturing plant project – involving Chinese capital – became operational at the end of 2020. Also involving Chinese capital was the construction of the DoubleStar rubber and tyre factory, which started in 2020. In telecommunication, the Netherlands-based VEOL (VimpelCom) (Russian Federation) launched a new project.

In *Serbia*, inflows declined by 19 per cent to $3.4 billion. The COVID-19 crisis affected reinvested earnings in particular. The economic downturn also had an impact on export-oriented activities, as problems in GVCs, of which Serbian firms had become an integral part, led to interruptions in production. Manufacturing was the sector hardest hit by the FDI downturn, including the machinery and equipment, metallurgy, and rubber and plastic industries. Despite the interruptions in trade and GVCs, the automotive industry still registered some expansions, such as that of the Magna Seating plant and of Cooper Tire & Rubber (United States). In the services sector, too, the decline in FDI affected a broad range of activities, including construction, trade and transportation and storage. Inflows from various key source countries of FDI, including Austria, Germany and neighbouring Hungary, as well as the Russian Federation and the United States declined significantly.

The Development Agency of Serbia, which promotes domestic and foreign investment equally, used its incentives and promotion programmes to respond to the pandemic. Under its scheme for co-financing investment projects, 20 contracts were signed during 2020 with companies planning to invest about $1.4 billion and create close to 5,000 jobs. New tools to keep free economic zones attractive were introduced, including health protection measures, lower rents and a shift of transactions and meetings online as much as possible. The pandemic also acted as a catalyst to accelerate the Supplier Development Programme, started in 2019, which seeks to improve the benefits of FDI. Although the focus of investment promotion remains capital-intensive projects, especially in the automotive cluster, there is a marked shift from activities with lower value added to projects related to innovation, high-tech segments, digitalization, and research and development.

In *Uzbekistan*, inflows declined by 26 per cent to $1.7 billion, despite the relatively good macroeconomic situation, with GDP expanding by 1.6 per cent in 2020, and the country's efforts to attract new FDI. The law on SEZs adopted in February 2020, for example, facilitated new investment projects in the energy sector, as well as in the telecommunication industry. In May 2020, the Government announced that 70 companies and consortia from 30 countries had submitted proposals for green-energy projects. In addition, the Volkswagen Group (Germany) launched an investment project in the SEZ of Jizzakh. However, because the country is doubly landlocked – i.e. surrounded only by other landlocked countries – border closures and other restrictive measures adopted by domestic and neighbouring-country authorities affected the economy and delayed investment projects.

Inflows grew in *Belarus* (by 8 per cent, to $1.4 billion), the fifth largest recipient in 2020. The country adopted anti-pandemic restrictions later than most of the world and the other countries of the transition region, and those measures were less restrictive than elsewhere. Large inflows registered in the first quarter of the year were followed by three quarters of practically no net inward FDI. The pause in inflows was also related to social unrest following the presidential elections in August 2020. In addition to investment in the automotive sector (the Delkom40 (Poland) rubber production project), furniture production (Polipol Mebel Bel (Germany)), IT (EffectiveSoft (United States)) and logistics (China Merchants Group), the country also attracted a new project in renewable energy (Green Genius (Lithuania)).

FDI flows to *Ukraine* declined by about $7 billion in 2020, turning into a net divestment (-$868 million), owing to the combined effects of the pandemic, macroeconomic problems and geopolitical tensions. Reinvested earnings were particularly sensitive to the uncertainties in the business environment. Mining, manufacturing, trade and financial services were among the activities most affected by the downturn. Food, beverages and tobacco production, and information and communication, in contrast, were among the few industries escaping the decline. Despite the difficult business environment, a project finance agreement to develop the $1 billion, 800 MW Donetsk onshore wind farm, a build-own-operate project, was signed with Chinese investors. In manufacturing, the largest new foreign investment was that of Kostal (Germany), a $170 million project to produce automotive components.

Montenegro, the smallest economy of the region, joined only Kazakhstan and Belarus in registering higher FDI inflows in 2020, albeit from a low base (up 27 per cent to $529 million), owing to a rise in intracompany loans in manufacturing and banking. Foreign investment in the real estate sector, which traditionally drives inflows in the tourism-based economy, declined by 35 per cent. Most of the FDI originated in the Russian Federation, China and Switzerland, in that order.

The net value of cross-border M&As targeting the region increased to $12 billion in 2020. The rise was mainly due to the acquisition of 10 per cent of Vostok Oil by CB Enterprises (Singapore). In addition, some corporate restructurings of Russian firms, partly in response to the pandemic, involved conduit locations (e.g. Cyprus). Most of the takeovers took place in the extractive industries, with smaller transactions in trade and in information and communication (table A).

The value of greenfield project announcements fell by 58 per cent to $20 billion, suggesting that new investment will remain sluggish in the medium term. Projects already registered will take several years to materialize, so their trends can affect future FDI to a large degree over those years. The biggest decline in announcements was in manufacturing industries (table B); the fall in new projects in the motor vehicles and other transport equipment industries was exceptionally large. The downturn in services, in contrast, was more modest, with some industries (e.g. information and communication) registering growth. Greenfield commitments declined from practically all countries in 2020; however, the value of announced projects from developed countries declined less sharply than less sharply than that from such developing countries as China.

The number of announcements of international project finance deals, an important source of investment in infrastructure in the region, fell from 59 to 31 in 2020 (table C) – the largest relative drop among all regions in the world. The value of deals declined by 18 per cent, to $21 billion. Domestic deals, whose number increased by 35 per cent, partially compensated for the 47 per cent decline in the number of cross-border transactions, though domestic deals also experienced a decline in value terms, indicating difficulty in accessing finance. One reason for the continued increase in the number of domestic deals was the different perceptions and acceptance of risks of domestic and foreign sponsors. The total number of deals nonetheless declined by 13 per cent, compared with a 3 per cent increase globally and a 13 per cent increase in developed economies.

Investment commitments in SDG-related sectors play a very marginal role in transition economies (table D). The decline affected all sectors in both number and value of investment plans. Infrastructure investments plummeted as the number of international project finance deals shrank to one in power and two in transport. In telecommunication, no international project finance deal has been announced in the last decade. The number of WASH and health projects fell to zero. Education, too, registered steep declines, while renewable energy and food and agriculture were less affected.

Outflows

In 2020, FDI outflows from transition economies fell by three quarters to $5.6 billion. The traditionally largest home country, the Russian Federation, registered a decline in outward investment of 71 per cent, to $6.3 billion. As FDI outflows from the rest of the region turned negative, the share of the Russian Federation in their net value exceeded 100 per cent. The region's MNEs (especially Russian ones) were impacted doubly in 2020: first, by the immediate measures undertaken to slow the spread of the virus, which resulted in border closures and other obstacles to doing business; and second, by low prices for oil, gas and other commodities that hit the largest MNEs of the region, which focus on natural resources. Large Russian MNEs' earnings, from which foreign expansion is largely financed *(WIR20)*, fell in 2020. For example, Lukoil, the country's second largest oil producer and one of the world's largest full-cycle oil and gas companies in terms of proven reserves and production, recorded a large drop in revenues and a 97-per-cent fall in net profits in 2020, compared with 2019.[39]

Cross-border M&A purchases from the region, already negative in 2019, remained so in 2020. Most of the divestment took place in the services sector, in both transition and developing economies. Already in 2019, Russian MNEs had financed part of their activities by borrowing from their affiliates – a trend that continued in 2020. In addition, reinvested earnings declined by 83 per cent, putting another brake on foreign expansion.

By value, OFDI from the Russian Federation was directed mainly at Belarus, Germany, Switzerland and the United Kingdom in 2020. Russian MNEs also actively channelled their foreign investment through conduit locations, although the share of those locations has diminished somewhat in recent years. MNEs such as VEON (VimpelCom) not only carry out large FDI transactions but have also moved their corporate headquarters abroad (Kuznetsov, 2021).

Most of the greenfield announcements by Russian MNEs in 2020 were limited in size compared with previous years and shifted focus towards transition or developing economies. Investors were mostly non-hydrocarbon, natural resource-based and telecommunication MNEs. The largest greenfield projects announced by a Russian MNE was Novolipetsk Steel's $508 million construction site in India, followed by the telecommunication projects of Netherlands-headquartered VEON (VimpelCom) in Kazakhstan and Uzbekistan. The largest project targeting a Western European country was Basic Element's $72 million warehousing development in London, and the largest project targeting North America was Kaspersky Lab's small ($22 million) software security investment in Canada.

Prospects

Despite important measures adopted in some countries of the region to curtail the effects of the crisis, FDI flows to transition economies are unlikely to recover to their pre-crisis level soon. UNCTAD estimates that FDI flows to the transition economies will not start to recover before 2022. The stagnation of flows in 2021 will be in contrast with a 10 to 15 per cent growth on world average and a 5 to 10 per cent increase in the average of developing countries.

Most of the region's macroeconomic indicators are expected to improve by 2021 or 2022, but more slowly than the world average. For example, GDP is expected to grow by 3.3 per cent after a decline of the same magnitude in 2020. Trade is forecast to rebound by a robust 6.5 per cent, after a drop of 6.2 per cent in 2019 (table II.5). These macroeconomic phenomena are expected to recover to their pre-crisis trends faster than FDI.

Both greenfield and project finance announcements suggest low investor commitment for future FDI in the region. The drop in value of greenfield projects announced in 2020 was bigger than the world average (-33 per cent) and that of the developing economies (-44 per cent).

Table II.5. Transition economies: growth rates of GDP, trade and FDI, 2013–2021 (Per cent)

Variable	2013	2014	2015	2016	2017	2018	2019	2020	2021[a]
GDP	2.6	1.2	-1.2	0.8	2.4	3.1	2.2	-2.7	3.3
Trade	2.5	-0.9	1.8	3.2	5.3	5.7	0.5	-6.2	6.5
FDI	28.8	-32.2	-40.1	96.2	-24.4	-27.5	58.0	-58.2	(-10 to 0)

Source: UNCTAD, FDI/MNE database for FDI; UN DESA for GDP and trade.
[a] Forecasted.

The decline was particularly steep in the region's largest recipients of greenfield investment, such as Kazakhstan (86 per cent) and the Russian Federation (-67 per cent), which will weigh heavily on levels of FDI to transition economies over 2021 and 2022. In manufacturing, which experienced the biggest decline in 2020 (table B), FDI is likely to remain very sluggish in the coming years. A structural shift from natural resources may be difficult under these circumstances, and it is highly unlikely that FDI flows to transition economies will recover to their pre-crisis level soon.

OFDI from economies in transition is also expected to continue its decline in 2021, as economic recession in home economies and relatively low commodity prices (despite some rebound) will keep curtailing the ability of the region's MNEs to invest abroad.

Despite challenging circumstances, policy actions undertaken by Governments of the region to support economic recovery may encourage foreign investment and somewhat improve FDI prospects. However, many macroeconomic interventions, such as monetary easing, have no specific investment target and thus the extent of their impact on FDI is limited. Monetary easing, which is relatively new in the region, is accompanied by more government spending on both infrastructure and manufacturing: in the Russian Federation, such spending is projected to amount to $86 billion in 2020–2024.[40] In *Uzbekistan*, the Government created a $1 billion Anti-Crisis Fund that invests in anti-pandemic and recovery projects. In Serbia, the total value of the package of economic measures to reduce the negative effects caused by the pandemic and support the economy amounted to $6.1 billion (11 per cent of GDP). [41]

The pandemic has also led Governments in the region to revise their investment facilitation and promotion schemes, which might help bolster FDI over the next few years. Although the focus is still on increasing the volume of new projects, considerations of diversification has been receiving more attention. At the same time, more attention is paid to intraregional connections, to environmental issues and to the green economy.

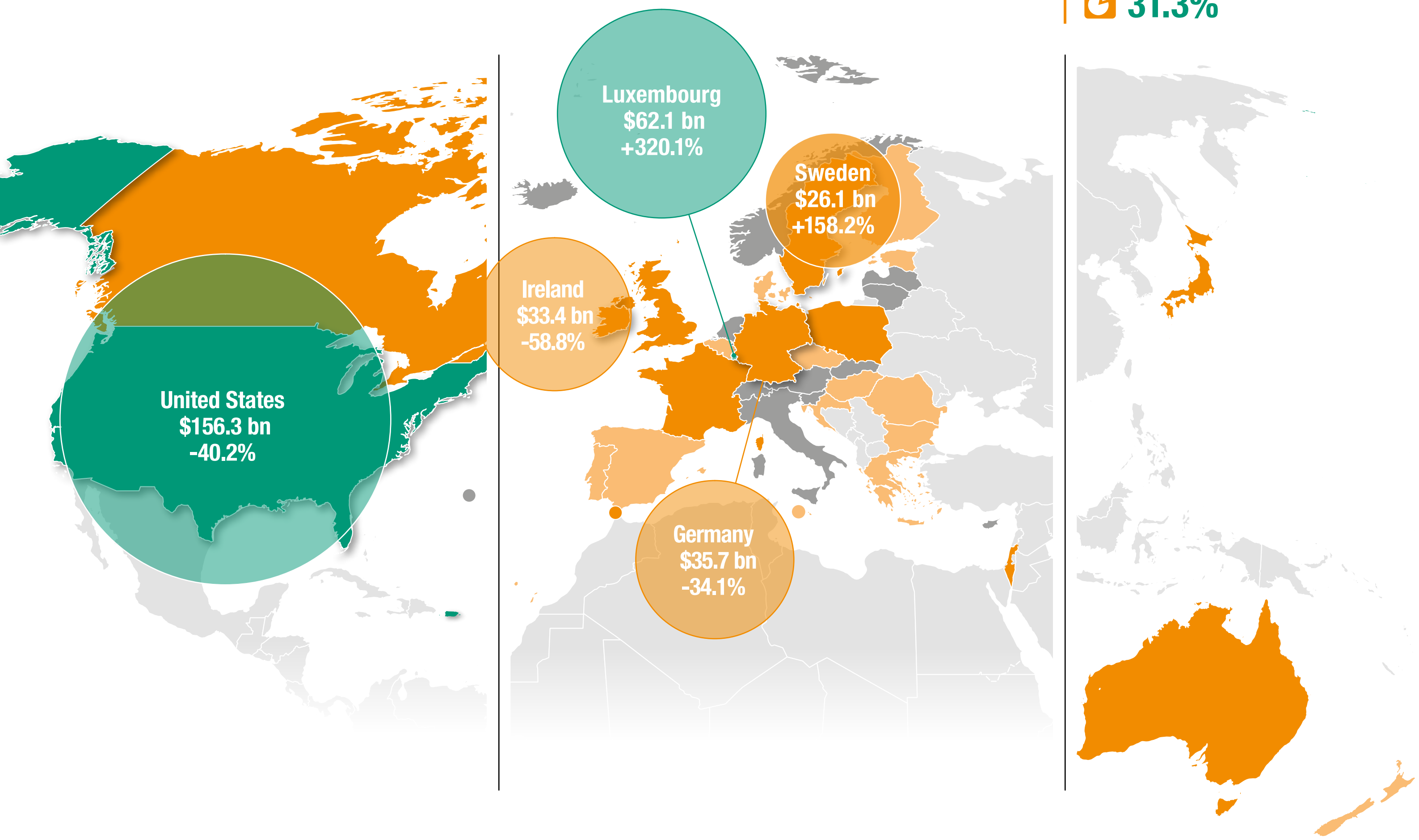
DEVELOPED ECONOMIES

FDI flows, top 5 host economies, 2020 (Value and change)

