

2024

World investment report

Investment facilitation
and digital government



United Nations

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Geneva, 2024

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Preface

Investment is the fuel for sustainable development. Closing the SDG and climate financing gap will require an estimated \$500 billion of international public finance and \$500 billion of international private finance per year, much of which would be in the form of foreign direct investment.

But many developing countries are running on empty. Global and regional crises, trade tensions and tighter financing conditions have had a chilling effect on foreign direct investment, which remained subdued in 2023 for a second year in succession. Global flows of foreign direct investment stagnated at \$1.3 trillion. Notably, foreign direct investment in new industrial and infrastructure projects in developing countries declined, while new investment in sectors relevant to the Sustainable Development Goals fell by more than 10 per cent.

Stagnant SDG investment and insufficient funding is severely hindering implementation of the 2030 Agenda and the SDGs, particularly in least developed countries. We need urgent action to remove obstacles and provide a transparent, streamlined investment climate for sustainable development.

This *World Investment Report* shows that the lacklustre financial flows to developing countries are not due to a lack of investment policy efforts. Investment facilitation has become a prominent feature of national policies and international agreements. Digital government solutions are proliferating, aiding investors and strengthening governance and institutions.

But despite these efforts, finance is not flowing at sufficient scale, due to high interest rates and geopolitical conditions. That means we must redouble our efforts.

I urge all decision makers to prioritize the mobilization of sustainable finance at scale. The SDG Stimulus we have proposed is a practical and achievable means of delivering this. Our call for reform and scaling up of multilateral development banks is intended to significantly increase the crowding in of private investment.

I also encourage policymakers to prioritize strengthening investment governance in developing countries, to ensure financial flows are directed towards the SDGs. UNCTAD's recommendations for the use of business facilitation and digital government to ease sustainable investment can play an important part in achieving these goals.



António Guterres
Secretary-General of the United Nations



Foreword

In a world grappling with global and regional crises, the delicate balance of foreign direct investment (FDI) hangs precariously. This *World Investment Report (WIR)* serves as a stark reminder that investment, the lifeblood of sustainable development, is not merely a statistic but a lifeline for developing nations. It is the fuel that powers progress towards the Sustainable Development Goals (SDGs) and the 2030 Agenda for Sustainable Development.

The challenges we face are multifaceted and interconnected. Geoeconomic fragmentation is reshaping the landscape of global investment. Trade networks are fragmenting, regulatory environments are diverging and international supply chains are being reconfigured. These shifts create both obstacles and isolated opportunities, with some countries benefiting from investments in global value chain-intensive manufacturing while others struggle to participate in the global economy.

Overall, however, these trends are leading to a further deterioration of the international investment landscape as seen from the developing world. Last year, FDI fell by more than 10 per cent globally, and by 7 per cent in the developing world. International project finance, crucial for infrastructure development, was particularly hard hit, falling by 26 per cent. Prospects for 2024 remain challenging, with weakening growth prospects and continuing trade and geopolitical tensions.

Furthermore, the *WIR* reveals a crisis in SDG investment, with a more than 10 per cent decrease in 2023. Two sectors, agrifood systems and water and sanitation, registered fewer internationally financed projects in 2023 than in 2015, when the SDGs were adopted. This decline, driven by tighter financing conditions and a slowdown in sustainable finance markets, underscores the need for concerted action to steer investments towards projects that genuinely contribute to a sustainable future.

Meanwhile, the mobilization of funds for SDG investment through sustainable finance products in global capital markets is still growing but slowing down. Sustainable bonds showed marginal growth in 2023, and new inflows in sustainable investment funds dropped by 60 per cent. Greenwashing concerns are increasingly affecting investor demand. More broadly, policy action is needed to mitigate the risk of a widening backlash against sustainable investment strategies. The world needs a robust and credible sustainable finance industry, and no effort must be spared to fortify it before it is too late.

But the way we do that must be carefully considered. Policymakers should be mindful of the spillover effects of international sustainability reporting standards, particularly on small and medium-sized enterprises (SMEs) in developing countries. These SMEs, the engines of inclusive growth and job creation, are precisely the ones that need sustainable finance flows the most. However they may struggle to meet increased disclosure requirements, potentially affecting their market access and participation in global supply chains. Striking a balance between promoting transparency and avoiding undue burdens on businesses will be crucial for a sustainable and inclusive investment landscape.

Against this complex backdrop, the *WIR* underscores the importance of investment facilitation and digital government as tools to attract and retain investment. By streamlining procedures, enhancing transparency and leveraging digital tools such as online single windows, we can



foster a more conducive investment climate, particularly in developing countries. Furthermore, the report emphasizes that digital business and investment facilitation is not merely a technical solution; it is a stepping stone towards wider digital government implementation, which can address underlying weaknesses in governance and institutions that often hinder investment and impede progress towards sustainable development.

Investment facilitation, while essential, is not a panacea for the challenges facing global investment flows. However, it is an undeniable prerequisite for fostering an environment conducive to sustainable investment. The proliferation of digital solutions for investment facilitation, as highlighted in this report, exemplifies the *WIR*'s commitment to providing tangible and actionable policy recommendations even in the most challenging of times.

As we navigate the complexities of the 21st century, the *WIR* reminds us that investment is not just about capital flows; it is about human potential, environmental stewardship and the enduring pursuit of a more equitable and sustainable world. Let us embrace this vision with renewed determination, recognizing that the choices we make today will shape the world we leave behind for generations to come.



Rebeca Grynspan
Secretary-General of UNCTAD



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Explanatory notes

The terms country and economy as used in this report also refer, as appropriate, to territories or areas. In addition, the designations of country and economy groupings are intended solely for statistical or analytical convenience and do not necessarily express a judgement about the stage of development reached by a particular country or area in the development process. The major country and economic groupings used in this report follow the classification of the United Nations Statistical Office:

- Developed economies: the member countries of the OECD (other than Chile, Colombia, Costa Rica, Mexico and Türkiye), European Union member countries that are not OECD members (Bulgaria, Croatia, Cyprus, Malta and Romania) plus Albania, Andorra, Belarus, Bermuda, Bosnia and Herzegovina, Liechtenstein, Monaco, Montenegro, North Macedonia, the Republic of Moldova, the Russian Federation, San Marino, Serbia and Ukraine, plus the territories of Faroe Islands, Gibraltar, Greenland, Guernsey and Jersey.
- Developing economies: in general, all economies not specified above. For statistical purposes, the data for China do not include those for Hong Kong Special Administrative Region (Hong Kong SAR), Macao Special Administrative Region (Macao SAR) or Taiwan Province of China.

Throughout the report, data on investment trends for the Netherlands refer only to the Netherlands; information for Aruba, Curaçao and Sint Maarten is reported separately.

Methodological details on FDI and MNE statistics can be found on the report website (<https://unctad.org/topic/investment/world-investment-report>).

The following symbols have been used in the tables:

- Two dots (..) indicate that data are not available or are not separately reported. Rows in tables have been omitted in those cases where no data are available for any of the elements in the row.
- A dash (–) indicates that the item is equal to zero or its value is negligible.
- A blank in a table indicates that the item is not applicable, unless otherwise indicated.
- A slash (/) between dates representing years, e.g., 2020/21, indicates a financial year.
- Use of a dash (–) between dates representing years, e.g., 2020–2021, signifies the full period involved, including the beginning and end years.
- Reference to “dollars” (\$) means United States dollars, unless otherwise indicated.

Annual rates of growth or change, unless otherwise stated, refer to annual compound rates. Details and percentages in tables do not necessarily add to totals because of rounding.



Abbreviations

AfCFTA	African Continental Free Trade Area	NAFTA	North American Free Trade Agreement
ASEAN	Association of Southeast Asian Nations	OECD	Organisation for Economic Co-operation and Development
ASYCUDA	Automated System for Customs Data	OFDI	outward FDI
AIFF	ASEAN Investment Facilitation Framework	OFIO	Office of the Foreign Investment Ombudsman
BIT	bilateral investment treaty	OHCHR	Office of the United Nations High Commissioner for Human Rights
CDP	Carbon Disclosure Project	OIC	Organisation of Islamic Cooperation
CEPA	Comprehensive Economic Partnership Agreement	PPF	public pension fund
COVID-19	coronavirus disease 2019	PPP	public–private partnership
ECT	Energy Charter Treaty	SDGs	Sustainable Development Goals
EGDI	eGovernment Development Index	SEZ	special economic zone
ESG	environmental, social and governance	SIDS	small island developing States
EVs	electric vehicles	SIFA	sustainable investment facilitation framework
FDI	foreign direct investment	SMEs	small and medium-sized enterprises
FTA	free trade agreement	SPAC	special purpose acquisition company
GDP	gross domestic product	SWF	sovereign wealth fund
GER	Global Enterprise Registration	TIP	treaty with investment provision
GHG	greenhouse gas	TNI	Transnationality Index
GSFO	Global Sustainable Finance Observatory	UN DESA	United Nations Department of Economic and Social Affairs
GVC	global value chain	UNCITRAL	United Nations Commission on International Trade Law
ICC	International Chamber of Commerce	UNCTAD	United Nations Conference on Trade and Development
ICSID	International Centre for Settlement of Investment Disputes	UNEP	United Nations Environment Programme
ICT	information and communications technology	UNIDROIT	International Institute for the Unification of Private Law
IFD	Investment Facilitation for Development	UNODC	United Nations Office on Drugs and Crime
IFRS	International Financial Reporting Standards	USMCA	United States–Mexico–Canada Agreement
IIA	international investment agreement	WASH	water, sanitation and hygiene
IMF	International Monetary Fund	WIR	World Investment Report
IPA	investment promotion agency	WTO	World Trade Organization
IPFSD	Investment Policy Framework for Sustainable Development		
ISDS	investor–State dispute settlement		
ISSB	International Sustainability Standards Board		
IT	Information technology		
LDC	least developed country		
LLDC	landlocked developing country		
M&As	mergers and acquisitions		
MNE	multinational enterprise		
MSMEs	micro-, small and medium-sized enterprises		



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ONLINE ONLY: Regional Trends

Africa

Developing Asia

Latin America and the Caribbean

Structurally weak, vulnerable and small economies:

Least developed countries (LDCs)

Landlocked developing countries (LLDCs)

Small island developing States (SIDS)



Executive summary

International investment trends

Global foreign direct investment (FDI) in 2023 decreased marginally, by 2 per cent, to \$1.3 trillion. This headline figure was affected by wild swings in financial flows through a small number of European conduit economies; excluding the effect of these conduits, global FDI flows were more than 10 per cent lower than in 2022.

The global environment for international investment remains challenging in 2024. Weakening growth prospects, economic fracturing trends, trade and geopolitical tensions, industrial policies and supply chain diversification are reshaping FDI patterns, causing some multinational enterprises (MNEs) to adopt a cautious approach to overseas expansion. However, MNE profit levels remain high, financing conditions are easing and increased greenfield project announcements in 2023 will positively affect FDI. Modest growth for the full year appears possible.

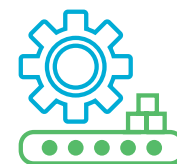
International project finance and cross-border mergers and acquisitions (M&As) were especially weak in 2023. M&As, which mostly affect FDI in developed countries, fell by 46 per cent in value. Project finance, important for infrastructure investment, was down 26 per cent. Tighter financing conditions, investor uncertainty, volatility in financial markets and – for M&As – tighter regulatory scrutiny were the principal causes of the decline.

Greenfield investment project announcements provided a bright spot. Project numbers increased by 2 per cent, with the growth concentrated in manufacturing, interrupting a decade-long trend of gradual decline in the sector. Furthermore, growth was concentrated in developing countries, where the number of projects was up by 15 per cent. In developed countries new project announcements were down 6 per cent.

In developed countries, the 2023 trend was strongly affected by MNE financial transactions, partly caused by moves to implement a minimum tax on the largest MNEs. FDI flows in Europe jumped from negative \$106 billion in 2022 to positive \$16 billion because of volatility in conduit economies. Inflows to the rest of Europe were down 14 per cent. Inflows in other developed countries also stagnated, with a 5 per cent decline in North America and sizeable falls elsewhere.

FDI flows to developing countries fell by 7 per cent to \$867 billion, mainly due to an 8 per cent decrease in developing Asia. Flows fell by 3 per cent in Africa and by 1 per cent in Latin America and the Caribbean. The number of international project finance deals fell by a quarter. Greenfield project announcements in developing countries increased by more than 1,000, but these projects were highly concentrated; South-East Asia accounted for almost half, West Asia for a quarter and Africa registered a small increase, while Latin America and the Caribbean attracted fewer projects.

- FDI inflows to Africa declined by 3 per cent in 2023 to \$53 billion. Greenfield announcements included several megaprojects, including the largest announcement worldwide – a green hydrogen project in Mauritania. International project finance fell by a quarter in number of deals and by half in value, negatively affecting prospects for infrastructure investment.
- FDI in developing Asia fell by 8 per cent to \$621 billion. China, the second largest FDI recipient in the world, saw a rare decline in inflows. Sizeable declines were recorded in India and in West and Central Asia. Only South-East Asia held steady. Industrial investment in



Manufacturing
investment
bright spot



Asia remains buoyant, as shown by greenfield announcements, but the global downturn in project finance also affected the region.

- Flows to Latin America and the Caribbean were down 1 per cent, at \$193 billion. The number of international project finance and greenfield investment announcements fell, but the value of the latter increased because of large projects in commodity sectors and critical minerals, as well as in renewable energy, green hydrogen and green ammonia.
- FDI flows to the structurally weak and vulnerable economies increased. FDI inflows to the least developed countries (LDCs) rose to \$31 billion, or 2.4 per cent of global FDI flows. Landlocked developing countries and small island developing States also saw increased FDI. In all three groups, FDI remains concentrated among a few countries. International project finance is relatively more important in the poorest countries, which are therefore disproportionately affected by the global downturn in this form of investment.



Industry trends showed lower investment in the infrastructure and digital economy sectors, but strong growth in the global value chain-intensive sectors of manufacturing and critical minerals. Weak project finance markets negatively affected infrastructure investment, and digital economy sectors continued their slowdown after the boom ended in 2022. Global value chain-intensive sectors, including the automotive, electronics and machinery industries, grew strongly, showing the effect of supply chain restructuring pressures. In critical minerals extraction and processing, investment project numbers and values nearly doubled.

Global economic fracturing trends are affecting the investment strategies of manufacturing MNEs. The investment behaviour of the top 100 non-financial MNEs shows that, since 2019, the geographical distribution of manufacturing projects, especially in strategic sectors, has shifted towards locations closer to major MNE home markets in Europe and the United States. West Asia, North Africa and Central America are emerging as strategic locations for manufacturing MNEs.

International investment in sectors relevant for the Sustainable Development Goals in developing countries declined in 2023. Growth in greenfield project announcements, especially in renewable energy, power and transportation, pushed up the numbers. In value terms, Goals investment in developing countries fell because of the downturn in international project finance, used for larger projects in infrastructure sectors. Project numbers in agrifood systems and in water and sanitation were lower than they were in 2015 when the Goals were adopted. Goals investment is also unequally distributed. The shares of global Goals investment projects attracted by Africa and by Latin America and the Caribbean are smaller than their shares in all projects. Only developing Asia attracts above-average Goals investment.



Investment policy trends

The number of investment policy measures adopted in 2023 was 25 per cent lower than in 2022 but still in line with the five-year average. Most measures, 72 per cent, were favourable to investors. The overall balance between favourable measures (liberalization, promotion, facilitation) and less favourable ones (restrictions on entry and operation) was unchanged.

Developing countries mostly aim to promote and facilitate investment, whereas developed countries lean towards more restrictive measures. In developing countries, 86 per cent of measures were favourable to investors. In developed countries, 57 per cent of measures were less favourable to investors. Most of these concerned restrictions to address national security concerns.

Investment facilitation and incentives were the main types of measures favourable to investors in both developed and developing countries. Facilitation measures reached almost 40 per cent



of favourable measures and 30 per cent of all measures – a record. For incentives, the services sector and renewable energy were the primary focus in 2023.

Heightened caution towards foreign investments in critical sectors persisted in 2023. The introduction or expansion of FDI screening mechanisms accounted for nearly half of the measures less favourable to investors. Four additional countries implemented FDI screening in 2023, with several more expected to follow in 2024. Countries that conduct FDI screening now account for over half of global FDI flows and three quarters of FDI stock.

FDI restrictions also increasingly affect outward FDI. Outward FDI policies have evolved over the past decade, reflecting the growing importance of both sustainability and geopolitical considerations in shaping investment policies.

In 2023, countries and regions concluded 29 new international investment agreements (IIAs). Traditional bilateral investment treaties accounted for fewer than half of the new treaties; most were broad economic agreements with investment provisions.

Efforts to reform the IIA regime are continuing. New treaties tend to include features aimed at safeguarding the right to regulate and they increasingly cover a broader range of issues, including investment facilitation. The recent finalization of the Investment Facilitation for Development Agreement by participating members of the World Trade Organization may provide further impetus for this trend.

Reform of the stock of old-generation IIAs continues to be slow. About half of the global stock of FDI is still covered by IIAs that have not been reformed, which expose countries to higher risk of investor–State dispute settlement cases. This share is about two thirds for developing countries and closer to three quarters for LDCs. Only 16 per cent of global FDI stock is today covered by a new-generation IIA; reform efforts have so far had a limited effect on mitigating the risk of ISDS, especially in the poorest countries.

The total ISDS case count reached 1,332, with 60 new arbitrations initiated in 2023. About 70 per cent of new cases were brought against developing countries, including three LDCs. International investors in the construction, manufacturing and extractive sectors accounted for over half of the claims in 2023.

UNCTAD continues to play a leading role in facilitating IIA reform. It launched the Multi-Stakeholder Platform for IIA Reform during the UNCTAD World Investment Forum to chart the way forward towards an investment regime that puts sustainable development at its core.

Sustainable finance trends

The sustainable finance market continues to grow, but there are clear signs of a slowdown. In 2023, the value of sustainable investment products, encompassing bonds and funds, increased by 20 per cent to more than \$7 trillion. However, much of the increase was driven by cumulative issuance and rising valuations, and some segments of the market struggled.

Sustainable bonds showed marginal growth. Issuance climbed 3 per cent to \$872 billion, bringing the outstanding value of the market to more than \$4 trillion. Green bonds were the main driver of growth, while issuance in other segments, especially social bonds, fell.

Sustainable funds experienced strong headwinds. Despite continued growth in the number of funds and asset values, net inflows dropped from \$161 billion in 2022 to \$63 billion in 2023. In the principal markets, funds in Europe lost growth momentum and those in the United States saw significant net outflows, exceeding those of the broader fund market.