2020 Inflows
312.2 bn

2020 Decrease
-58.3%

Share in world
31.3%



Flows, by range

- Above $100 bn
- $50 to $99 bn
- $10 to $49 bn
- $1 to $9 bn
- Below $1 bn

Top 5 host economies

Economy
$ Value of inflows
2020 % change

Outflows: top 5 home economies

(Billions of dollars and 2020 growth)

Luxembourg	$127.1	+268.7%
Japan	$115.7	-49.0%
United States	$92.8	-0.8%
Canada	$48.7	-38.3%
France	$44.2	+14.3%

Figure A. Top 10 investor economies by FDI stock, 2015 and 2019 (Billions of dollars)

	2019	2015
United States	4 532	3 995
Luxembourg	4 018	4 287
Netherlands	1 655	1 440
United Kingdom	1 548	1 214
Germany	1 470	1 148
France	1 284	1 060
Switzerland	1 191	853
Japan	1 116	778
Ireland	877	800
Canada	815	564

Source: UNCTAD.
Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

HIGHLIGHTS

- Inflows halved, heavily affected by financial transactions
- Global FDI share plummeted to the lowest on record
- Developed economies are leading the recovery

Figure B. FDI inflows, 2007–2009 and 2018–2020 (Billions of dollars and per cent)

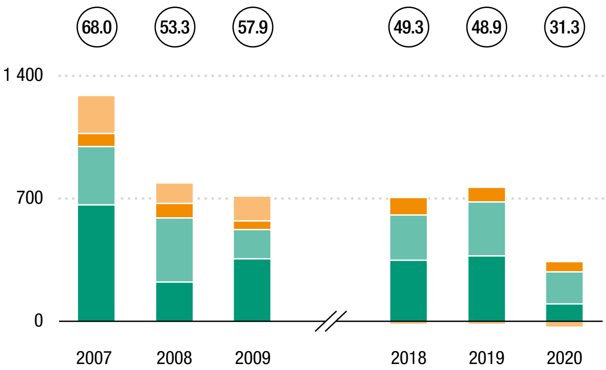


Figure C. FDI outflows, 2007–2009 and 2018–2020 (Billions of dollars and per cent)

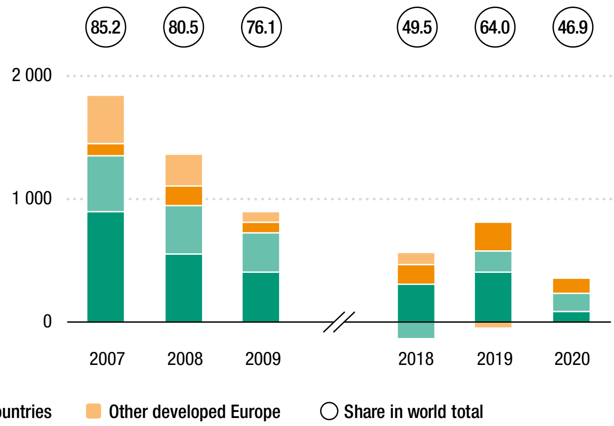


Table A. Net cross-border M&A sales, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	Value 2020	Number 2019	Number 2020
Total	**423 539**	**378 888**	**5 802**	**5 225**
Primary	33 507	48	365	590
Manufacturing	218 440	202 966	1 319	946
Services	171 592	175 874	4 118	3 689
Top industries by value				
Food, beverages and tobacco	18 757	82 744	131	101
Information and communication	20 428	66 752	1 130	1 112
Pharmaceuticals	96 183	44 043	155	175
Electronics and electrical equipment	20 113	38 090	239	159
Utilities	2 119	26 708	153	142
Trade	14 071	19 739	463	405

Table B. Announced greenfield projects, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	Value 2020	Number 2019	Number 2020
Total	**345 740**	**289 048**	**10 331**	**8 376**
Primary	5 180	7 424	55	34
Manufacturing	147 242	99 647	4 432	3 216
Services	193 317	181 978	5 844	5 126
Top industries by value				
Energy	52 506	58 231	272	319
Information and communication	36 924	48 260	2 145	1 998
Construction	42 634	25 868	357	275
Electronics and electrical equipment	28 452	25 650	604	516
Trade	12 564	16 157	434	434
Automotive	18 756	14 844	501	332

Table C. Announced international project finance deals, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	Value 2020	Number 2019	Number 2020
Total	**242 684**	**175 411**	**543**	**587**
Top industries by number				
Renewable energy	112 121	96 319	387	439
Telecommunication	8 454	23 949	17	33
Transport infrastructure	38 633	16 964	21	27
Oil and gas	27 919	8 111	33	23
Energy	15 767	5 734	33	22

Table D. SDG sectors: greenfield and project finance, selected trends, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	Value 2020	Number 2019	Number 2020
Infrastructure	62 853	46 647	71	82
Renewable energy	112 121	96 319	387	439
WASH	423	81	16	7
Food and agriculture	8 789	9 695	316	261
Health	12 554	14 253	496	407
Education	641	260	52	32

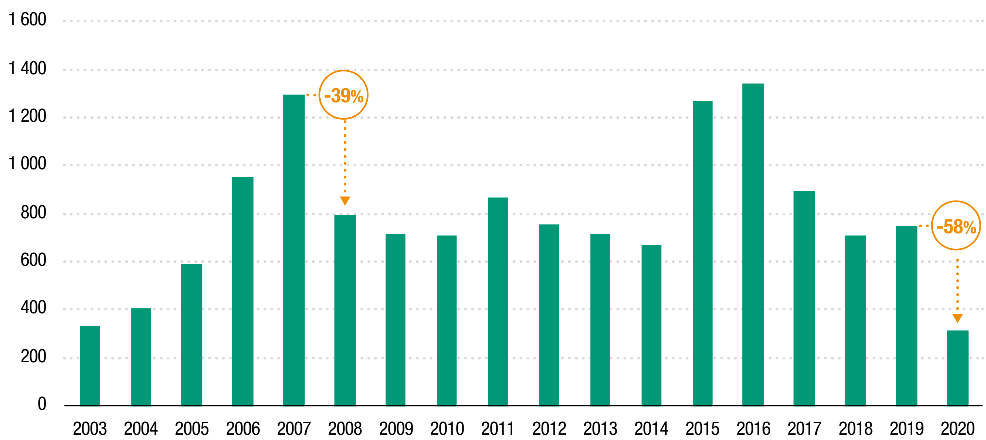
In 2020, FDI flows to developed countries fell by 58 per cent to $312 billion. The impact of the COVID-19 pandemic slowed existing investment projects, while the uncertainty surrounding the global economic outlook led MNEs to suspend or delay new projects. The share of developed economies in global FDI plummeted to 31 per cent – the lowest on record. Cross-border M&As sales decreased by 11 per cent, and greenfield investment projects announced in 2020 dropped by 16 per cent. In contrast, the number of international project finance deals rose by 8 per cent. FDI in extractive industries was severely hit, whereas investment in ICT was higher than in 2019. Flows fell by 80 per cent in Europe, intensified by sharp negative inflows in some economies with significant conduit flows, and by 42 per cent in North America. The pandemic also weighed on investment by MNEs based in developed economies, but while FDI outflows from European MNEs contracted, outward investment from the United States remained stable. In 2021, FDI flows to developed economies are expected to recover by up to 20 per cent, reflecting expectations for higher growth in GDP, a rebound in international trade and a recovery in corporate profits, and the effects of massive fiscal stimulus packages.

Inflows

FDI flows to developed countries in 2020 fell by 58 per cent to $312 billion, from $749 billion in 2019 – accounting for more than 80 per cent of the global decline. Lockdown measures, consecutive waves of COVID-19, supply chain disruptions, falling corporate profits and the postponement of MNEs' investment plans were the key reasons for the contraction of FDI to levels last recorded in 2003 (figure II.1).

Among the components of FDI flows, new equity investments were curtailed, as reflected in the decline of cross-border M&As. In 2020, the value of net *cross-border M&A sales* in developed economies, by far the largest form of FDI inflows to the group, fell by 11 per cent to $379 billion (table A). The decrease in M&A investment occurred mainly in the primary sector (from $34 billion in 2019 to $48 million), reflecting a fall in commodity prices, a lack of large deals and some divestments. For example, BP (United Kingdom) divested its affiliate in Alaska to Hilcorp (United States) for $5.6 billion, and Mubadala (United Arab Emirates) sold 40 per cent of the shares it owned in Borealis (Austria) to OMV (Austria). In manufacturing and services, net M&A sales in developed countries remained close to their 2019 level.

Figure II.1. Developed economies: FDI inflows, 2003–2020 (Billions of dollars)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

However, the overall value of deals in food, beverages and tobacco and in utilities, as well as in information and communication, was substantially higher than in 2019, mainly because of large transactions. These industries indeed recorded the largest deals in 2020, including the merger of Unilever (United Kingdom) with Unilever (Netherlands) for $81 billion. In contrast, the value of M&As in pharmaceuticals, as well as in finance and insurance, fell by 54 per cent and 52 per cent, respectively.

Despite a decline in aggregate value, the number of cross-border M&As deals targeting pharmaceuticals reached a record level of 175 transactions – a 13 per cent increase from 2019 (table II.6). The largest deals include the acquisition of The Medicines (United States) from Novartis (Switzerland) for $7.4 billion. There were 79 deals in medical equipment and supplies – a 14 per cent decline; among them, Steris (United Kingdom) acquired the entire share capital of Key Surgical (United States), a medical equipment and supplies merchant, for $850 million. The pandemic also boosted the number of projects in Industry 4.0 activities. For example, there were 838 deals in computer programming – the highest number ever recorded.

The value of *greenfield projects* announced in developed economies, to be invested over several years, fell by 16 per cent to $289 billion in 2020. Manufacturing industries experienced the biggest decline (by 32 per cent to $99 billion), with an exceptionally large fall in chemicals and coke and refined petroleum. The value of greenfield projects in services remained relatively stable (at $182 billion), while in the primary sector, despite an increase in 2020, greenfield projects remained small in absolute value ($7 billion). The value of announced projects in information and communication, in contrast, rose by a substantial 31 per cent to $48 billion – the highest level ever recorded. The largest deals include TSMC (Taiwan Province of China) announcing it would invest $12 billion in a chip factory in the United States, and Spain's Telefónica negotiating a $5.96 billion deal to build a fibre-optic network in Germany. Some large renewable energy projects were also announced in developed economies. For example, energy company Equinor (Norway) and SSE Renewables (United Kingdom) have started building a wind farm in the United Kingdom. The project is expected to require a capital investment of $11 billion between 2020 and 2026. Besides value, the number of greenfield projects announced in 2020 also fell, across all sectors (table B).

***International project finance* deals continued to target developed economies despite the pandemic.** The number of announced deals rose by 8 per cent, although their aggregate value dropped by 28 per cent (to $175 billion) (table C). The larger number of transactions reflects large-scale public support packages and recovery investment plans; transactions in digital infrastructure and renewable energy, announced in the last quarter of 2020, accounted for most of the deals. More than one fifth of deals targeted

Table II.6. Developed economies: net cross-border M&A sales targeting selected industries, 2019 and 2020 (Number)

Industry	2019	2020
Pharmaceuticals	155	175
Medical equipment/supplies	92	79
Electronics	239	159
Computer programming, consultancy and related activities	779	838
Information service activities	165	147
Telecommunication	64	51

Source: UNCTAD, cross-border M&A database (www.unctad.org/fdistatistics).

the United States (125), followed by Spain (80), Australia (63), the United Kingdom (52) and France (42). Renewable energy remained the most important industry with three quarters of the deals (439), a 13 per cent increase from 2019, albeit a fall in terms of value. Project finance deals in telecommunication doubled to 33 projects, worth $24 billion. In contrast, both the number and value of project finance transactions in oil and gas suffered significant contractions. The commodity price shocks early in the year weighed on investment plans in mining (-29 per cent in number and -85 per cent in value).

Inflows to *Europe* dropped by 80 per cent to $73 billion, largely because of negative FDI in countries with significant conduit flows, such as the Netherlands and Switzerland. Flows to the *Netherlands* fell to -$115 billion in 2020 as a result of large equity divestments. Some large holding companies in ICT and petrochemicals were liquidated or restructured across multiple countries in 2020. Nevertheless, a large multinational that moved its headquarters from the Netherlands to the United Kingdom partly offset the negative flows.

FDI flows to *Switzerland* remained negative (at -$47 billion) for the third consecutive year. Although the country has built a solid industrial base in both services and manufacturing, which has resulted in a large FDI stock ($1.5 trillion at the end of 2020), the recent negative values reflect mainly the conduit nature of a significant part of the country's annual flows. FDI to the *United Kingdom* more than halved to $20 billion (from $45 billion in 2019). Equity investment fell by 35 per cent, mainly due to some divestments (for example, Swiss Re sold its ReAssure Group to Phoenix Group Holding for $4.2 billion).

FDI to the EU27 fell by 73 per cent to $103 billion, from $380 billion in 2019. In addition to the decline in the Netherlands, flows to *Italy* contracted sharply due to negative intracompany loans (from $10 billion to -$1 billion) and negative equity investments (the mobile tower assets of Vodafone (United Kingdom) were sold to Telecom Italia for $5.8 billion, for example). FDI to *Austria* also fell (to -$17 billion), mainly due to negative reinvested earnings[42] and the $4.7 billion equity divestment from Mubadala Investment (United Arab Emirates). FDI flows to *Ireland* declined to $33 billion from $81 billion in 2019, mainly due to a fall in intracompany loans from $24 billion in 2019 to -$69 billion in 2020. In *France*, FDI declined by 47 per cent to $18 billion, in part because of lower M&A sales, which fell from $18 billion to $5billion. Despite the crisis, investment in certain strategic sectors, such as R&D, health care and renewable energy, recorded a rise.[43] FDI flows fell also in *Germany*, by 34 per cent to $36 billion, despite higher cross-border M&As. Foreign affiliates in Germany extended new loans or paid pack previous loans to their parents abroad, reducing intracompany loans by $55 billion. Among the largest deals in the country were the $18.7 billion sale of Thyssenkrupp's elevator business, the acquisition of Bayer AG's animal health business by Elanco (United States) for $6.9 billion, and the purchase of BASF's Construction Chemicals Business by Lone Star Funds (United States) for $3.5 billion. In contrast, FDI to *Sweden* more than doubled from $10 billion to $26 billion, as United States MNEs injected loans in their affiliates in the country.

FDI flows to *North America* declined by 42 per cent to $180 billion, as inflows to the *United States* decreased by 40 per cent to $156 billion. Inflows decreased significantly in finance (-45 per cent) and wholesale trade (-87 per cent), while they rose in chemicals (22 per cent). Investments from European MNEs fell by 15 per cent, and those from Asia by 53 per cent. The reduction in corporate profits had a direct impact on reinvested earning, which fell to $71 billion – a 44 per cent decrease from 2019. In addition, equity investments were curtailed by one fifth, reflected in the fall in cross-border M&As and announced greenfield investments. Cross-border M&A sales of United States assets to foreign investors fell for the fourth consecutive year (by 36 per cent, to $100 billion), mostly in the primary sector (from $18 billion to -$2.5 billion) and manufacturing (-39 per cent).

Nevertheless, German MNEs' acquisitions doubled to $50 billion from $23 billion in 2019. For example, Infeneon (Germany) acquired Cypress (United States) for $9.8 billion.