Greenwashing poses the most significant challenge to the sustainable fund market. The average net exposure of green funds to climate-positive assets (low-carbon assets minus fossil fuels) is



30%
of measures:
investment
facilitation

IIA reform
progress:
16% of
FDI stock



58 of the
top 100
PPFs and SWFs
report on
sustainability

only about 20 per cent, and fewer than 5 per cent of these funds are free from oil and gas assets. Further systemic efforts are needed to tackle greenwashing, including well-defined product standards, robust sustainability disclosures, external auditing and third-party ratings.

Institutional investors made progress on sustainability reporting, but significant gaps remain. In 2023, 58 of the top 100 sovereign wealth and public pension funds monitored by UNCTAD reported on their sustainability performance, up from 55 in 2022. Only a quarter of reporting funds used third-party verification.

Institutional investors are not moving fast enough to reorient portfolios. Most reporting funds have set out strategies to address climate change. However, only one in three have set a target for fossil fuel divestment and investment in renewables.

Governments in both developed and developing economies are accelerating sustainable finance policymaking. In 2023, 35 economies tracked by UNCTAD, covering the world's largest financial markets, introduced 94 new measures and initiatives, up from 63 in 2022. Policy measures mostly concerned disclosure rules, new national strategies, frameworks and guidelines, and (financial) sector- and product-specific requirements.

Developing countries are becoming increasingly active in sustainable finance policymaking. They accounted for about 60 per cent of new policy measures in 2023. These measures were mostly concentrated in the largest developing economies or financial centres. Developing countries as a group continue to face challenges in leveraging sustainable finance, as evidenced by the persistently low sustainable investment flows.

International standards will have significant spillover effects. The new disclosure standards issued by the International Sustainability Standards Board and the European Union will affect firms based outside the main financial markets for which they were primarily developed. Companies in developing countries that are part of the supply chains of firms in those markets will face greater pressure to meet higher sustainability standards, and compliance may become a prerequisite for market access.

A key policy challenge is to avoid widening resistance to sustainable investment strategies in financial markets and – more broadly – to sustainability and disclosure requirements. In the United States, 17 states have passed legislation prohibiting fund managers from considering environmental, social and governance factors in their investment decisions or prohibiting states from contracting with asset managers that exclude certain industries, such as fossil fuels, from their portfolios. For firms worldwide, the complexity and compliance costs associated with sustainability reporting are a growing concern.

Investment facilitation and digital government

Investment facilitation has emerged as a top priority for investment policymakers worldwide. Since the publication of the UNCTAD *Global Action Menu on Investment Facilitation* in 2016, an international agreement on investment facilitation for development has been negotiated, facilitation has become a mainstay in regional and bilateral trade and investment agreements, and national implementation efforts have proliferated.

Business and investment facilitation have become central to both private sector development and FDI attraction in developing countries. Making it easier to establish and operate a business not only attracts foreign investors but also improves the business environment for local firms, supporting the formalization and growth of micro, small and medium-sized enterprises.



At the core of facilitation efforts are information provision, transparent rules and regulations, and streamlined administrative procedures. Because these elements revolve around information and procedures, digitalization is central to their effective implementation.

Business and investment facilitation have thus led to a wave of digital government initiatives, including information portals and online single windows. Such initiatives now make up a significant share of national investment policy measures monitored by UNCTAD; modern IIAs also increasingly encourage digitalization to implement commitments.

The number of digital facilitation tools has grown significantly in recent years, and their quality has improved. UNCTAD data show that the number of national government information portals for business and investor registration in developing countries increased from 82 in 2016 to 124; in developed countries, it increased from 43 to 48. In developing countries, the number of online single windows – which allow for multiple procedures to be carried out online – increased from 13 to 67 in the same period; in developed countries it increased from 12 to 28. The quality of portals has also improved, with some in LDCs rivaling those in developed countries, showing that leapfrogging opportunities exist.

Challenges remain in building, maintaining and enhancing digital platforms. Despite progress, issues such as outdated information, portal closures and “single window dressing” persist. Continuous updates, clear ownership and adequate resources are essential for the long-term success of digital facilitation platforms. Technical support for developing countries is important; the highest-rated portals in LDCs often were created through development assistance.

Digital government tools can have a positive impact on FDI attraction. On average, for each additional point in the quality of digital business and investment facilitation portals (in the rating methodology of the UNCTAD Global Enterprise Registration initiative), developing countries gain about 8 per cent more FDI. This effect is not automatic; it is part of the impact of broader investment climate improvements.

Digital business and investment facilitation also boosts formalization and inclusivity. Countries that implement digital single windows see substantial increases in small business registrations. Many new businesses are established by women, young entrepreneurs and populations outside urban centres, indicating that platforms improve access to services, even in countries with a significant digital divide.

Governments should adopt a comprehensive approach to digital investment facilitation, avoiding dedicated processes for investment procedures. Progressively incorporating all mandatory procedures for business establishment, such as business registration, tax and social security, and operating licenses, helps capture economies of scale and scope and ensures that benefits extend to all firms, foreign and domestic, large and small.

Digital business and investment facilitation can be a stepping stone for wider implementation of digital government. Because the basic architecture of digital government solutions is fundamentally the same across many types of services, platforms can gradually extend beyond the core mandatory procedures for investor entry and business establishment. Other administrative procedures affecting business operations may be sector specific or cover policy areas ranging from the environment to health and safety, labour and social issues.

Business and investment facilitation provides a bottom-up avenue to digital government development. Such an approach, starting from basic services for business – usually the first government services to be digitized – and gradually expanding to adjacent policy areas can begin in one or a very few public sector entities, does not necessarily depend on major legislative interventions, is relatively low cost, and adds immediate value to users and revenue-generating potential for government.

Investment
facilitation
and digital
government



Digital
government
tackles some
of the root
causes of low
investment in
sustainable
development

Such a bottom-up approach provides a valuable complementary route for developing countries. The prevailing guidance on digital government implementation favours a top-down approach based on a national strategy and supported by a digital government authority. Although central steering is necessary to push enabling legislation, budget support and stakeholder engagement, it can lead to lengthy and complex programmes that are often too costly for developing countries to pursue. Online single windows for businesses and investors can add value quickly and cheaply, and gradually expand coverage of services and institutions.

Wider implementation of digital government is a natural complement to investment policy. Online information and streamlined processes alone cannot bring the sea change in investment potential that is needed in many developing countries. Surveys of investors and investment promotion agencies consistently show that weaknesses in governance and institutions are among the most important challenges in attracting foreign investment. Digital government, by increasing transparency, improving efficiency and reducing corruption, helps address those weaknesses and support investment for sustainable development objectives.

The digital tools for business and investment facilitation included in the UNCTAD Digital Government Platform are operational in more than 60 countries. Looking ahead, UNCTAD will continue to support developing countries and – in collaboration with other international organizations – look for opportunities to maximize the benefits of digital government for the promotion of investment in sustainable and inclusive development.

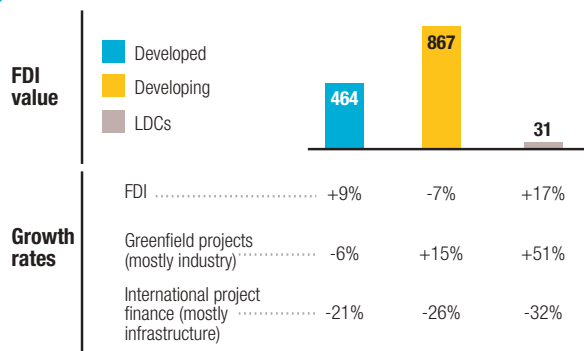




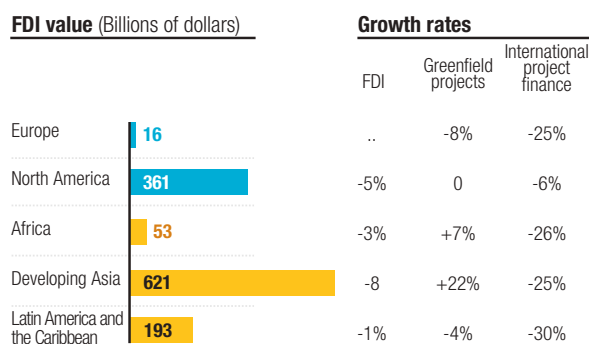
Chapter I

International investment trends

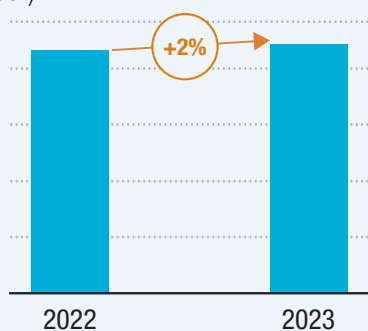
Income groups



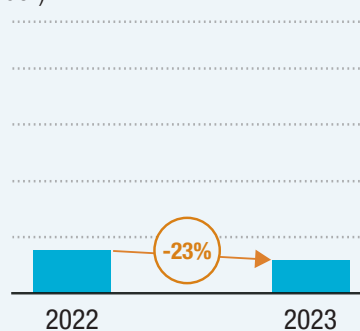
Regions



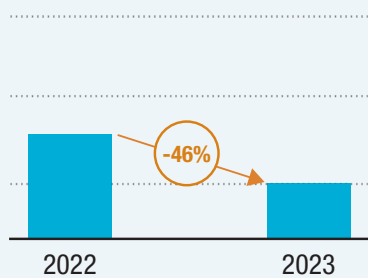
Greenfield projects (Number)



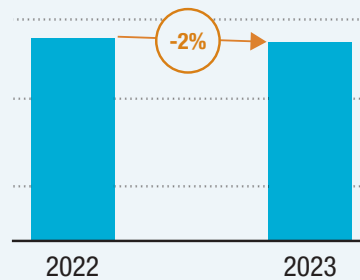
International project finance (Number)



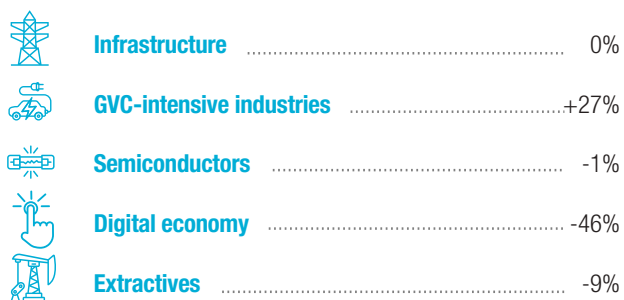
Cross-border M&As (Value)



FDI (Value)



Industries (Project numbers)



SDG sectors (Developing economies, project numbers)



A. Foreign direct investment

Global foreign direct investment (FDI) flows declined in 2023. Investor uncertainty about the state of the economy and the potential impact of economic fracturing trends affected flows in both developed and developing economies. Tighter financial conditions depressed international project finance deals and cross-border mergers and acquisitions (M&As). Greenfield project announcements increased, potentially signalling better prospects going forward. Combining these trends with stabilizing costs of finance makes expectations for 2024 moderately positive.