FDI to *Canada* halved to $24 billion in 2020. Flows plummeted in mining and quarrying (from $20 billion to -$10 billion) and fell by 70 per cent in manufacturing. MNEs from the United States – the major investors in the country – halved their investment.

Most other developed economies also saw their FDI inflows contract in 2020. Flows to *Australia* contracted as well (-49 per cent to $20 billion) as a result of low cross-border sales targeting chemicals and the financial sector. FDI to *Japan* dropped by almost one third to $10 billion, reflecting a 25 per cent decline in FDI from MNEs in the United States. In *Israel*, in contrast, FDI increased by 30 per cent to $25 billion, driven in part by M&A sales in electronics, which rose by 31 per cent to $7.3 billion (for example, Nvidia (United States) acquired Mellanox for $6.9 billion).

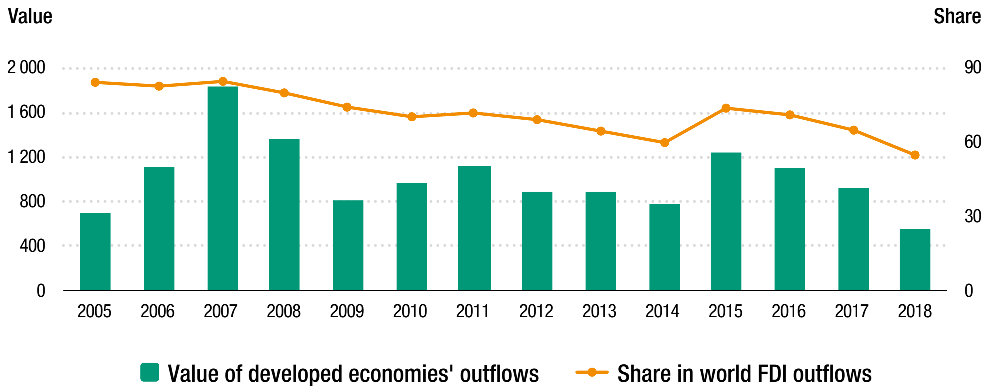
In 2020, the majority of sectors contributing to the *Sustainable Development Goals (SDGs)* suffered a fall in FDI to developed countries as a group. Compared with 2019, the value of international project finance announcements was 26 per cent lower in infrastructure, including energy, telecommunication and transport, and 14 per cent lower in renewable energy. The decline was mainly due to the absence of large projects, as the number of transactions increased by 15 per cent and 13 per cent, respectively. The largest transaction was the Gorgon LNG project in Australia, sponsored by companies in Japan, the Netherlands and the United States.

In contrast, the number of greenfield projects in water, sanitation and hygiene (WASH), education and health, as well as food and agriculture, were all lower than in 2019 (table D). Aggregate investment value in the latter two industries, however, increased by 14 per cent and 9 per cent, respectively.

Outflows

In 2020, MNEs from developed economies reduced their investment abroad by 56 per cent to $347 billion – the lowest level since 1996. As a result, their share in global outward FDI dropped to a record low of 47 per cent (figure II.2). While FDI outflows from European MNEs and other developed countries declined, those from the United States remained stable.

Figure II.2. **Developed economies: FDI outflows and share in total world outflows, 2005–2018** (Billions of dollars and per cent)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

Investment by European MNEs fell by 80 per cent to $74 billion. Outward FDI declined in most European countries, but the trend was distorted by a few conduit economies where outflows experienced strong volatility. The Netherlands, Germany, Ireland and the United Kingdom, in that order, saw their outflows decline. Outflows from the Netherlands – normally among the largest source countries in Europe in 2019 – dropped by $246 billion to -$161 billion, owing to corporate reconfigurations and holding-company liquidations. German MNEs reduced their investment in 2020 to $35 billion from $139 billion in 2019. Large intracompany loan fluctuations also affected outflows from Switzerland (from -$44 billion to $17 billion) and Ireland (from -$17 billion to -$50 billion). Outflows from France, in contrast, rose by 14 per cent to 44 billion, as French MNEs provided loans to their foreign affiliates.

Outflows from the United States remained flat at $93 billion. United States MNEs' outward flows increased significantly in Europe (to $50 billion, from $8 billion in 2019) but declined in Asia (from $53 billion to $15 billion), mainly due to reduced investment in Singapore. In terms of industries, MNEs from the United States halved their investment in manufacturing, mostly in chemicals, while FDI outflows increased in holding companies.

Investments by Japanese MNEs fell by 49 per cent to $116 billion from a record $227 billion in 2019, as large M&A purchases in that year were not repeated in 2020. Outflows to Europe and Asia halved. Nevertheless, Japan remained the third largest investor in the world, after China and Luxembourg. Among the largest acquisition were the purchase of Carlton United Breweries (Australia) by Asahi Group for $11 billion and Hitachi's acquisition of Power Systems Division from ABB (Switzerland) for $9.4 billion.

Prospects

In 2021, FDI flows to developed economies are expected to increase by 15 to 20 per cent, reflecting improved macroeconomic fundamentals, massive fiscal stimulus packages, the likely rebound from the anomalous low of last year and the benefit – sooner than in other economies – of wide vaccination coverage.

After the -5 per cent contraction recorded last year, real GDP growth in developed economies is projected to accelerate to 5 per cent in 2021 (table II.7), bolstered by a $1.9 trillion rescue package in the United States and additional fiscal support in Japan. The infrastructure investment boost from economic recovery packages will lift international project finance – a sizable component of FDI. Reinvested earnings are also expected to pick up as profits return.

Table II.7. Developed economies: growth rates of GDP, trade and FDI, 2013–2021 (Per cent)

Variable	2013	2014	2015	2016	2017	2018	2019	2020	2021[a]
GDP	1.3	2	2.4	1.7	2.5	2.3	1.7	-5.0	5.0
Trade	2.8	4.4	4.6	2.7	5.0	3.3	1.9	-10.6	9.1
FDI	-5.9	-6.5	90.0	6.1	-33.5	-20.9	5.8	-38.0	(15 to 20)

Source: UNCTAD, FDI/MNE database for FDI; UN (2021) for GDP and trade.
[a] Forecasted.

Fiscal stimulus measures and growing consumer demand are expected to revive the domestic economy in the United States. However, in the short term, several factors could increase uncertainty for international investors: new corporate tax reforms, the risk of inflation and the possible continuation of trade tensions.

The increase of FDI flows to developed economies is more likely to come from cross-border M&As than from new investment in productive assets. Frothy financial markets due to fiscal and monetary support are likely to boost M&A activity, which accounts for the largest share of FDI in developed countries. Cross-border M&A purchases in the first four months of 2021 were already recording higher values than in the same period in 2020. M&A purchases were up 24 per cent, mainly because of transactions in chemicals, automotive and information and communication.

STRUCTURALLY WEAK, VULNERABLE AND SMALL ECONOMIES

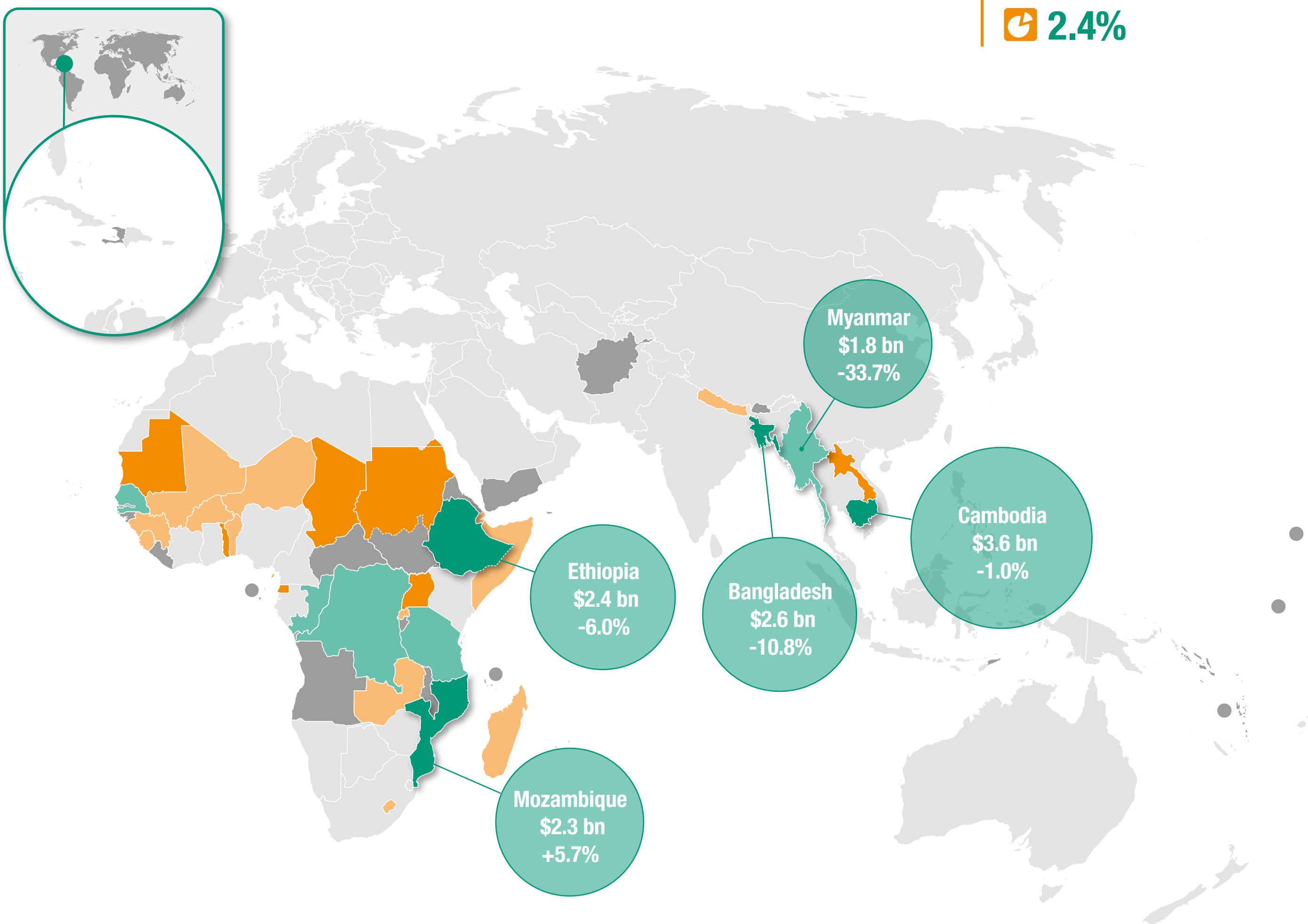
LEAST DEVELOPED COUNTRIES

FDI flows, top 5 host economies, 2020 (Value and change)

2020 Inflows **23.6 bn**

2020 Increase **1.4%**

Share in world **2.4%**



Flows, by range

- Above $2.0 bn
- $1.0 to $1.9 bn
- $0.5 to $0.9 bn
- $0.1 to $0.4 bn
- Below $0.1 bn

Top 5 host economies

Economy
$ Value of inflows
2020 % change

Outflows: top 5 home economies

(Billions of dollars and 2020 growth)

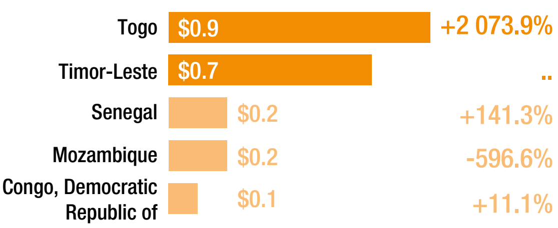
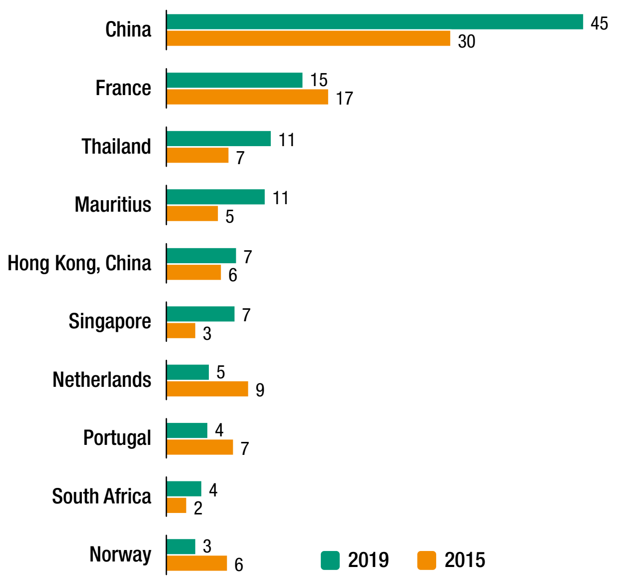


Figure A. Top 10 investor economies by FDI stock, 2015 and 2019 (Billions of dollars)



Source: UNCTAD.

Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. Final boundary between the Republic of Sudan and the Republic of South Sudan has not yet been determined. Final status of the Abyei area is not yet determined. Dotted line in Jammu and Kashmir represents approximately the Line of Control agreed upon by India and Pakistan. The final status of Jammu and Kashmir has not yet been agreed upon by the parties.

HIGHLIGHTS

- Flows remained flat despite the pandemic
- Greenfield projects and project finance deals dropped
- Prospects remain sluggish

Figure B. FDI inflows, 2002–2020 (Billions of dollars and per cent)

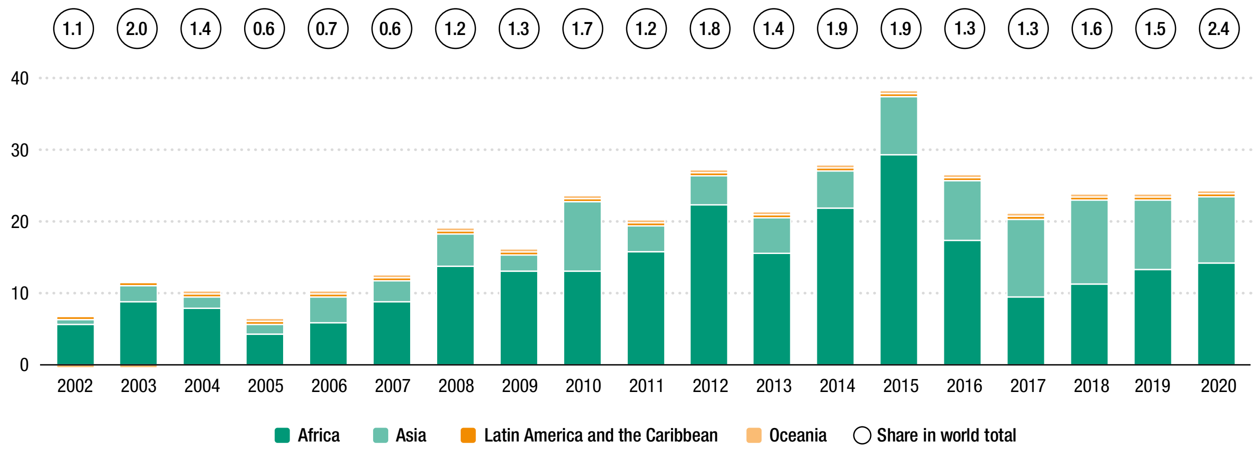


Table A. Net cross-border M&A sales, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	2020	Number 2019	2020
Total	**223**	**421**	**42**	**26**
Primary	-486	404	1	7
Manufacturing	126	17	9	3
Services	584	-	32	16
Top industries by value				
Extractive industries	-527	404	1	6
Pharmaceuticals	..	17	..	1
Finance and insurance	54	-	13	7
Information and communication	0,3	-	1	3
Trade	128	-	4	3
Transportation and storage	-	-	3	2

Table B. Announced greenfield projects, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	2020	Number 2019	2020
Total	**35 384**	**16 703**	**368**	**180**
Primary	2 356	608	11	7
Manufacturing	20 848	5 351	142	55
Services	12 180	10 745	215	118
Top industries by value				
Energy	3 510	6 651	18	23
Coke and refined petroleum	8 859	2 456	8	3
Information and communication	337	2 018	19	28
Non-metallic mineral products	1 588	823	16	14
Transportation and storage	3 812	756	37	15
Wood and wood products	..	750	..	1

Table C. Announced international project finance deals, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	2020	Number 2019	2020
Total	**69 054**	**33 536**	**102**	**69**
Top industries by number				
Renewable energy	6 843	11 159	34	29
Mining	7 831	1 957	25	10
Energy	7 287	4 432	13	9
Industrial real estate	204	989	2	5
Transport infrastructure	6 190	12 601	8	4

Table D. SDG sectors: greenfield and project finance, selected trends, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	2020	Number 2019	2020
Infrastructure	15 576	17 033	22	13
Renewable energy	6 843	11 159	34	29
WASH	61	-	1	-
Food and agriculture	4 703	408	23	7
Health	419	77	14	5
Education	137	21	8	3

Despite the COVID-19 pandemic, aggregate FDI flows to the least developed countries (LDCs) remained practically unchanged in 2020, largely due to developments in Angola. The share of LDCs in global flows rose from 1.5 per cent to 2.4 per cent, the highest percentage since 2003. At the country level, FDI declined in the majority of LDCs. Investors from developing countries, especially from China and, to a lesser degree, Mauritius, South Africa and Thailand, continued to play a growing role in investment in LDCs. Greenfield announcements, an important indicator of investment intentions, decreased, as did the number of international project finance deal announcements. The decline affected investment announcements in sectors relevant for the SDGs, which is of concern for plans to help the countries graduate from LDC status. FDI inflows are forecast to remain sluggish in 2021 and 2022, as LDCs struggle to cope with the shock of the crisis.

Inflows

In 2020, flows to the 46 LDCs[44] remained stable at $24 billion (up 1 per cent from 2019). This was partly because negative inflows to Angola diminished from -$4.1 billion in 2019 to -$1.9 billion in 2020 – recorded as a net FDI increase – as oil companies' repatriation of funds, related to the end of a production cycle, slowed. Excluding the impact of Angola, however, inflows to LDCs decreased by 7 per cent, mostly on par with the average in developing countries. FDI grew in other selected African LDCs, especially Senegal and Togo, as well as in the Lao People's Democratic Republic, but decreased in almost half of the group's economies. As in previous years, inflows were concentrated in some large LDCs. The top five recipients (Cambodia, Bangladesh, Ethiopia, Mozambique and Myanmar, in that order) accounted for more than half of FDI to the group, and the top 10 (adding the Democratic Republic of the Congo, Senegal, the United Republic of Tanzania, Mauritania and the Lao People's Democratic Republic) for over three quarters.

FDI inflows to the 33 African LDCs increased by 7 per cent to $14 billion, accounting for more than 60 per cent of all inflows of LDCs. As a result, African LDCs performed better than Africa as a whole, where FDI inflows declined by 15 per cent. Inflows exceeded $1 billion in five African LDCs, and $500 million in another five.

In *Ethiopia*, the largest African LDC recipient of FDI, flows were down 6 per cent to $2.4 billion. Although economic growth remained positive in 2021, the economy felt the effects of the pandemic in tourism and industries related to global supply chains. In *Mozambique*, inflows grew by 6 per cent to $2.3 billion because of a 14 per cent increase in intracompany loans, as equity flows shrank for a fifth consecutive year (by 34 per cent to $254 million). The implementation of the largest FDI project in the country, an LNG project by Total (France), continued during the pandemic, though it was suspended in April 2021 for security concerns. In the *Democratic Republic of the Congo*, FDI increased by 11 per cent to $1.6 billion. New greenfield projects in telecommunications were registered, from Chinese, Egyptian and United States MNEs. The country also recorded its first two renewable energy project announcements in seven years.[45]

In *Senegal*, FDI grew by 39 per cent to $1.5 billion. The bulk of inflows was concentrated in energy, including oil, gas and renewables.[46] Unlike the energy sector, the economy as a whole entered a pandemic-induced recession owing to a fall in tourism and transport, as well as a decline in overall investment and external demand. In the *United Republic of Tanzania*, inflows remained largely unchanged – they grew by 2 per cent to $1 billion, while in neighbouring *Uganda*, they fell by 35 per cent to $815 million. Landlocked Uganda particularly suffered from border-closure and other measures affecting transportation. Indeed, the Uganda Investment Authority reported major pandemic-related declines in investment in the tourism, transport and construction industries, caused by a disruption in supply chains, a slowdown in economic activity and a postponement of investment decisions. The development of an oil pipeline to transport crude oil extracted in Uganda to the Tanzanian port of Tanga could sustain investment in both countries in the future.[47]

In *Togo*, where the economy suffered from depressed global demand for copper and agricultural commodities, FDI rose by 85 per cent to $639 million, in large part because of construction of a cement plant by Dangote (Nigeria). In contrast, inflows to the *Sudan* shrank by 13 per cent to $717 million, owing to both the pandemic and the challenging process of democratization. Although the political, economic and humanitarian situation remains fragile, work on the new Haidob seaport, a $300 million project with Chinese capital investment, was completed in 2020. The post-pandemic recovery of FDI is expected to be driven by a more favourable international political environment thanks to largely improving relations with the United States. In *Chad*, inflows contracted by 2 per cent to $558 million, invested almost exclusively in commodity-related activities (e.g., oil and gas, cotton). In 2020, the economy suffered a temporary suspension of oil production and a slowdown of trade on the back of border closures to contain the pandemic.

In the nine Asian LDCs, FDI inflows declined by 6 per cent to $9.2 billion, or nearly 40 per cent of the LDC total. In *Cambodia*, the largest LDC recipient, FDI was down by 1 per cent to $3.6 billion, despite mitigating government measures. The decline was due to investors postponing investment in both services (especially hospitality) and the export-oriented garment industry as the pandemic hit the economy and the foreign markets that firms operating in Cambodia are linked with. Inflows were concentrated in construction, garments, electric and electronic components, and agriculture. Most of the large construction projects of Chinese firms continued despite the crisis. For example, the 190-km Phnom Penh–Sihanoukville Expressway, a $1.9 billion project, became nearly 40 per cent complete in 2020. In *Bangladesh*, inflows declined by 11 per cent to $2.6 billion. Both general economic activities and FDI shrank in the country's export-oriented garment manufacturing, as $3 billion worth export orders, primarily from the United States and European Union were cancelled. Foreign investment inflows are shifting away from large non-renewable energy and finance projects towards fintech, the pharmaceutical industry, liquefied natural gas plants and agribusiness, which the Government is actively promoting.

FDI in *Myanmar* plummeted by 34 per cent to $1.8 billion in 2020, due to worsening investor perceptions, a deteriorating general business environment and the impact of the pandemic. In addition, political developments in 2021 resulted in several foreign investors reviewing or halting their activities in Myanmar. FDI in the *Lao People's Democratic Republic,* in contrast, registered a 74 per cent increase to $968 million, because of booming infrastructure investment by Asian, especially Chinese, investors. For instance, a consortium led by Datang International Power (China) started the construction of the $2.1 billion Sanakham Dam in 2020, and the China Railway Group is building the $5.7 billion Laos–China Railway project.

In the smallest and most vulnerable LDCs, FDI flows declined to very low levels, as the pandemic magnified structural weaknesses. In the three LDCs in Oceania, inflows declined by 73 per cent to $9 million, with most of these investments concentrated in mining in the *Solomon Islands*. In *Haiti*, the only LDC in Latin America and the Caribbean, FDI inflows declined by 60 per cent to $30 million, under the strains of the pandemic, civil unrest and the ongoing humanitarian crisis. One potential source of FDI inflows could be the diaspora, which the Government started targeting in 2020.

FDI flowing from developing countries to LDCs continues to play an important role in bringing in jobs, technology and finance. China is the largest and one of the fastest-growing sources of FDI to LDCs. Between 2015 and 2019, its FDI stock in the group grew by 50 per cent, from $30 billion to $45 billion, and the list of greenfield and cross-border

M&A deals in 2020 indicates a further increase. In addition, the $7 billion FDI stock held by Hong Kong (China) in LDCs originates mostly from China. LDCs also continue to attract large FDI from Mauritius (which includes large amounts of capital originating in India), Singapore, South Africa and Thailand – as measured by the FDI stock of these countries in the LDCs in 2019. The AfCFTA's investment protocol could help accelerate flows from developing countries in African LDCs. In Asian LDCs, ASEAN plays a similar catalytical role.

Though the value of cross-border M&A deals targeting LDCs was on the rise in 2020, these transactions still accounted for a very small portion of FDI, and the bulk of these deals involved sales from one foreign owner to another, involving no new foreign capital. Their net value remained small in 2020 ($316 million) but was about 70 per cent more than in 2019, mostly due to transactions in the primary sector, especially in extractive industries (table A). In eight deals, the gross transaction value exceeded $100 million, with the largest ones involving a change of foreign owners.

The number and value of greenfield project announcements in LDCs dropped sharply in 2020. The number of projects fell to 180, a 13-year low (-51 per cent compared with 2019). Their value also fell, to $17 billion, a 14-year low (-53 per cent). By value, the largest projects were announced in the energy, coke and refined petroleum products, and information and communication industries (table B). Among the investors, MNEs from China and, to a lesser degree, the EU were the most active. Among the very large projects (table II.8), which were concentrated in non-renewable energy, a Chinese firm initiated three megaprojects for a combined value of $3.4 billion in fossil energy in Myanmar; and in Angola, Eni (Italy) began a $1.3 billion liquefied gas project and Gemcorp (United Kingdom) started a $920 million petroleum refinery.

The number of LDC host economies that did not attract any project increased from 13 to 17. By region, African LDCs experienced the biggest decline in both the number of projects (-54 per cent, to 129) and their value (-58 per cent, to $9.7 billion, the lowest level since 2003). In Asian LDCs, the number of projects reached a 13-year low (51, down by 43 per cent); their value also fell (to $7 billion, also down by 43 per cent). Nevertheless, some industries in these country groups were not affected by the downward trend.

Table II.8. LDCs: selected large greenfield projects announced in 2020

Host economy	Industry	Parent company	Home economy	Estimated capital expenditure (Millions of dollars)
Myanmar	Energy	China General Technology Group (Genertec)	China	3 446[a]
Angola	Coke and refined petroleum	Eni	Italy	1 389
Angola	Coke and refined petroleum	Gemcorp Capital	United Kingdom	920
Cambodia	Furniture	Lipp Engineering	Malaysia	750
Zambia	Energy	Power Construction Corporation of China (PowerChina)	China	548[a]
Congo, Democratic Republic of		Ivanhoe Mines	Canada	361
Cambodia	Energy	Total	France	341
Guinea	Energy	CleanPower Generation	Germany	340[b]
Cambodia	Construction	Aeon	Japan	290
Sudan	Agriculture	International Holdings	United Arab Emirates	225

Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com).
Note: The values of announcements are ranked by the combined commitments of the investor in the given host country.
[a] Sum of three projects in different locations.
[b] Sum of two projects in different locations.

In African LDCs, the value of energy projects grew for the third consecutive year (up 17 per cent, to $2.9 billion) and in information and communications, they hit a seven-year high (up 576 per cent, to $1.8 billion). In Asian LDCs, energy continued to attract the highest and fastest-growing values of greenfield investment commitments ($4 billion, up 220 per cent). By project value, the largest LDC recipients were Myanmar, Angola, Cambodia, the Democratic Republic of the Congo and Zambia.

In 2020, international project finance deals targeting LDCs diminished by 32 per cent in number (to 69) and by 51 per cent in value (to $33 billion) (table C). The bulk of the projects by both number (47, a decline of 32 per cent from 2019) and value ($27 billion, a decline of 46 per cent), were recorded in 17 African LDCs. In Asia, five LDCs attracted 21 deals (a decline of 36 per cent), amounting to $6.4 billion (a decline of 66 per cent). Among the 11 target industries, 3 attracted more projects than in 2019: industrial real estate, petrochemicals, and water and sewerage. Major projects in these industries include a 15-year water supply contract with Suez (France) in Senegal ($326 million); a build-own-operate project in cement manufacturing in Myanmar ($311 million) to be developed by Chinese investors, led by Gezhouba Group Cement; and two oil refinery projects ($210 million each) in Angola to be financed by Gemcorp Capital (United Kingdom), ultimately owned by JUMO World (Mauritius). By value, Zambia attracted the most ($11 billion in three deals), followed by Ethiopia ($4.4 billion in three deals). By number, Myanmar attracted the most (eight deals, totalling $1.7 billion). Angola, Guinea and the Lao People's Democratic Republic attracted six deals each.

To graduate from LDC status, countries in this group require massive investment in SDG-related activities to overcome three main disadvantages: low per capita income, low level of human development (in nutrition, health, school enrolment and literacy) and high economic vulnerability (including physical and economic exposure to shocks, limited size of the national economy and/or remoteness). So far, only six countries have managed to graduate, and six more are currently engaged to follow suit. In this respect, the pandemic has been negative on two counts: it worsened LDC handicaps, especially those related to income, health and vulnerability to shocks, and it depressed investment commitments in various SDG-related sectors.

Greenfield project announcements and international project finance commitments are the two main measures of progress with investment in SDG-related sectors. The pandemic negatively affected greenfield projects but not international project finance deals. The value of greenfield announcements in SDG-related sectors declined by 23 per cent to $10 billion, while the value of announced project finance deals increased by 27 per cent to $29 billion. Although the absolute value declined, the share of SDG-related projects among greenfield deals rose from 36 per cent in 2019 to 59 per cent in 2020. Among project finance deals, the share of the value of SDG-related projects increased from 33 per cent in 2019 to 86 per cent in 2020.

The pandemic affected different SDG sectors in LDCs unevenly, with foreign investment in infrastructure and renewable energy rising, and investment in food and agriculture, health and education falling (table D). In water, sanitation and hygiene (WASH), foreign investors announced no greenfield projects. Nevertheless, in cross-border project finance, the number of WASH deals announced in 2020 grew from one to three, driving the value from $225 million to $792 million.

Owing to an $11 billion transport project in Zambia, infrastructure investment rose by 9 per cent to $17 billion, although the number of deals dropped by 41 per cent. Similarly, LDCs attracted fewer renewable energy projects (a decline of 15 per cent), but they amounted to over $11 billion, an increase of more than 60 per cent. Although the aggregate value was driven by two larger projects (namely, a $4 billion project finance deal in Ethiopia and a $1.4 billion deal in Uganda), the 29 renewable energy projects were evenly spread among 20 LDCs (15 in Africa, 4 in Asia and Haiti).

If countries in this group are to progress towards becoming more resilient and graduating from their LDC status, SDG-related investment needs to be scaled up in LDCs in the post-pandemic period, especially in food and agriculture, health and education. Various LDCs are pushing towards a sustainable (green) post-pandemic recovery, which is promising. LDCs offer large untapped opportunities for FDI in SDG sectors, and policy measures undertaken by the LDC governments both before and during the COVID-19 crisis could be amplified during the post-pandemic recovery.