1. Global trends

FDI flows in 2023 amounted to \$1.33 trillion, 2 per cent less than in 2022. The headline number was affected by wild swings in a small number of European conduit economies. Excluding the effect of these conduits, global inflows declined by more than 10 per cent.

FDI inflows to developing economies, which have been robust over the past few years, declined by 7 per cent in 2023. Flows to developed economies, net of conduits, fell by 15 per cent. They were affected by corporate financial reconfigurations – driven in part by moves to introduce a global minimum tax for large multinational enterprises (MNEs) – and by a big drop in the value of cross-border M&As.

M&As, which especially affect FDI in developed countries, ended 2023 at just over half the value seen in 2022. International project finance was also weak, with both the number and the value of deals down by about a quarter. Tighter financing conditions, investor uncertainty, volatility in financial markets and – for M&As – greater regulatory scrutiny were the principal causes of the decline.

Conversely, greenfield project announcements increased marginally, in both number and value terms. The growth was largely due to increased announcements in manufacturing industries, in a break with a decade-long trend of gradual decline in the sector. Manufacturing project announcements by Chinese firms were a big contributing factor. The gains in greenfield investment occurred only in developing countries, where the number of projects announced was up by 15 per cent (table I.1). In developed countries, in contrast, new project announcements were down 6 per cent.

Diverging movements in greenfield projects and international project finance deals reflect the different drivers of investment in international production and industry (greenfield), on the one hand, and infrastructure industries (project finance) on the other. They also reflect the sensitivity of different investor pools to current financial conditions. MNEs have realized large profits over the past few years (figure I.1), boosting their capacity to finance asset expansions, which also explains the rising greenfield numbers. Project finance is





Table I.1

Announced greenfield projects, international project finance deals and cross-border M&As

Economic grouping	Type of investment	Value (Billions of dollars)			Number		
		2022	2023	Growth (%)	2022	2023	Growth (%)
Developed economies	Greenfield projects	687	631	-8	11 112	10 435	-6
	International project finance	728	562	-23	1 720	1 357	-21
	Cross-border M&As	599	302	-50	6 710	5 862	-13
Developing economies	Greenfield projects	622	749	20	6 949	8 007	15
	International project finance	573	396	-31	1 138	839	-26
	Cross-border M&As	107	76	-29	1 053	855	-19

Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fDimarkets.com) and Refinitiv.

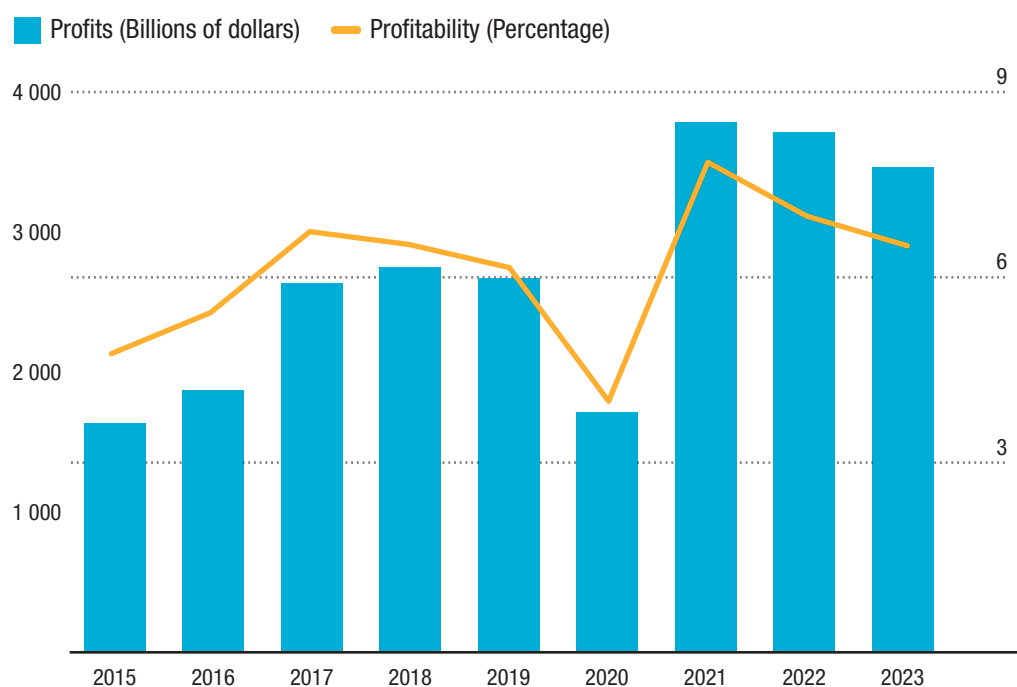
Abbreviations: M&As = mergers and acquisitions.



Figure I.1

The profits of the largest multinational enterprises remain high

Profits and profitability level of the largest firms



Source: UNCTAD, based on data from Refinitiv.

Notes: Covers 4,388 MNEs for which data were available for every year in the range. Profitability calculated as the ratio of net income to total sales.



more dependent on institutional investors and on debt financing, both of which are more sensitive to capital costs and financial market trends. Higher interest rates may also lead governments to delay large projects as they wait for more favourable terms.

The global environment for international business and cross-border investment remains challenging in 2024. Economic growth is expected to slow (table I.2). Global economic fracturing trends, trade and geopolitical tensions, industrial policies affecting strategic and manufacturing sectors, and moves by corporates to diversify supply chains are reshaping international production and FDI patterns. These trends are

causing some MNEs to adopt a cautious approach to overseas expansion.

Nevertheless, profit levels of the largest MNEs remain high, which will continue to be reflected in reinvested earnings – a significant component of FDI. Furthermore, financing conditions are easing after a period of high interest rates, which could support renewed growth of international project finance. The market for M&As is expected to recover, although cross-border transactions may take longer to react. The growth in greenfield project announcements in 2023 will also affect FDI flows as projects are realized over time. Overall, although early indicators for the first quarter of 2024 are still weak, modest growth for the full year appears possible.



Table I.2

Growth rates of global gross domestic product, gross fixed capital formation, trade and foreign direct investment

(Percentage)

Variable	2021	2022	2023	2024 ^a
Gross domestic product	6.2	3.0	2.7	2.6
Trade in goods	10.0	3.8	-0.6	2.0
Gross fixed capital formation	7.4	-2.9	1.3	2.8
Foreign direct investment	64.7	-16.4	-1.8	
<i>Memorandum:</i>				
Foreign direct investment value (Trillions of dollars)	1.6	1.4	1.3	

Sources: UNCTAD for foreign direct investment, gross domestic product and trade, and IMF for gross fixed capital formation.

^a Forecast.

2. Trends by geography

a. FDI inflows

In developed economies, financial transactions by MNEs led to volatility in FDI. Including the effect of conduit flows, the headline number for FDI inflows shows an increase of 9 per cent (net of conduits, FDI declined by 15 per cent) (figure I.2).

Developed countries accounted for 35 per cent of global FDI flows. Their share has been in gradual decline. The first time that they registered less than half of global flows was as recent as 2019. Nevertheless, developed economies still attract the majority of greenfield projects and international project finance deals.