Prospects

The prospects of FDI in LDCs remain subdued in the immediate future. Inflows are expected to remain sluggish over the next few years. Even though some countries contained the disease effectively and quickly (e.g. Bhutan), in many LDCs mass vaccination may be many years away. The immediate challenge is to minimize the number of "lost" years in terms of progress toward SDG goals. The main concern in LDCs is that the pandemic could wipe out development gains achieved over the last decade under the Istanbul Programme of Action (2011–2020) and the SDG agenda.

The concern extends to the six LDCs in the process of graduation. The fact that an additional two years were added to the transition period for those selected for graduation after the outbreak of the pandemic (e.g. for Bangladesh and Nepal, until 2026) suggests that the international community is willing to support LDCs to adjust in a more orderly manner to the changing conditions of the world economy. In addition, in 2019, the year before the onset of the crisis, the international community pledged $5 billion in temporary relief for vulnerable countries (including selected LDCs). After the onset of the pandemic, the G20 finance ministers and central banks renewed commitments and put forward detailed measures to support the global economy during and after the COVID-19 pandemic, including the Debt Service Suspension Initiative for Poorest Countries, which provides relief on IMF and World Bank obligations to both countries supported by the International Development Association and LDCs. These extensions are essential to maintain trade preferences, but they can also indirectly affect FDI flows, especially in export-oriented sectors.

Some home countries have maintained and reinforced their mechanisms that support sustainable OFDI to developing countries, especially LDCs. One of them is Prosper Africa, a United States Government initiative to substantially increase two-way trade and investment between Africa and the United States. The U.S. International Development Finance Corporation, the Government's development bank, also maintained its programme of partnering with the private sector to finance and co-finance projects in energy, health care, infrastructure and technology to advance impact investment in developing countries, including many LDCs.

The pandemic aggravated structural weaknesses that affect development in general in LDCs (*WIR20*). Most LDCs avoided major virus outbreaks despite their limited domestic resources and weak health-care capacity; however, future outbreaks, especially if the vaccine roll-out in LDCs continues to be delayed, could once again depress FDI. Moreover, FDI in the 39 LDCs still considered commodity dependent will remain subject to fluctuations in commodity prices, most of which have not recovered to their pre-pandemic levels. Uncertainty related to a recovery in tourism is also a major issue for selected LDCs (e.g., Bhutan, Cambodia, Ethiopia, the Lao People's Democratic Republic and the United Republic of Tanzania) (*WIR20*).

The value of greenfield project announcements in 2020 indeed suggests further FDI decline. FDI is not expected to be the engine of economic recovery in LDCs; at best, it will follow the recovery led by Governments that are assisted by the international community. Under these circumstances, it is not clear what the contribution of FDI to a "build back better" strategy would be.

Governments of various LDCs are aware of these challenges and have launched efforts to mitigate the effect of the crisis on their economies as the whole and on FDI. Initially focused on the continuity of administration and public services through eGovernment services, governments shifted focus in the middle of the year towards facilitating investment and streamlining the regulatory framework for FDI as a means to make possible a more sustainable recovery. To facilitate investment, in 2020 the Government of Cambodia launched an online system for investment applications with approvals provided within eight working days for new companies. The Government of Angola created a single-contact mechanism for investors to obtain necessary authorizations in a simplified manner. It also adopted a law allowing the creation of free trade zones with incentives and benefits. In Bangladesh, the Government streamlined five laws as part of its efforts to reduce obstacles to foreign investment. In the Lao People's Democratic Republic, the Government provided fiscal incentives, including temporary exemption from income tax and exemption of duties for pandemic-related goods. It also decided to facilitate investment in tourism, by permitting foreign investors to carry out condominium construction and to own apartments in condominiums. Rwanda also provided investment incentives relevant to SDG-related sectors: preferential tax rates to investors that undertake the generation, transmission and distribution of energy, whether peat, solar, geothermal, hydro, biomass, methane or wind.

One of the salient cases of reforms accelerated by the pandemic is that of Ethiopia, where the aim of regulatory changes has been to involve more foreign investors in efforts to achieve a sustainable recovery. To that end, an Investment Proclamation was adopted at the beginning of the pandemic (in April) shifting to a negative-list approach and authorizing the Ethiopian Investment Board to revise the list of activities prohibited to foreign investors. In addition, in September the Government adopted a new investment regulation, opening certain segments of transport to foreign investment, including railway transport and cold-chain and freight transport. In other segments, the permitted share of foreign investors was raised to 49 per cent. Restrictions on foreign ownership were also lifted in cement manufacturing, education and management consultancy. The regulation also relaxed the restrictions on the engagement of manufacturing firms in retail trade and electronic commerce.

Despite the pandemic, support was put in place in some LDCs to promote investment in infrastructure. For example, during the last year, Uganda has provided fiscal support to accelerate the development of industrial parks. The pandemic has also forced LDCs to accelerate the development of ICT and the adoption of digital technology. For example, the $4.9 million Tuvalu allocated for projects included improvement of broadband internet connectivity.

The pandemic also put investment and regional cooperation in a new perspective. By creating larger markets, regional integration schemes will encourage intraregional FDI, especially in Africa, where the majority of the potential members of the AfCFTA (55 in total) are LDCs (33). The implementation of the AfCFTA and its sustainable investment protocol could open ample opportunities for investment in productive capacities and in sustainable development. Such investment could aid economic recovery, especially if governments promote regional production networks and the development of regional value chains, as well as attract market-seeking investment that would benefit from extended regional and continental markets (see box II.1). However, the pandemic may delay the implementation of those plans.

In Asia, regional cooperation could also help ASEAN LDCs (Cambodia, the Lao People's Democratic Republic and Myanmar) mitigate the impact of the pandemic.[48] In 2020, ASEAN member countries adopted the Hanoi Action Plan on Strengthening Supply Chain Connectivity to ensure a smooth flow of essential goods and agreed not to impose export bans on health care products (e.g., masks and PPE). They also approved a Comprehensive Recovery Framework that facilitates trade and investment, with a specific implementation plan covering various instruments of cooperation, such as the COVID-19 ASEAN Response Fund and the ASEAN Regional Reserve of Medical Supplies. ASEAN countries also envisage scaling up PPPs to respond to future public health emergencies and to address regional issues such as gaps in infrastructure, financing and skills. Similarly, they strive for more regional cooperation in digitalization, including a framework for cross-border payments, a plan to promote smart manufacturing, guidelines for the 5G ecosystem and joint sustainable investment projects.[49] These efforts benefit all members, including the three LDCs.

Ultimately, the future of FDI in LDCs will also depend on how attractive these economies are in MNEs' post-pandemic strategies. International production is set to undergo significant reconfiguration, which might reduce dependence on single suppliers, encourage reshoring and regionalization, and boost resilience-seeking investment (*WIR20*). All these developments present both opportunities and challenges for LDCs. In some cases, LDCs could capture parts of the diversified and regionalized value chains, and even from some forms of "replicated" sites, resulting in shorter value chains and a rebundling of production stages (e.g. in pharmaceutical production). The challenge is to make productive locations in LDCs more attractive for these activities, contributing to greater resilience and sustainability for both investors and host countries. For example, LDCs can leverage their duty-free and quota-free market access to major markets. They can also leverage links of their typically large diasporas for both investment and the acquisition of skills.

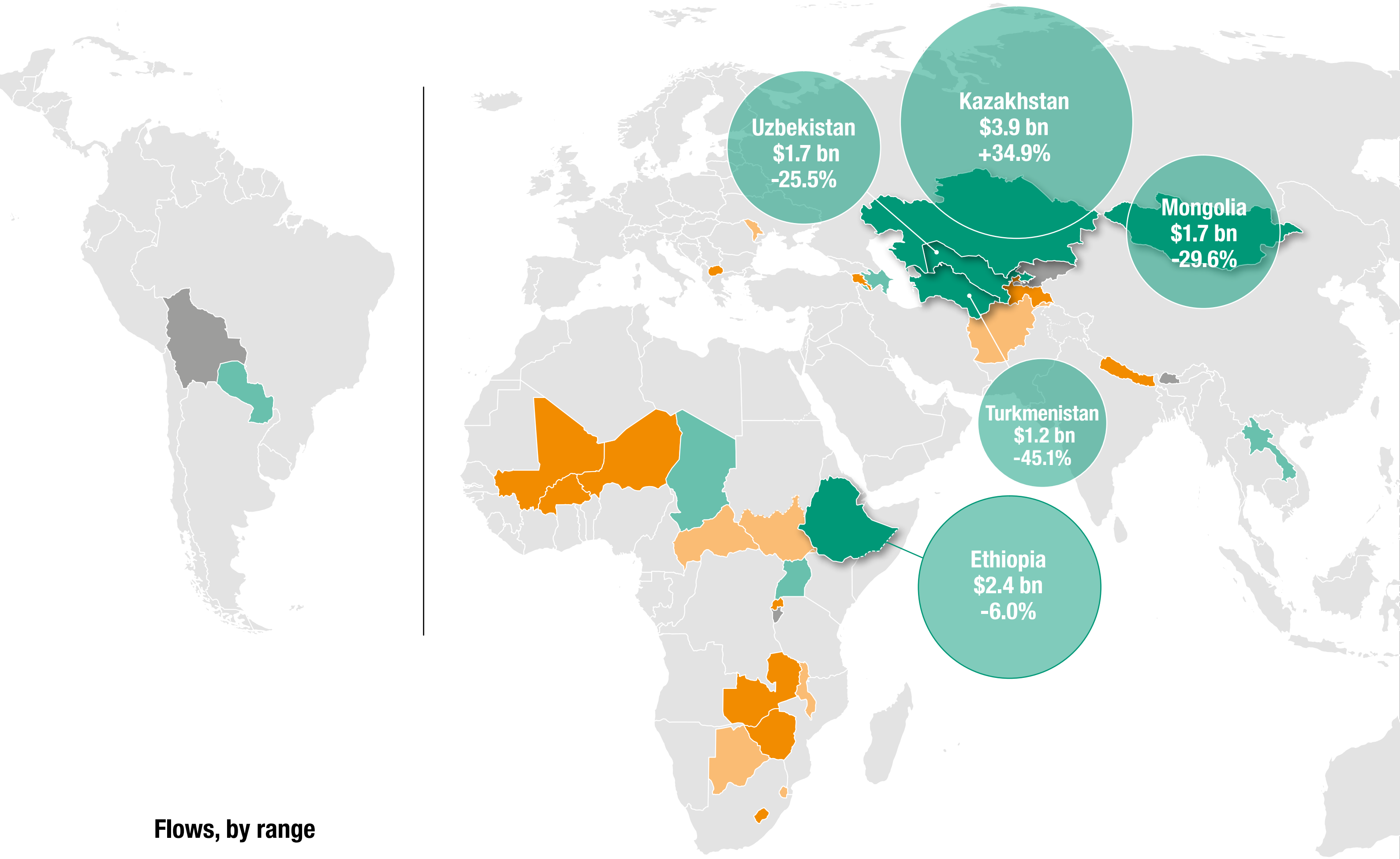
LANDLOCKED DEVELOPING COUNTRIES

FDI flows, top 5 host economies, 2020 (Value and change)

2020 Inflows
15.4 bn

2020 Decrease
-31.0%

Share in world
1.5%



Flows, by range

- Above $1 bn
- $0.5 to $0.9 bn
- $0.1 to $0.5 bn
- $10 to $99 mn
- Below $10 mn

Top 5 host economies

Economy
$ Value of inflows
2020 % change

Outflows: top 5 home economies

(Billions of dollars and 2020 growth)

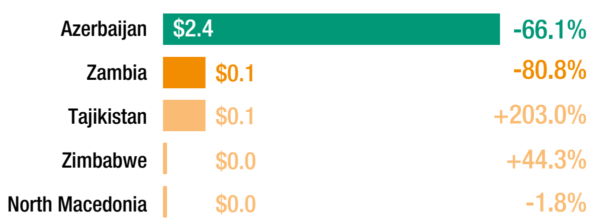
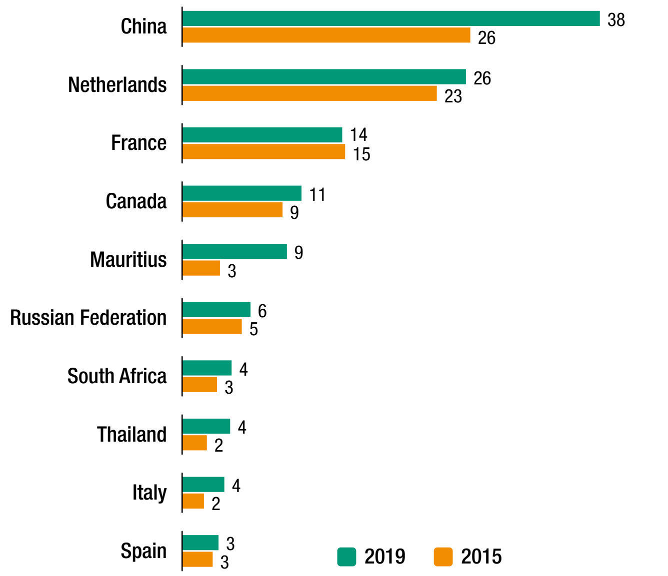


Figure A. **Top 10 investor economies by FDI stock, 2015 and 2019** (Billions of dollars)



Source: UNCTAD.

Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. Final boundary between the Republic of the Sudan and the Republic of South Sudan has not yet been determined. Final status of the Abyei area is not yet determined. Dotted line in Jammu and Kashmir represents approximately the Line of Control agreed upon by India and Pakistan. The final status of Jammu and Kashmir has not yet been agreed upon by the parties.