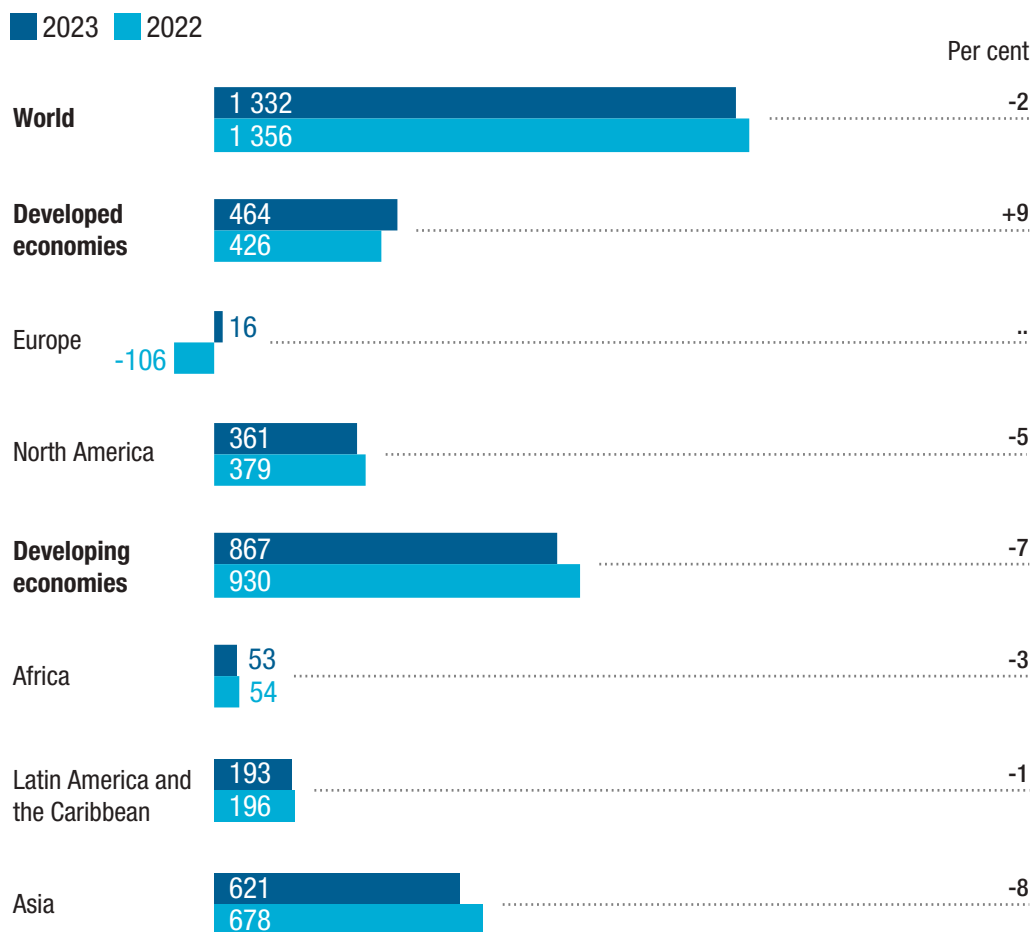




Figure I.2

Foreign direct investment declined in most regions

Inflows by economic grouping and region
(Billions of dollars and percentage change)



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

Inflows to Europe shifted dramatically, from -\$106 billion in 2022 to \$16 billion in 2023. Several economies, including Ireland, Luxembourg, the Netherlands, Switzerland and the United Kingdom of Great Britain and Northern Ireland, reported large negative numbers when the 2022 and 2023 inflows are taken into consideration together. Lower negative flows in 2023 had a net positive effect on FDI flows of about \$180 billion. Excluding these countries, inflows to the rest of Europe declined by 14 per cent.

FDI inflows to North America fell, as did those to most other developed countries. All developed regions experienced a

sharp downturn in M&A activity, with the value of cross-border M&As dropping by \$300 billion in 2023. The number of greenfield project announcements decreased by 6 per cent in developed economies and the number of project finance deals fell by 21 per cent (table I.3).

FDI flows to developing economies decreased by 7 per cent, to \$867 billion, or 65 per cent of global flows. Developing Asia, the largest FDI recipient, experienced an 8 per cent decline in inflows, driving the overall result. Inflows to Africa dropped by 3 per cent, while in Latin America and the Caribbean they remained flat.



In contrast, inflows to least developed countries (LDCs) increased; their share in global FDI grew from 2 to 2.4 per cent.

Greenfield investment in developing countries was a bright spot in 2023, with the number of announcements increasing by 15 per cent and values climbing by 20 per cent. This partially offset declines in international project finance deals, which fell by 26 per cent in number and 31 per cent in value.

The overall number of greenfield projects increased by 2 per cent (table I.3). Among developed regions, the number of greenfield projects held only in North America, which was less affected by the downturn in project finance deals as well. In other developed regions, greenfield project numbers were lower. In contrast, almost all developing regions saw growth in greenfield projects.



Table I.3

Number of announced greenfield projects and international project finance deals, by economic grouping and region

(Number and percentage)

Region/economic grouping	Announced greenfield projects				International project finance deals			
	2021	2022	2023	Growth, 2022–2023 (%)	2021	2022	2023	Growth, 2022–2023 (%)
World	15 514	18 061	18 442	2	2 500	2 858	2 196	-23
Developed economies	10 438	11 112	10 435	-6	1 496	1 720	1 357	-21
Europe	7 545	7 676	7 041	-8	899	1 121	840	-25
European Union	5 913	5 990	5 419	-10	637	833	671	-19
Other Europe	1 632	1 686	1 622	-4	262	288	169	-41
North America	2 084	2 491	2 499	0	372	398	376	-6
Other developed countries	809	945	895	-5	225	201	141	-30
Developing economies	5 076	6 949	8 007	15	1 004	1 138	839	-26
Africa	558	775	830	7	138	178	132	-26
Asia	3 275	4 749	5 798	22	489	624	469	-25
Central Asia	53	49	158	222	24	19	18	-5
East Asia	713	597	703	18	90	95	42	-56
South-East Asia	861	1 103	1 568	42	157	237	135	-43
South Asia	512	1 093	1 167	7	150	223	180	-19
West Asia	1 136	1 907	2 202	15	68	50	94	88
Latin America and the Caribbean	1 241	1 417	1 366	-4	370	334	235	-30
Oceania	2	8	13	63	7	2	3	50

Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fDimarkets.com) and Refinitiv.



The recent pickup in greenfield announcements in developing countries follows a long period of sluggishness and signals a potential recovery (figure I.3). Developing countries accounted for almost half of all announcements at the start of the last decade, but their share had gradually fallen to one third by 2020. However, developing regions have regained momentum over the past few years and the number of projects has grown rapidly following the pandemic, almost doubling from their recent nadir. Developing countries now account for 43 per cent of greenfield project announcements.

FDI inflows declined for most reporting economies. About two thirds of developed economies saw declines and about half

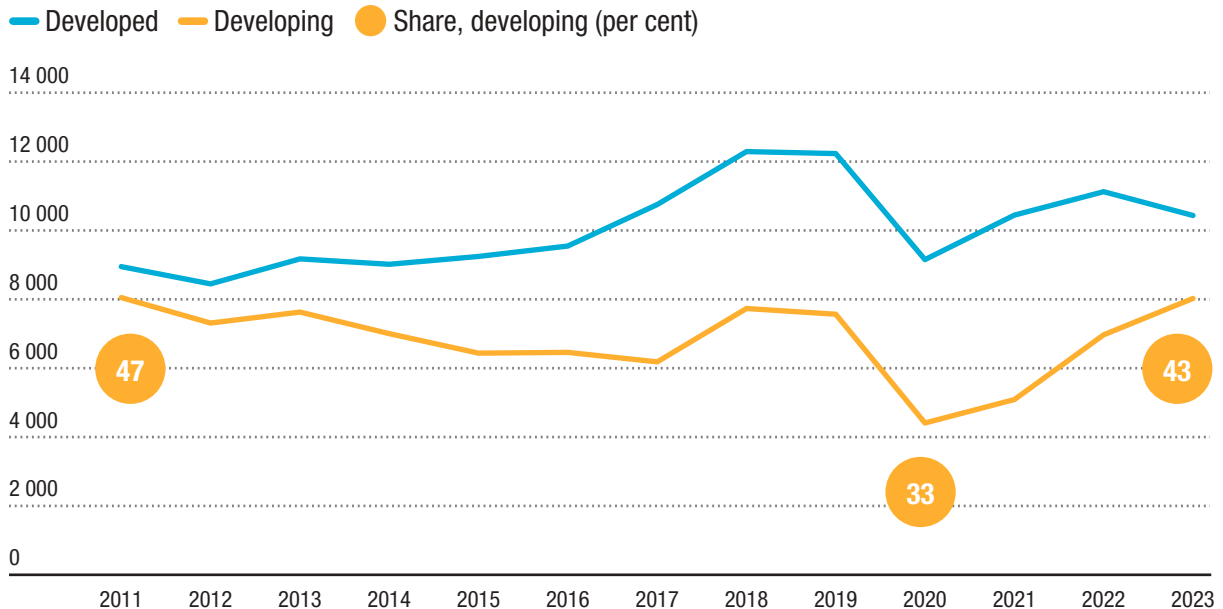
of developing ones. The United States of America remained the largest FDI recipient, accounting for almost a quarter of the global total (figure I.4). China and Hong Kong, China account for a further 21 per cent. Among the top 20 host economies, the largest absolute drops were registered in France, Australia, China, the United States and India, in that order. Only Singapore registered a significant gain. The United States was the top destination for both greenfield projects and international project finance deals. India and the United Kingdom also appear in the top five destinations for both kinds of FDI. The United Arab Emirates gained two places in the ranking of top destinations for greenfield projects, after entering the top five in 2022.



Figure I.3

Greenfield projects in developing economies are regaining lost ground

Announcements by economic grouping
(Number and percentage)



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



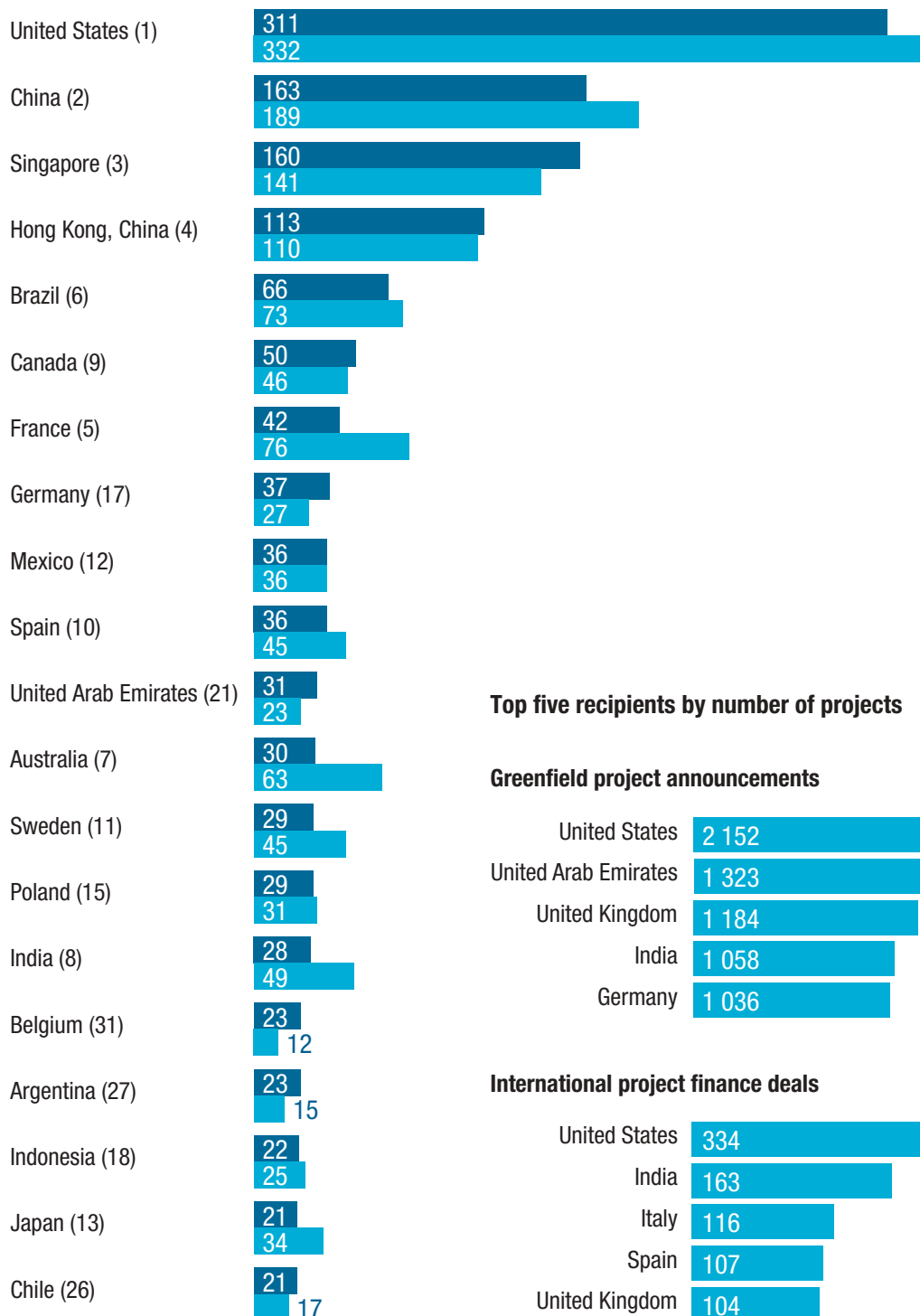


Figure I.4

Inflows declined in more than half of the top 20 recipients

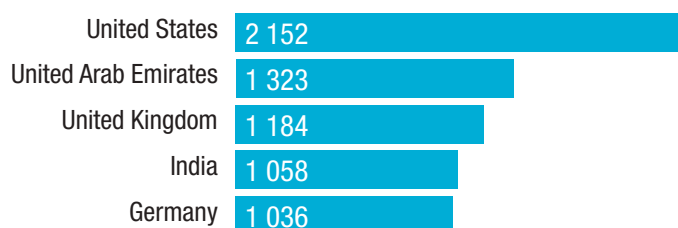
Foreign direct investment inflows, top 20 host economies
(Billions of dollars)

■ 2023 ■ 2022 (x) = 2022 ranking

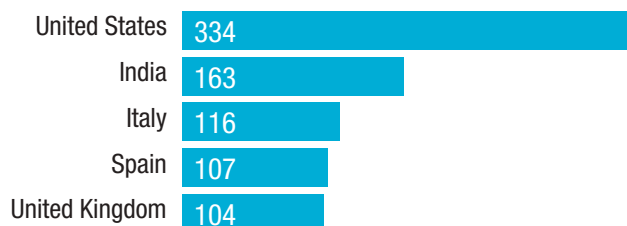


Top five recipients by number of projects

Greenfield project announcements



International project finance deals



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics) and based on information from The Financial Times, fDi Markets (www.fDimarkets.com) and Refinitiv.



i. Developed economies

FDI flows to developed countries increased by 9 per cent in 2023, to \$464 billion. However, large fluctuations and negative FDI realizations in several European countries with significant conduit FDI flows over the past two years complicate the picture (figure I.5). Moves to implement a minimum tax on large MNEs in 2024 coincided with a wave of corporate financial restructurings and divestments. Net of the effect of conduit flows, FDI in developed countries was down by about 15 per cent.

In the United States, FDI inflows declined by 6 per cent to \$311 billion, with a sharp reduction in cross-border M&As, which fell by 40 per cent to \$81 billion – half of the average over the past 10 years. Lower deal values in the information and communication technology (ICT) sector explained much of the decline.

FDI in Canada increased by 9 per cent to \$50 billion, but FDI in other developed countries, including Australia, Japan and the Republic of Korea, dropped sharply.

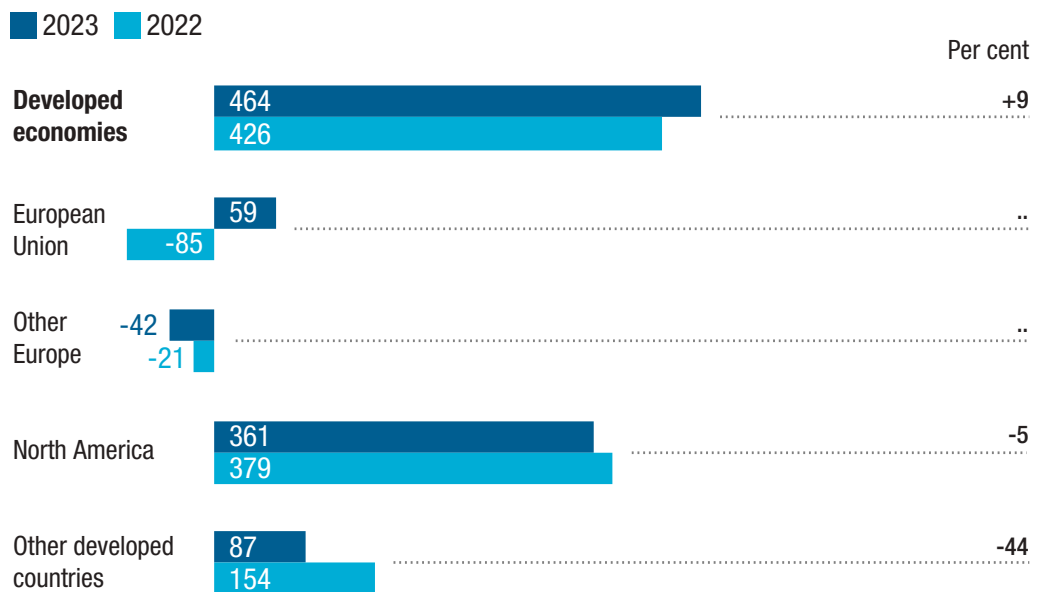
In 2023, the value of M&A sales in developed countries declined by 50 per cent to \$302 billion. Most transactions were concentrated in a small group of countries. Almost half of the M&A targets were based in the United States and the United Kingdom. Germany, Canada, Switzerland and France accounted for an additional 30 per cent of deal values. Among the top 10 cross-border M&A transactions, 6 involved acquisitions by investor groups, either with the intent to list companies publicly through special-purpose acquisition company (SPAC) transactions or as part of private equity deals. The financial nature of these deals illustrates the importance that financing conditions have for cross-border M&A trends.



Figure I.5

Foreign direct investment inflows turned negative in parts of Europe due to financial restructurings

Inflows to developed economies
(Billions of dollars and percentage change)



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



The value of greenfield announcements in developed economies fell by 8 per cent. Notably, after a period of very high investment, ICT saw a significant drop in project numbers. Conversely, project numbers in most other sectors increased, particularly in energy and gas supply, which rose by more than half. The largest greenfield projects are illustrative of major trends in international investment. Five projects of the top ten relate to semiconductor and electronics production, reflecting efforts to diversify or de-risk supply chains and to promote domestic production; firms based in Taiwan Province of China were the main investors in three of these projects. Four projects pertained to renewable energy, three of them in battery production. Canada and Japan emerged as top destinations for the largest projects, accounting for 5 of the 10 largest.

The downturn in international project finance deals was widespread across most developed economies and industries. However, about 80 per cent of the total drop in deal values was attributed to just three sectors: industrial real estate, power and telecommunication. Renewable energy, typically the largest sector, registered a small gain of 2 per cent, with deal values reaching nearly \$250 billion out of a total of \$562 billion. The 10 largest international project finance deals in developed economies accounted for more than 20 per cent of the total value of all deals. Most of these were in the energy sector, which is capital-intensive. The top three deals related to renewable energy production, but deals for oil and gas projects were also significant, constituting another 3 of the top 10. Australia emerged as the second largest destination for project finance deals, by value, after the United States.

ii. Developing economies

FDI inflows to developing economies decreased by 7 per cent in 2023, mainly owing to a rare downturn in Asia. Despite this decline, FDI remained the leading source of external financing

for developing economies, accounting for 44 per cent of total financial inflows in 2023, with remittances, development assistance and portfolio investment flows making up the rest.