HIGHLIGHTS

- FDI declined to 2007 levels
- MNEs from developing countries remain important investors
- Low flows are expected

Figure B. **FDI inflows, 2002–2020** (Billions of dollars and per cent)

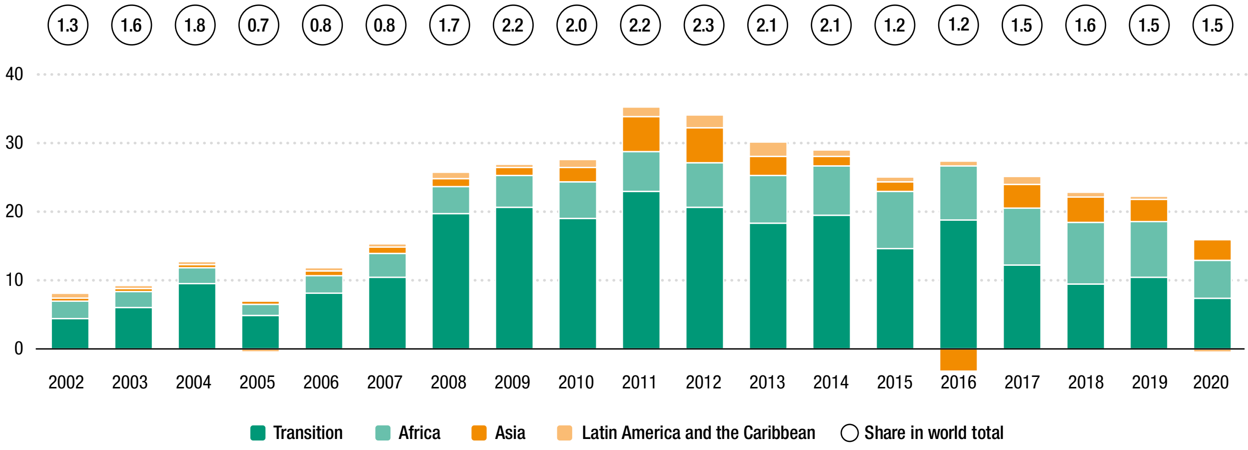


Table A. **Net cross-border M&A sales, 2019–2020**

Sector/industry	Value (Millions of dollars) 2019	2020	Number 2019	2020
Total	**187**	**78**	**31**	**23**
Primary	-19	27	2	3
Manufacturing	-	17	11	4
Services	206	33	18	16
Top industries by value				
Extractive industries	-25	27	-	3
Hospitality	..	23	..	2
Pharmaceuticals	..	17	..	1
Finance and insurance	149	10	8	6
Information and communication	18	-	1	3
Trade	6	-	1	2

Table B. **Announced greenfield projects, 2019–2020**

Sector/industry	Value (Millions of dollars) 2019	2020	Number 2019	2020
Total	**25 058**	**12 001**	**354**	**130**
Primary	704	46	10	3
Manufacturing	13 892	4 457	173	44
Services	10 463	7 498	171	83
Top industries by value				
Energy	5 116	4 430	24	17
Paper and paper products	178	3 200	3	1
Information and communication	307	1 822	18	22
Transportation and storage	2 140	373	22	8
Non-metallic mineral products	2 188	294	19	3
Hospitality	447	282	5	3

Table C. **Announced international project finance deals, 2019–2020**

Sector/industry	Value (Millions of dollars) 2019	2020	Number 2019	2020
Total	**19 908**	**25 587**	**61**	**34**
Top industries by number				
Renewable energy	6 506	9 495	35	18
Industrial real estate	2 410	727	2	5
Residential/commercial real estate	2 300	691	3	3
Transport infrastructure	242	11 244	1	2
Energy	2 306	2 624	5	2

Table D. **SDG sectors: greenfield and project finance, selected trends, 2019–2020**

Sector/industry	Value (Millions of dollars) 2019	2020	Number 2019	2020
Infrastructure	2 548	13 868	6	4
Renewable energy	6 506	9 495	35	18
WASH	61	-	1	-
Food and agriculture	3 480	205	31	5
Health	711	94	21	3
Education	106	7	8	1

In 2020, the pandemic caused major disruptions in the economic activities of landlocked developing countries (LLDCs) and severely hit their FDI inflows, which contracted by 31 per cent to $15 billion. The drop, to the lowest level of aggregate FDI since 2007, affected practically all economies in the group, with the notable exceptions of Kazakhstan, the Lao People's Democratic Republic and Paraguay. The share of the group in global FDI flows nevertheless remained stable, though marginal, at 1.5 per cent. Because of their limited access to international transportation and their dependence on neighbouring countries' infrastructure, LLDCs are expected to attract only low FDI inflows in the coming years. Government interventions to counter the negative effects of the pandemic are limited by resource constraints in the majority of LLDCs, with the exception of a few countries. Owing to this lack of resources, rescue and recovery packages that would accelerate both economic growth and new investment will remain weak.

Inflows

FDI inflows to the 32 LLDCs declined by 31 per cent, to $15 billion, their lowest level since 2007. The early stages of the pandemic, characterized by border closures and other measures restricting the international movement of goods, services and people, amplified LLDCs' geographic vulnerability, further hindering their access to international transportation and seaports. The consequent FDI downturn affected the large majority of economies in this group, with the notable exceptions of Kazakhstan, the Lao People's Democratic Republic and Paraguay.

Inflows to the nine landlocked transition economies and Mongolia contracted by 30 per cent to $9.2 billion, accounting for close to 60 per cent of the group total. Although FDI to the largest recipient, *Kazakhstan*, increased by 35 per cent to $3.9 billion, inflows declined in the other nine members of the group. In Kazakhstan, investment in mining, transport, financial services, telecommunication and energy continued to grow, while FDI contracted in construction, metallurgy and trade. In *Uzbekistan*, inflows dropped by 26 per cent to $1.7 billion, despite both efforts to scale up FDI and continued GDP growth in 2020. The energy sector, including renewable energy, as well as the telecommunication and automotive industries attracted some new projects. FDI to *Mongolia* was down by 30 per cent to $1.7 billion. One large mining project dominated inflows, which suffered heavily from the pandemic. Key external factors that crippled the mining-led economy were a sharp decline in global demand for Mongolia's key commodities and border closures with China.

In *Turkmenistan*, inflows decreased by 45 per cent to $1.2 billion. The COVID-19 pandemic hit export revenues and investment projects, both dependent on natural gas, very hard. The country has applied relatively limited measures against the pandemic but suffered from the fall in international demand for hydrocarbons, especially from China, a major trading and investment partner. The construction of the fourth branch (Line D) of the Central Asia–China gas pipeline was postponed until 2022, and the commissioning of the Turkmenistan–Afghanistan–Pakistan–India gas pipeline until 2023. At the same time, continued strict capital controls on FDI further slowed new hydrocarbons project amid the decline of international investment. In *Azerbaijan*, inflows fell by 66 per cent, to $507 million. Lockdown measures to contain the impact of the pandemic took their toll on economic activities.[50] Moreover, the negative effects of low prices for oil – which represents close to nine tenths of exports – affected the pipeline of new greenfield projects in the industry. Some foreign investors embarked on renewable energy projects. For example, ACWA Power (Saudi Arabia) signed an agreement with the Government of Azerbaijan to build, own and operate a 240 MW wind farm for $216 million, with the aim of diversifying the country's energy mix.

In 2020, FDI flows to the 16 African LLDCs fell by 32 per cent to $5.5 billion. They accounted for more than one third of the group total. The decline in African LLDCs was more pronounced than in other African countries (-17 per cent), reflecting the landlocked economies' vulnerability to border closures and other measures affecting logistics. Absorbing a 6 per cent drop in inflows to $2.4 billion, *Ethiopia* remained the largest LLDC recipient of FDI in Africa. The pandemic and political instability weighed on the economy and on FDI inflows, despite the Government's new investment promotion strategy targeting livestock, fisheries, energy and manufacturing. Flows to *Uganda* dropped by 35 per cent, to $823 million. The Uganda Investment Authority estimated the most severe pandemic-related declines to be in tourism, transport and construction, which suffered from disruption in their supply chains, the slowdown in economic activity and a postponement of investment decisions.

In *Chad*, FDI decreased by only 2 per cent, to $558 million, directed almost exclusively to commodities (among them oil and gas, and cotton). In response to the pandemic, the Government stepped up its diversification efforts, especially in agriculture and agribusiness and in infrastructure development, to improve the resilience of the economy. FDI to the *Niger*, another resource-based economy, declined by 49 per cent to $367 million. Although the country managed to contain COVID-19 infections, investment suffered from the pandemic's economic consequences, especially border closures. The pandemic also complicated the management of security problems in mining. In the 12 remaining African LLDCs, FDI inflows contracted by close to 54 per cent (to $1.4 billion).

FDI to the four landlocked Asian countries other than Mongolia rose by 42 per cent, to $1.1 billion (about 7 per cent of the group total). A sharp increase in flows to the Lao People's Democratic Republic more than compensated for declining flows to the other three countries. FDI in the *Lao People's Democratic Republic* was more resilient than in many other LLDCs, growing by 74 per cent to almost $1 billion. The country benefitted from the continued growth (7 per cent) of outward FDI from other Asian countries in 2020. Major construction projects such as the Laos–China railway, the Vientiane–Vang Vieng highway, and several small and medium-sized power projects were continued during the pandemic. Construction also started on the expansion of a potash production project, financed by Chinese capital with $173 million on a build-own-operate basis. FDI flows to the three other landlocked economies declined by an average of 37 per cent. In *Nepal*, FDI was down by 32 per cent to $126 million, mostly because of the stall in tourism, one of the country's key industries. The decline in tourism had a significant effect on the economy through the industry's multiple linkages with other economic activities, including FDI inflows.

In the two Latin American LLDCs, FDI inflows turned negative (-$480 million). In the *Plurinational State of Bolivia*, divestments accelerated from -$217 million to more than -$1 billion, due not only to the pandemic but also to political uncertainty in an election year, as well as subdued commodity prices, especially for hydrocarbons, metals and potash. In *Paraguay*, inflows rose by 9 per cent to $568 million. The country's lockdown (nationwide in March and April, and in selected areas afterwards) proved effective and the economy could reopen relatively quickly. Inflows continued to mostly target the country's natural resources and agri-food industries. In 2020, ECB (Brazil) started construction on an $800 million renewable fuel plant.

FDI inflows to LLDCs originate from a few key investor countries. China ranked first in 2019, as its FDI stock in LLDCs increased by almost one-half, from $26 billion in 2015 to $38 billion in 2019, reflecting the impact of Chinese policies promoting outward FDI under the framework of the Belt and Road Initiative. Three other developing and transition economies – the Russian Federation, South Africa and Thailand – also rank among the top 10 foreign investors, which highlights the importance of intraregional investment and investment between developing countries.

The cross-border net M&A inflows of LLDCs remained small and declined by 59 per cent to $78 million (table A). In mining, Caledonia Mining (Jersey) purchased additional shares in the operator of the Blanket gold ore mine in Zimbabwe (for $16 million), and gold mining services provider 2176423 Ontario (Canada) bought a 12 per cent stake in Steppe Gold (Mongolia) for $11 million. In manufacturing, one major deal was the acquisition of the entire share capital of Bophelo Bioscience & Wellness (Lesotho) by Halo Labs (Canada) for $17 million. In services, the Bashan Investment Group (Singapore) bought the majority of Hotel Uzbekistan's shares for $23 million, via an auction.

The value of greenfield project announcements targeting the group halved to $12 billion in 2020. The number of announcements dropped even more sharply (by 63 per cent, to 130). The decrease in value was particularly pronounced in the primary sector and in manufacturing (except pulp and paper production), and more limited in services (table B), with energy attracting multiple big projects. Large project announcements (table II.9) included a $3.2 billion Swedish pulp and paper project in Paraguay and various projects in energy (four in Zambia, three in Uzbekistan and one in Azerbaijan), two thirds of which targeted renewable energy. Some large projects (the electricity investment by Altmax Holding (Cyprus) and the telecommunication investment by VEON (VimpelCom) (Netherlands), both in Uzbekistan) were initiated by MNEs with ultimate owners in the Russian Federation. Russian firms also announced 17 other, much smaller greenfield investments. Overall, transition-economy LLDCs attracted the lion's share of large projects.

The number of cross-border project finance deals in LLDCs was 44 per cent fewer than in 2019 (table C). Of the 34 deals, 17 were registered in Africa, 10 in the landlocked transition economies and Mongolia, and 7 in the rest of the LLDCs in Asia, but none in the two LLDCs in Latin America and the Caribbean. This was 44 per cent fewer transactions than the 61 recorded in 2019 (table C). Only the QazTechna bus manufacturing plant project in Kazakhstan was already operational. In Zambia, the $11 billion standard-gauge railway build-own-operate project, which involves United States capital and would expand essential transportation links with the outside world, was announced.

Table II.9. LLDCs: selected large greenfield projects announced in 2020

Host economy	Industry	Parent company	Home economy	Estimated capital expenditure (Millions of dollars)
Paraguay	Paper and paper products	Girindus Investments	Sweden	3 200
Uzbekistan	Energy	ACWA Power International	Saudi Arabia	1 200
Uzbekistan	Energy	Altmax Holding	Cyprus	1 031
Zambia	Energy	Power Construction Corporation of China (PowerChina)	China	548[a]
Azerbaijan	Energy	ACWA Power International	Saudi Arabia	216
Uzbekistan	Information and communication	VEON (VimpelCom)	Netherlands	204[b]
Uzbekistan	Energy	Mubadala Development	United Arab Emirates	201
Chad	Energy	Merl Solar Technologies	Austria	199
Zambia	Energy	Econet Global	Mauritius	197
Kazakhstan	Rubber and plastics products	DoubleStar	China	192

Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com).
Note: The values of announcements are ranked by the combined commitments of the investor in the given host country.
[a] Sum of three projects in different locations.
[b] Sum of two projects in different locations.

The $1.7 billion Dakcheung clean coal power plant in the Lao People's Democratic Republic, which involves capital from Singapore, was undergoing a feasibility study. In Uganda, the $1.4 billion Ayago hydroelectric power plant project, which involves Chinese financing had already received approval. An additional three projects worth over $500 million were under development in the Lao People's Democratic Republic, Mongolia and Uzbekistan. The remaining 25 transactions in the group were smaller.

In SDG-related sectors, LLDCs attracted a smaller number of international deals than they did in 2019. Infrastructure investment deals declined (from six to four), but their value swelled more than fivefold (table D), driven by an $11 billion transport project in Zambia and two coal-fired power projects (for a total of $2.6 billion) in the Lao People's Democratic Republic. Kazakhstan also announced a $244 million airport terminal project sponsored by investors from the Netherlands and the Russian Federation. In renewable energy, the number of investment deals shrank by half, though the total cost of the projects – 18 in all – rose to $9.5 billion (up 45 per cent), thanks to the announcements of large-scale projects in Ethiopia ($4 billion) and Uganda ($1.4 billion). In addition to the largest two projects, African LLDCs attracted seven other projects. The rest of the 18 renewable energy projects targeted three LLDCs: the Lao People's Democratic Republic ($1.5 billion in four projects), Nepal ($48 million in one project) and Uzbekistan ($1.4 billion in four projects). In other SDG-related sectors, both the number and the scale of international investment commitments plummeted (table D).

Prospects

Prospects for FDI in LLDCs remain weak for 2021 and 2022. Although the measures adopted in the early stages of the pandemic are expected to be gradually or at least eased, the reorganization of international production and value chains will remain a challenge for LLDCs as investors seek more cost-effective and resilient locations for their new operations.

The sharp decline in greenfield project announcements illustrates the challenge of attracting FDI to LLDCs. Extractive industries, including mining, and oil and gas, are expected to recover over the medium term, as demand picks up; however, the extent of the shift towards renewable energy will affect investment in these industries. In both cases, high sunk costs and long project cycles may delay investment recovery. Despite the fact that agriculture became a priority for various LLDC governments as one of the key activities to increase local resilience to future shocks, the number of greenfield project announcements in the industry remains very low. Manufacturing may undergo a structural transformation, with a shift towards activities aimed at increasing local and regional self-supply capacities. Services could recover faster, especially in infrastructure.

Unless governments scale up investment promotion and facilitation, FDI is expected remain sluggish in the majority of LLDCs. However, the effectiveness of pandemic-related measures in incentivizing FDI flows to shift to new priority activities will also depend on the availability of resources for financing those policies. In this respect, too, the group is heterogeneous. Some countries, such as Azerbaijan, Kazakhstan and Uzbekistan – and, to some degree, Botswana – have more resources than others because of their strategies of accumulating funds in State-owned entities, including sovereign wealth funds. In Kazakhstan, the arsenal of pandemic-related measures has included preferential loans, support to agriculture, tax exemptions, low-interest loans and targeted finance. In Uzbekistan, the Anti-Crisis Fund has invested in recovery projects, in addition to government policies of tax reductions and preferential lending to selected activities. Botswana has also established a COVID-19 Relief Fund that has financed mostly wage subsidies, tax breaks and a government loan guarantee scheme. These schemes, although not always directed towards investment, can have an indirect impact on FDI.