Although the number and value of announced greenfield projects increased, these gains were offset by a sharp drop in project finance deals, with their value falling by almost \$200 billion compared with 2022. Cross-border M&A sales typically represent a much smaller share of FDI in developing countries than in developed ones. Still, the value of M&A sales in developing economies in 2023 dropped by \$31 billion (to \$76 billion), which explains about half of the overall decline in FDI inflows. Despite the drop, several large transactions took place. The largest M&A sale in 2023 was a \$23 billion stock swap between a Vietnamese electric vehicle maker and a United States-based SPAC. Singapore also registered several multibillion-dollar M&A sales, including SPAC transactions.

Most of the growth in greenfield projects in developing economies was in manufacturing, in terms of both project values and numbers. Over the past two decades, project numbers in the manufacturing sector have gradually declined and the services sector has become more prominent. The increase in 2023 was a welcome break in the trend, given the importance of manufacturing projects for economic growth, industrial development and the participation of developing countries in global value chains (GVCs). In particular, the automotive sector registered strong growth. Notable projects included a \$10 billion expansion of Malaysian automaker Proton (foreign owned in part by Geely (China)), a \$9 billion joint venture to establish a battery supply chain in Indonesia and a \$6.4 billion electric vehicle production facility in Morocco. While most investment was in Asia, the value and number of manufacturing project announcements in Africa and in Latin America and the Caribbean also grew.

Regional trends and factsheets on developing regions available online



The downturn in international project finance deals was widespread across most regions and industries. Renewable energy projects continued to account for a large share of deals in developing economies, comprising almost 45 per cent of all projects announced. Still, as in developed economies, there was a notable decline in such deals in developing economies, with a 24 per cent drop in the number and a 31 per cent drop in value. The downturn also affected megaprojects. In 2022, five renewable energy projects valued at more than \$5 billion were announced; in 2023, there were no deals of this magnitude.

(a) Africa

FDI inflows to Africa declined by 3 per cent in 2023, to \$53 billion (figure I.6). The number and value of project finance deals fell, while outcomes for greenfield

announcements were mixed across countries. Cross-border M&A sales, which accounted for about 15 per cent of FDI inflows to Africa in recent years, remained flat at \$8.5 billion. European investors remain the largest holders of FDI stock in Africa, holding three of the top four spots (the Netherlands at \$109 billion, France at \$58 billion, the United States at \$46 billion and the United Kingdom at \$46 billion).

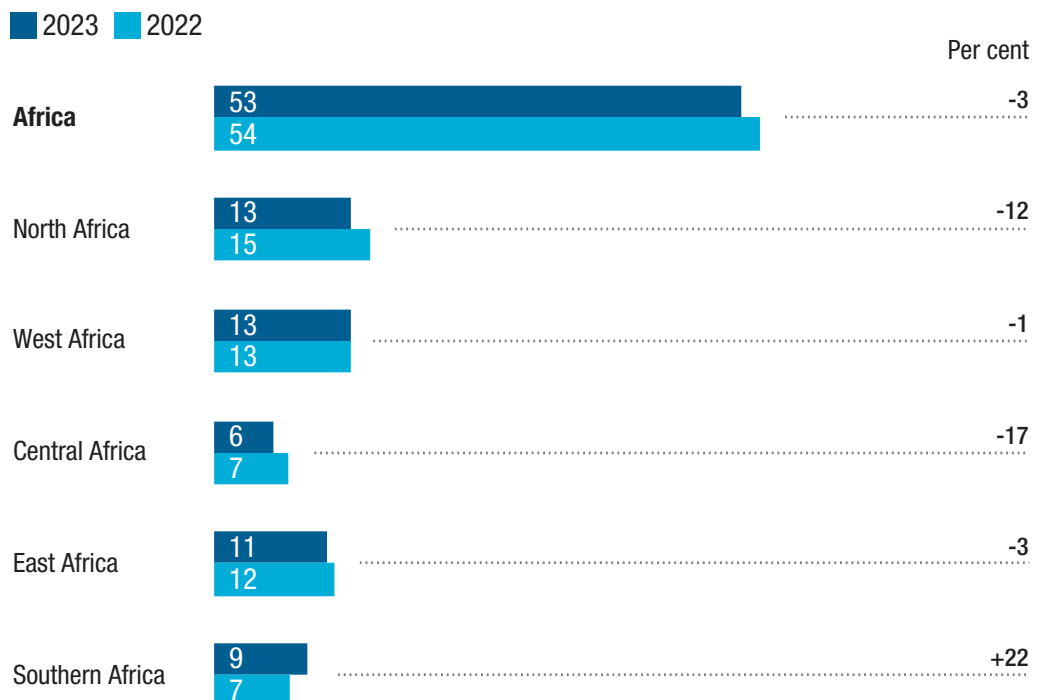
The value of greenfield projects announced in Africa fell to \$175 billion, from \$196 billion in 2022. However, most countries registered increases in project numbers, with the overall number of project announcements in the region rising by 7 per cent to more than 800. If executed, these projects could generate an additional 200,000 jobs in the region. The largest year-to-year increases in project value were in chemicals (to \$13 billion) and electronics (to \$7.6 billion), while



Figure I.6

Foreign direct investment to most regions in Africa declined

Inflows to Africa
(Billions of dollars and percentage change)



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



project values for electricity and gas supply projects dropped by \$33 billion compared with 2022. This drop alone explains much of the overall decline in greenfield values.

The region attracts a growing share of global megaprojects, with six valued at more than \$5 billion. The largest greenfield announcement for any country in 2023 was a green hydrogen project in Mauritania, expected to generate \$34 billion in investment (several multiples of the country's gross domestic product). Several other large hydrogen projects were also announced: The Suez Canal Economic Zone completed agreements for green ammonia and green hydrogen projects in Egypt totalling \$10.8 billion. Three energy producers separately announced green hydrogen projects in South Africa totalling \$7.1 billion, and there was substantial investment in Morocco as well. Value chains for electric vehicles have also prompted investment in Africa. Among the largest deals, a Chinese manufacturer announced plans to establish a \$6.4 billion electric vehicle battery manufacturing facility in Morocco.

The estimated value of international project finance deals in Africa declined by 50 per cent in 2023, to \$64 billion, following a 20 per cent drop in 2022. Industries related to renewable energy and power generation registered large drops in both values and numbers. However, momentum continued in some parts of the sector. Along with the green energy projects mentioned earlier, an investor group announced a deal for green hydrogen production totalling \$4 billion in Egypt, and another group is planning a \$2 billion hydrogen project in Morocco. Africa also attracted \$10.8 billion in project finance for wind and solar electricity production, with the largest projects located in Egypt, South Africa and Zimbabwe.

The African Continental Free Trade Agreement (AfCFTA) Investment Protocol adopted in 2023 is expected to contribute to growing intraregional FDI. The share of intraregional projects, though still relatively low, is higher in services and

selected manufacturing industries (with 20 per cent of projects by investors from Africa) than in resource-based processing industries (with only 13 per cent of projects originating from the region). This indicates the pool of investors undertaking projects within the region is large for some sectors. Also, there is an opportunity to expand intraregional investment in processing industries as part of the general drive to increase value addition.

(b) Developing Asia

FDI flows to developing Asia receded in 2023 but remained elevated, at \$621 billion (figure I.7). The region was by far the largest recipient of FDI, accounting for nearly one half of global inflows. East and South-East Asia were the main recipients. Flows declined in East Asia, with a significant drop in China breaking a decade-long growth trend. In South-East Asia, inflows remained stable as a result of robust economic growth and extensive GVC linkages. The decline in flows to West Asia was moderate, whereas South and Central Asia registered sizeable declines, especially in India and Kazakhstan. M&A sales, which usually constitute 10 to 15 per cent of FDI in developing Asia, declined by almost \$30 billion in 2023 to \$57 billion, representing about half of the total drop in FDI inflows to the region.

The overall value and the number of greenfield project announcements in developing Asia increased significantly in 2023, by 44 per cent and 22 per cent, respectively. South-East Asia saw a 42 per cent increase in announcements, particularly in electronics and vehicle production.

Projects in these sectors are expected to create nearly 145,000 jobs in the region (out of an estimated 1.4 million jobs expected to be created in developing Asia as a whole).