Governments in countries with more limited financial resources also adopted policy measures to respond to the crisis. For example, Ethiopia initiated a programme to assist foreign investors in establishing facilities to manufacture PPE. The Uganda Investment Authority facilitated the establishment of science, industrial and business parks that would link with infrastructure development efforts including the building and establishment of infrastructure such as tarmac roads, industrial power and water supply, central sewerage treatment plants and solid waste management systems. The Rwanda Government adopted a law providing incentives for reducing operational costs, attracting talent and promoting innovation and diversification in firms investing on the country. In the Plurinational State of Bolivia, in the middle of 2020, the Government launched PROEXPORT, an agency to promote exports and tourism and attract investment. Similarly, the Zimbabwe Investment and Development Agency Act, adopted in February 2020, established the One-Stop Investment Services Centre and provides for the creation of SEZs, a tool widely adopted by countries to accelerate development and structural change (*WIR19*). Government measures such as these may help attract FDI, contributing to the LLDCs' recovery from the crisis. Their success hinges on how rapidly demand in the international market for their exported goods and services recovers, as well as on the assistance of the international community.

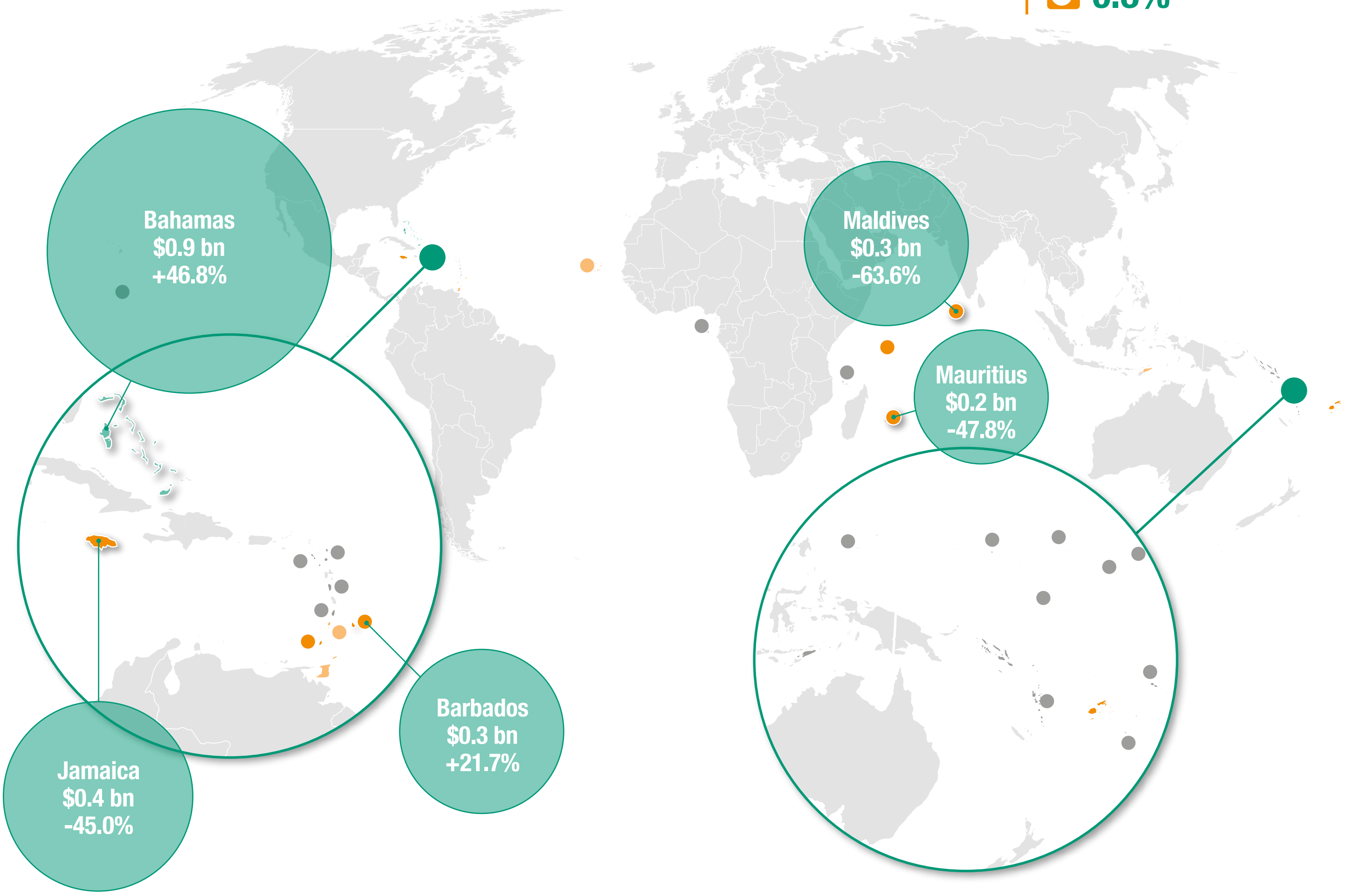
SMALL ISLAND DEVELOPING STATES

FDI flows, top 5 host economies, 2020 (Value and change)

2020 Inflows
2.6 bn

2020 Decrease
-40.3%

Share in world
0.3%



Flows, by range

- Above $1 bn
- $500 to $1000 mn
- $100 to $500 mn
- $50 to $100 mn
- Below $50 mn

Top 5 host economies

Economy
$ Value of inflows
2020 % change

Outflows: top 5 home economies

(Millions of dollars and 2020 growth)

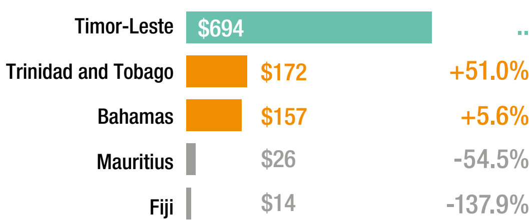
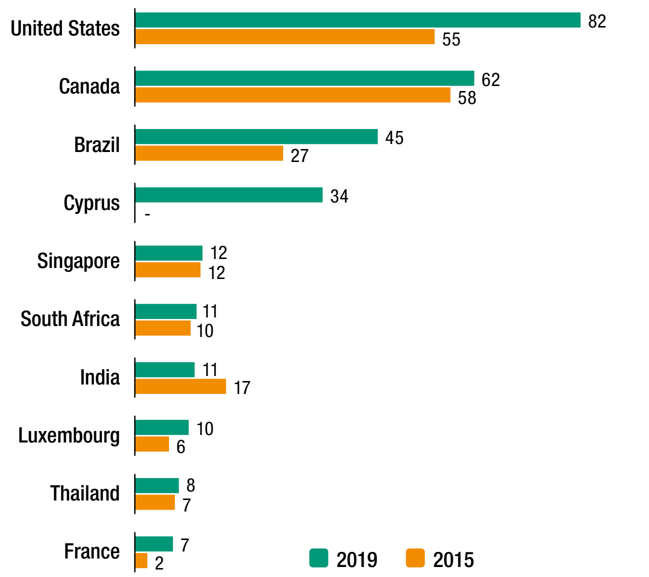


Figure A. Top 10 investor economies by FDI stock, 2015 and 2019 (Billions of dollars)



Source: UNCTAD.

Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. Final boundary between the Sudan and South Sudan has not yet been determined. Final status of the Abyei area is not yet determined. Dotted line in Jammu and Kashmir represents approximately the Line of Control agreed upon by India and Pakistan. The final status of Jammu and Kashmir has not yet been agreed upon by the parties.

HIGHLIGHTS

- FDI contracted sharply
- Pre-existing vulnerabilities magnified by the pandemic
- Prospects for FDI recovery are modest

Figure B. | FDI inflows, 2002–2020 (Billions of dollars and per cent)

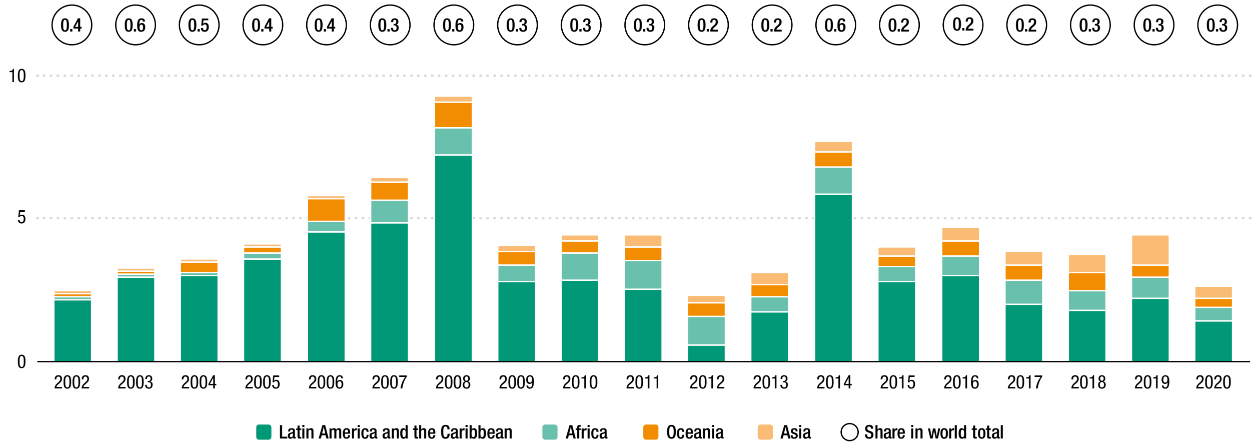


Table A. Net cross-border M&A sales, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	2020	Number 2019	2020
Total	**750**	**15**	**14**	**10**
Primary	-650	4	-	3
Manufacturing	14	2	6	2
Services	1 385	9	8	5
Top industries by value				
Finance and insurance	1 489	6	5	3
Extractive industries	-650	4	-	3
Information and communication	-104	2	-1	1
Pharmaceuticals	..	2	..	1
Chemicals	-	-	1	1
Trade	..	-	..	1

Table B. Announced greenfield projects, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	2020	Number 2019	2020
Total	**2 061**	**690**	**44**	**20**
Primary	100	5	2	1
Manufacturing	59	44	6	4
Services	1 903	641	36	15
Top industries by value				
Energy	185	330	2	2
Information and communication	162	108	2	2
Hospitality	1 202	86	8	2
Transportation and storage	..	55	..	2
Professional services	49	50	3	5
Chemicals	1	21	1	1

Table C. Announced international project finance deals, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	2020	Number 2019	2020
Total	**1 164**	**350**	**7**	**3**
Top industries by number				
Renewable energy	635	102	3	1
Telecommunication	..	213	..	1
WASH	..	35	..	1
Transport infrastructure	278	..	2	..
Mining	180	..	1	..

Table D. SDG sectors: greenfield and project finance, selected trends, 2019–2020

Sector/industry	Value (Millions of dollars) 2019	2020	Number 2019	2020
Infrastructure	278	213	2	1
Renewable energy	635	102	3	1
WASH	..	..	..	..
Food and agriculture	100	5	2	1
Health	52	-	5	-
Education	..	..	..	..

In 2020, FDI in the small island developing States (SIDS) was down by 40 per cent, a decline exceeding the world average. The scale of the contraction, which affected all SIDS regions without exception, highlights the multiple problems that these countries are facing during the COVID-19 pandemic, including the collapse of international tourism and the relocation of productive activities to places deemed to be safer, more resilient and better linked with GVCs, as well as the contraction of demand for mining resources. Extreme climate events such as hurricanes and tropical storms, whose frequency is likely to increase with climate change, add to the structural fragility of SIDS. In 2020, SIDS attracted only 0.4 per cent of FDI flows directed to developing economies (and 0.3 per cent of global flows). FDI flows are expected to remain stagnant in the short to medium term.

Inflows

In 2020, under the strains of the pandemic, FDI inflows to the SIDS[51] fell by 40 per cent, to $2.6 billion. This drop eliminated the gains recorded in 2019, which followed three consecutive years of decline. Flows in 2020 stood at levels last seen in 2012. The downturn affected practically all countries and regions of the group. Flows increased in seven countries only: the Bahamas, Barbados, Comoros, Grenada, the Marshall Islands, Palau, Samoa and São Tomé and Príncipe. Reflecting differences in levels of development and factor endowments, a handful of SIDS continued to attract the bulk of inflows. The top five host economies (the Bahamas, Jamaica, Maldives, Barbados and Mauritius) accounted for four fifths of the total FDI inflows to the group.

Inflows to the 10 Caribbean SIDS dropped 36 per cent to $1.4 billion. These economies continued to account for more than half the inflows to SIDS. FDI suffered both in tourism, where only a handful of projects survived the collapse of international travel, and in natural resources. In *the Bahamas*, inflows grew by 47 per cent to $897 million, despite the contraction of the domestic economy and tourism. Reconstruction works following the ravages of Hurricane Dorian in 2019 and investment in ICT services continued in 2020. In *Jamaica*, inflows were down by 45 per cent to $366 million. The Government continued to promote a big agribusiness project involving foreign investors and also strove to convince investors in business process outsourcing to keep their operations in the country. In *Barbados*, inflows increased by 22 per cent to $262 million despite the pandemic. FDI diversification efforts targeted renewable energy, creative and artistic industries and agro-industries, among others. In *Grenada*, inflows increased by 11 per cent, to $146 million, despite the general downturn in tourism and related activities. New priorities for investment promotion in response to the pandemic include agribusiness, education, retail and transportation. In the largest oil producer of the SIDS group, *Trinidad and Tobago*, FDI inflows fell from $184 million to -$439 million, severely affecting the development of the energy sector. Unlike intracompany loans, equity capital and reinvested earnings were down sharply in the country.

In the two Asian SIDS, FDI decreased but the extent of the decline was different. In *Maldives*, where tourism is the key income generator, FDI inflows plummeted by 64 per cent, to $348 million. Resort expansions planned for 2020 and 2021 were held off, which in turn prompted ancillary firms to push back on their investment plans as well. Those developments, coupled with a sharp fall in GDP and softening of domestic demand, dampened prospects for all private investments, including FDI. In *Timor-Leste*, inflows decreased by 3 per cent only, to $72 million. The bulk of these inflows targeted the oil and gas sector, in which a new bidding round for production-sharing contracts was opened in October 2019. The original deadline for offers was set in October 2020 but was postponed by one year because of the pandemic.

In the five African SIDS, inflows declined by 34 per cent to $497 million. In the largest recipient, *Mauritius*, inflows dropped by almost half, to $246 million. Investment in real estate, which accounts for the bulk of inflows, suffered as a consequence of the pandemic. The drop was particularly visible in real estate investment from South Africa. In *Seychelles*, the decline was more limited (-15 per cent, to $122 million), but tourism also suffered from a drop in investment values and the freezing of projects, which affected all other activities related to hospitality. In *Cabo Verde*, where inflows traditionally originate in Western European countries and also concentrate in tourism, they contracted by 31 per cent, to $73 million. Delays in investment projects were observed not only in tourism, but also in transportation and ICT. In *Comoros* and in *São Tomé and Principe*, inflows increased but remained very small. Both economies took effective measures to contain the pandemic, though they could not avoid the contraction of tourism-related activities. FDI diversification potential exists in fishing-related activities, infrastructure development, business services and, in the case of cocoa exporter São Tomé and Principe, in additional agribusiness activities such as those for coffee, pepper and vanilla production, processing and packaging.

In the 11 SIDS[52] in Oceania, inflows decreased by 27 per cent to $308 million. This drop was mostly caused by the pandemic, but also by Severe Tropical Cyclone Harold, which resulted in widespread destruction in Fiji, the Solomon Islands, Tonga and Vanuatu in April 2020. In *Fiji*, the region's main recipient, FDI was down by 25 per cent to $241 million, as the GDP contracted by close to 22 per cent on the back of low tourism activities and the knock-on effects on the rest of the economy. Investment projects were halted and delayed, given the uncertainty surrounding both the economic outlook and the resumption of global travel. The contraction of Fiji's economy was also related to the country's limited fiscal space for government-funded capital projects to counter the effects of the pandemic. In *Vanuatu*, which graduated from LDC status in 2020 during the pandemic, inflows declined by 16 per cent to $30 million. The pandemic and the tropical cyclone prompted the postponement or cancellation of many investment projects.

MNEs from the United States remain the largest investors in SIDS. In 2019, the FDI outward stock of the United States in the group reached $82 billion, up from $55 billion four years earlier. It was followed by Canada, with $62 billion (up from $58 billion) and Brazil, with $45 billion (up from $27 billion). FDI sources are largely related to geographical considerations, with four developing countries near SIDS (India, Singapore, South Africa and Thailand) being main source countries too. Specific sectors also play a critical role (Canadian firms, for example, are often involved in mining projects).

Greenfield project announcements dried up in the majority of SIDS in 2020. The number of projects announced dropped by 55 per cent to 20, the lowest figure in 14 years, with value declining by two thirds to $690 million (table B), the lowest amount ever recorded. The majority of SIDS did not report any new greenfield project in 2020. The number of countries attracting at least one project declined from 13 to 9. The hardest-hit region was the Caribbean, where the aggregate value of announced greenfield projects declined by 89 per cent to a historic low of $140 million. Greenfield announcements were more resilient in African SIDS, mostly thanks to multiple large projects announced in Seychelles (table II.10).

Besides declining in number and value, greenfield announcements also shifted away from industries that Governments wish to promote so as to orient economies towards more sustainable and self-sufficient development. In agriculture, forestry and fishing, key activities bolstering self-sufficiency, transactions dropped sharply. As the pandemic halted all tourism-related activities, greenfield project announcements declined by 93 per cent in hospitality, traditionally the main source of income in these economies and the largest activity for greenfield projects in 2019. Only two hotel projects (one each in Grenada

Table II.10. SIDS: 10 largest greenfield projects announced in 2020

Host economy	Industry	Parent company	Home economy	Estimated capital expenditure (Millions of dollars)
Seychelles	Energy	Total	France	166
Seychelles	Energy	Qair	France	165
Maldives	Information and communication	Ooredoo (Qatar Telecom)	Qatar	102
Grenada	Hospitality	Range Holdings	United Arab Emirates	84
Mauritius	Transport and storage	Hapag-Lloyd	Germany	44
Seychelles	Professional services	Appleby	Bermuda	22
Mauritius	Professional services	Bishop Design	United Arab Emirates	22
Jamaica	Chemicals	Blanco Group	United States	21
Trinidad and Tobago	Transport and storage	Blue Water Shipping	Denmark	11
Jamaica	Other manufacturing	Cimpress	Ireland	10

Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com).

and Maldives) were announced in 2020, for a combined value of $86 million. The aggregate value of projects in renewable energy, transportation and chemical production, in contrast, registered a modest increase, even though this was not enough to offset the decline in other sectors. In energy, two large solar energy projects were announced in Seychelles for a combined value of $330 million. In transportation, Hapag-Lloyd of Germany announced an investment in Mauritius, and in chemicals, Blanco Group of United States initiated one project in Jamaica. In information and communications, where many other developing economies recorded FDI gains in 2020, only two greenfield projects were announced in SIDS (in Maldives and in Mauritius).

The decline was sharper in greenfield projects originated by MNEs from developed economies, especially from the EU (except France, the source of investment in the two renewable energy projects), than in projects from MNEs in developing economies. In the latter group, investment from some West Asian economies rose (due to the telecommunication project in Maldives, with investment from Qatar), although MNEs from Latin America and the Caribbean ceased investing in the SIDS in 2020.

The number of cross-border project finance deals more than halved to only three. The combined value of projects declined by 70 per cent, from over $1 billion to $350 million (table C). All three deals were linked to the Belt and Road Initiative. In Fiji, Hydrofiji (Australia) and China Gezhouba Group signed a contract to develop a 32 MW hydroelectric power plant under a build-own-operate scheme for $102 billion. In Maldives, a consortium of Huawei Marine Networks of China and other Asian MNEs signed a contract to develop an undersea cable between Maldives and Sri Lanka under a build-own-operate scheme for $213 million. In Jamaica, China Harbour Engineering was expected to develop a water storage project under a design-build-finance-operate scheme worth $35 million. In domestic project finance deals, whose number increased from 10 in 2019 to 12 in 2020, the bulk of deals was announced in the framework of the Belt and Road Initiative. During the pandemic, the importance of the project finance deals linked to the initiative grew from 41 per cent of all (domestic and international) project finance deals to 80 per cent. In value, these deals amounted to $1.4 billion (accounting for over 80 per cent of the total in 2020), an increase of 54 per cent from 2019.

All indicators suggest a downward trend in investment commitments in SDG-related sectors. In infrastructure, the decline in value was limited to 23 per cent in 2020 (to $213 million), owing to the undersea cable deal in Maldives. Foreign investors made no new investment commitments in energy and transport infrastructure. In renewable energy, while other groups of developing economies showed some level of resilience in investment activity, in SIDS both the number and the value of cross-border investment deals stumbled (table D). In food and agriculture, too, SIDS attracted only one project. No new investment plans were announced in health or education. In WASH, although foreign investors did not make any greenfield investment announcement, SIDS in the Caribbean attracted one cross-border project finance deal of $35 million.

Prospects

Unless pre-existing vulnerabilities are tackled quickly and efficiently, the prospects for short- to medium-term recovery of FDI inflows remain modest. Those vulnerabilities include the concentration of FDI in a handful of activities (such as tourism and natural resources, both hard hit by the pandemic) and poor connectivity with the world economy.

Past crises suggest that in SIDS both economic activities in general and FDI in particular are slow to overcome shocks. After the global financial crisis hit these countries in 2009, FDI inflows did not pick up until 2014 and still remained below pre-crisis levels, and GDP growth rates remained below the world average until 2013. During the pandemic, the GDP of the group as a whole fell by almost 10 per cent, with half of the 28 SIDS experiencing double-digit contractions. The deepest were registered in Maldives (-32 per cent), followed by Fiji, Saint Lucia and Saint Kitts and Nevis (all 19 per cent). GDP is not forecast to recover to its 2019 level until 2023 at the earliest.

The collapse of greenfield project announcements in key industries, including tourism and agriculture, forestry and fishing, are indicative of the challenges SIDS face in attracting FDI over the coming years. In contrast, activities such as renewable energy and transportation were relatively less affected and thus can be key priorities for future investment promotion. Project finance, which is practically non-existent in the majority of SIDS, could also be leveraged to promote infrastructure development.

Scaling up transportation through both greenfield projects and project finance deals will be essential to ensure a sustainable recovery from the pandemic. Given their geographical locations, production in SIDS is highly dependent on transportation links, particularly international maritime transport.[53] Maritime transport tends to be proportionately more expensive, especially for SIDS located in the Pacific Ocean. Indicators of connectivity in terms of availability and costs of services show a competitive disadvantage for SIDS but also a slow improvement, with the exception of the Bahamas and Jamaica.

Despite severe budgetary limitations, SIDS Governments adopted measures to mitigate the economic impact of the pandemic, which have indirectly affected FDI. In relatively higher-income Mauritius, an act providing for an additional investment allowance to companies affected during the early months was adopted in August 2020. Also in August, Cabo Verde adopted incentives and credits[54] to encourage job creation, including both corporate income tax and personal income tax credits, as well as a state allowance of up to 50 per cent of the salary received for some employees and a 30 per cent deduction of selected expenses for corporate entities and other businesses affected by the pandemic. In Jamaica, the Government's economic policy response included a $31 billion stimulus consisting of $15 billion in tax cuts and $16 billion in spending.

Some SIDS have also been upgrading their FDI regulatory environment to encourage a more sustainable and resilient economic recovery. In Fiji, the Government has tabled in Parliament a proposal to streamline the number of investment processes and to eliminate the difference between domestic and foreign investors, to develop new capacity in green growth and green technology for sustainable development. In Barbados, the legal and regulatory framework for PPPs was revised to facilitate more project finance in infrastructure development. In Jamaica, the recovery strategy was based on the principles of building with resilience and of sustainable development. The strategy also aims to ensure that the production of goods and services has a larger domestic value-added component, deepening the Jamaican segments of supply chains and strengthening linkages between the domestic economy and production with foreign investors in various sectors including tourism, manufacturing and construction. The Government also adopted or reinforced sectoral and cross-sectoral investment policies and strategies such as the National Sourcing Policy, the Global Services Sector Project, the Global Digital Services Strategy and the Five-Year Agribusiness Strategy. These policies and strategies facilitate both adaptation to changes and derivation of more benefits from FDI.

To promote investment, Barbados recently announced that efforts would focus on the renewable energy industry, the creative and artistic industries, and agro-industries, in addition to a restructured, more resilient tourism industry. In Jamaica, the investment promotion agency renewed its focus on eight priority areas, which include sectoral preferences (agribusiness, the digital economy), improvements in services and strategies, partnerships with the Jamaica Manufacturers and Exporters Association and the Scientific Research Council to develop new products, and more collaboration with Caribbean neighbours.

Both attracting FDI and deriving benefits from inflows in the SIDS will remain a challenge in the short and medium terms, despite government efforts to counter the negative impact of the pandemic. The policies and programmes implemented show that Governments wish to follow "build back better" strategies, changing sectoral priorities and methods of investment promotion to reduce their economic fragility and adopting production methods that support more sustainable development. In order to attain these goals, however, their efforts require the support of the international community to access necessary resources.

NOTES

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5 FDI stock in Hong Kong, China originating from China was $523 billion in 2019, accounting for 28 per cent of total FDI stock in the economy (Hong Kong Census and Statistics Department, 11 December 2020, https://www.censtatd.gov.hk).

6 The National Development and Reform Commission and the Ministry of Commerce issued Order No. 32 and Order No. 33 on 23 June 2020, respectively "Special Administrative Measures for Foreign Investment Access (Negative List) (2020 Edition)" and "Special Administrative Measures (Negative List) for Foreign Investment Access in Pilot Free Trade Zones (2020 Edition)", and they came into effect on 23 July 2020. Major industries affected included pharmaceuticals, financial services, manufacturing, agriculture and radioactive mineral smelting (UNCTAD IPM, "China: Releases updated versions of its two negative lists", 23 July 2020 (https://investmentpolicy.unctad.org/investment-policy-monitor/measures/3546/china-releases-updated-versions-of-its-two-negative-lists).

7 This included the acquisition by KB Financial Group (Republic of Korea) of Prudential Life (United States) for $1.9 billion and the acquisition by SKCFT Holdings (Republic of Korea) of KCF Technologies, a manufacturer of semiconductors, from Kohlberg Kravis Roberts & Co. (United States) for $1 billion.

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[27] See "Mexican factories boost production of medical supplies for U.S. hospitals while country struggles with its own coronavirus outbreak", Washington Post, 3 April 2020.

[28] *Financial Times*, "Austerity vs populism tensions overhang LatAm debt markets", 26 October 2020 (https://www.ft.com/content/72879627-c9e1-435e-93e9-f43d42b7360b).

[29] See CentralAmericaData.com, "Public-private partnerships: progress on the bill", 27 February 2020 (https://www.centralamericadata.com/en/article/home/PublicPrivate_Partnerships_Progress_on_the_Bill).

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[31] Investmentmonitor.ai, "The state of play: FDI in Haiti", 11 December 2020, https://investmentmonitor.ai/haiti/state-of-play-fdi-in-haiti

[32] U.S: Department of State (2021), 2020 Investment Climate Statements: Trinidad and Tobago, https://2017-2021.state.gov/reports/2020-investment-climate-statements/trinidad-and-tobago/index.html.

[33] IDB (2019), 2019 Latin American and Caribbean Macroeconomic Report, estimates that the region has a yearly infrastructure investment gap of 2. 5 per cent of GDP and that even small improvements in infrastructure efficiency could yield 3 to 4 percentage points in GDP growth rates.

[34] IMF, World Economic Outlook, April 2021.

[35] In 2009, during the global financial crisis, the drop was 47 per cent.

[36] Seven of the 10 largest source countries were from that region in 2019.

[37] For example, ginseng producer Liwei (China) invested $335 million in the Khabarovsk Region in 2020.

[38] For example, construction company YIT continued its activities during the crisis.

[39] "PJSC Lukoil: Consolidated Financial Statements, 31 December 2020 [in Russian]", https://lukoil.ru/FileSystem/9/534854.pdf.

[40] "The Government of the Russian Federation approved the National Action Plan to ensure the restoration of employment and incomes of the population, economic growth and long-term structural changes in the economy [in Russian]", *ConsultantPlus*, 19 November 2020, http://www.consultant.ru/law/hotdocs/65832.html/.

[41] "Programme of economic measures to reduce the negative effects caused by the Covid-19 virus pandemic and support to the economy of Serbia [in Serbian]", presentation, Ministry of Economy, April 2020, https://privreda.gov.rs/wp-content/uploads/2020/04/Ekonomske-Mere_prezentacija_konacno.pdf.

[42] Negative reinvested earnings indicate that in 2020 the dividends paid out by foreign affiliates were higher than current income recorded or that the foreign affiliates were operating at a loss.

[43] Invest in France (2021), *Annual Report 2020: Foreign Investment in France*, Paris, https://investinfrance.fr/the-annual-report-2020-foreign-investment-in-france/.

[44] Vanuatu successfully graduated from the group in 2020 and is no longer included in the analysis of the LDC group. Data are not available for Yemen.

[45] Sun Plus (United States) and DPA Africa Asset (Mauritius) both announced plans to develop solar power in the country.

[46] For example, in 2020, Woodside Petroleum (Australia) acquired a 40 per cent stake in the SNE Deepwater Oil Field for $400 million through its Netherlands-based affiliate.

[47] The pipeline company is a joint venture between Total (France), CNOOC (China) and State-owned companies of the two host countries (UNOC (Uganda) and the Tanzania Petroleum Development Corporation).

[48] That openness can also be extended in the future to the RCEP, which, in addition to ASEAN nations, also includes Australia, China, Japan, the Republic of Korea and New Zealand.

[49] Joint sustainable investment projects are built on initiatives such as the ASEAN Green Bond Standards, the ASEAN Social Bond Standards, the ASEAN Sustainability Bond Standards and the ASEAN Catalytic Green Finance Facility.

[50] The country also suffered from 44 days of hostilities between 27 September and 10 November 2020 in the Nagorno-Karabakh conflict. See "Azerbaijan: ICRC response to escalation and COVID-19", International Committee of the Red Cross, 4 February 2021, https://www.icrc.org/en/document/azerbaijan-response-escalation-covid-19.

[51] The group of SIDS consists of 28 countries. Eight (Antigua and Barbuda, the Bahamas, Barbados, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines) are financial centres excluded from the *WIR*'s analysis and statistics, except in this section. Owing to the lack of FDI data, the summary in this section does not include the Federated States of Micronesia and Nauru and covers only the remaining 26 SIDS.

[52] This summary takes into consideration the inflows of nine economies. No data are available for the Federated States of Micronesia and Nauru.

[53] See UNCTAD, *Policy Brief* No. 85, "Small island developing States: Maritime transport in the era of a disruptive pandemic – empower states to fend against disruptions to their maritime transportation systems, their lifeline to the world", May 2021.

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