Asia continued to attract megaprojects, with 6 of the 10 largest projects worldwide located in developing Asia, including 4 in South-East Asia. Indonesia was a top destination for announced greenfield projects by value. Notable projects included upstream investments

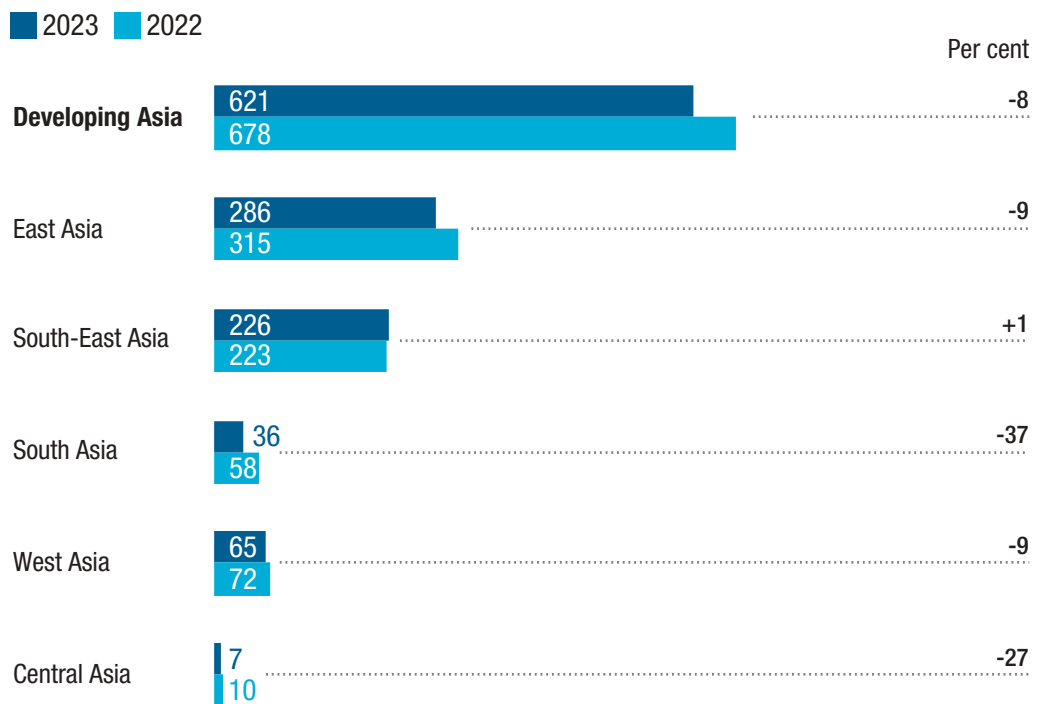




Figure I.7

Foreign direct investment inflows declined across most of Asia

Inflows to developing Asia
(Billions of dollars and percentage change)



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

by Chinese glass and solar manufacturer Xinyi Group totalling \$11 billion. In addition, a consortium of European and Indonesian companies is developing a \$9 billion battery supply chain for electric vehicles.

The number of international project finance deals in developing Asia declined by 25 per cent. West Asia was the only exception; total deals there increased to 94 in 2023 from 50 in 2022, with values growing by 32 per cent to \$57 billion. Saudi Arabia, Türkiye and the United Arab Emirates all saw higher numbers of deals. Elsewhere in Asia, most countries registered lower numbers. An important trend in the region as a whole was the decline in international project finance in renewable energy (along with most industrial sectors) and the increase in petrochemicals.

(c) Latin America and the Caribbean

In 2023, FDI in Latin America and the Caribbean remained stable, totalling \$193

billion (figure I.8). There was considerable heterogeneity across countries. In South America, FDI in Argentina, Chile and Guyana accelerated. This offset lower values in Brazil and Peru. Brazil remains the largest recipient in South America. In Central America, Mexico accounted for the bulk of foreign investment, with stable FDI inflows. In the Caribbean, the Dominican Republic continued its growth trend, with inflows rising 7 per cent year on year. M&A sales, which typically account for only a small share of FDI in Latin America and the Caribbean, declined by \$4 billion in 2023, to \$11 billion.

The number of announced greenfield projects decreased by 4 per cent in 2023, and the number of project finance deals dropped by 30 per cent. However, the estimated value of announced greenfield projects increased, primarily driven by large projects in Brazil and Chile. Demand for commodities and critical minerals

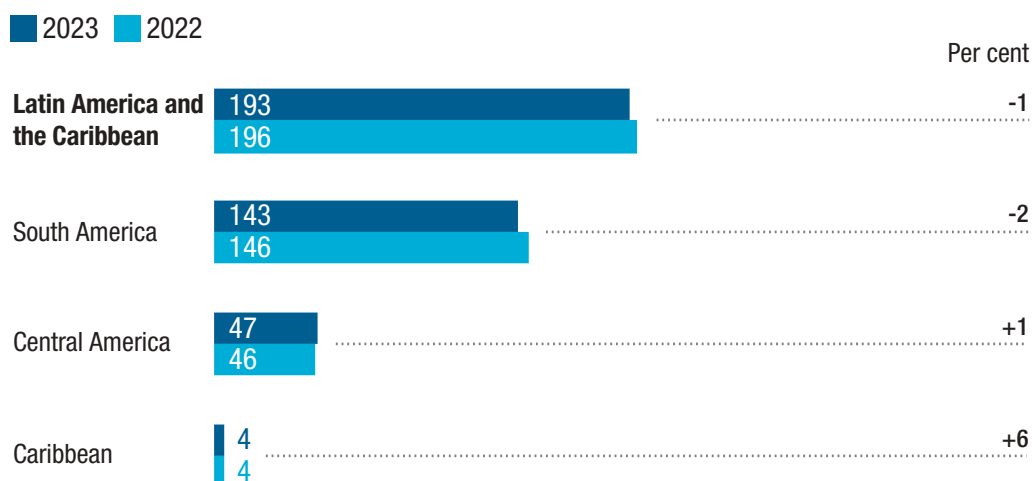




Figure I.8

Foreign direct investment to Latin America and the Caribbean remained stable

Inflows to Latin America and the Caribbean
(Billions of dollars and percentage change)



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

continues to drive a large share of greenfield investment in the region. The primary sector accounted for 23 per cent of project values over the past two years, compared with less than 10 per cent in other developing regions. Investment in these industries can be sensitive to swings in commodity prices. Investment in renewable energy was prominent, with 4 of the top 10 announced projects (by value) in production of green hydrogen or green ammonia. Overall, greenfield projects are expected to create more than 300,000 jobs in the region. Most large projects are undertaken by investors from outside the region. Only 2 of 19 megaprojects valued at more than \$1 billion were undertaken by MNEs based in the region.

The global slowdown in international project finance deals affected most subregions and countries in Latin America and the Caribbean. Among major FDI recipients, only Chile posted higher project numbers than in 2022. The downturn affected several industries, with renewable energy

among the worst affected: there were 40 per cent fewer deals and a \$16 billion drop in the value of announced projects in renewables compared with 2022.

(d) Structurally weak, vulnerable and small economies

While FDI to middle-income developing countries has been robust, low-income countries and vulnerable groups receive a comparatively small share of global FDI inflows. They face pressing infrastructure needs, so mobilizing external investors could help these countries make faster progress towards achieving the Sustainable Development Goals. In 2023, FDI inflows to LDCs increased to \$31 billion, or 2.4 per cent of global FDI flows (figure I.9). Comparing that with the LDC share in the world population of 14 per cent implies large disparities in per capita terms. The same is true of landlocked developing countries (LLDCs), which accounted for 7 per cent of the global population but only 1.8 per cent of FDI.



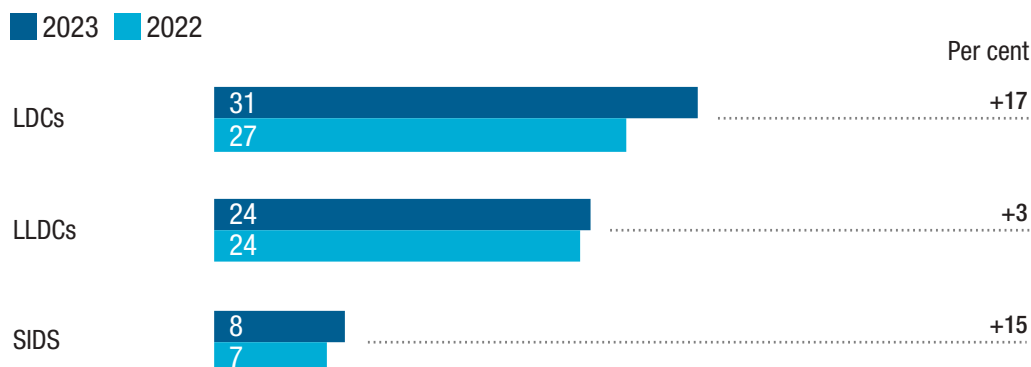


Figure I.9

Inflows in structurally weak, vulnerable and small economies increased

Inflows to least developed countries, landlocked developing countries and small island developing States

(Billions of dollars and percentage change)



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

Abbreviations: LDCs = least developed countries, LLDCs = landlocked developed countries, SIDS = small island developing States.

Although project finance deals are a small share of all FDI, the typical project financed is large. An analysis comparing the relative contribution of greenfield projects, M&As and project finance deals to total announcement values over the past 10 years shows that LDCs and LLDCs are relatively more dependent on international project finance than are other developing economies, in terms of both numbers and values. For this reason, they are more exposed to the recent downturn in project finance deals.

(e) Least developed countries

FDI to the 45 LDCs increased 17 per cent in 2023, to \$31 billion. Flows remained concentrated, with the top five recipients (Cambodia, Ethiopia, Bangladesh, Uganda and Senegal, in that order) accounting for about 50 per cent of the total. The growth of FDI in LDCs has lagged that of other sources of external finance over the last decade, and the shares of official development assistance and remittances are significantly higher than in developing economies overall (figure I.10). Nonetheless, FDI is an important source of finance for LDCs, as it is often more directly

targeted to productive capacity creation, infrastructure assets and economic activities that can support industrial transformation and greater participation in GVCs.

The number and value of greenfield project announcements in LDCs increased substantially in 2023 (by 51 per cent and almost 300 per cent, respectively). A large part of the jump in values is explained by the \$34 billion green hydrogen project in Mauritania. Excluding this outlier, announced greenfield project values rose by 51 per cent, to \$42 billion. As with FDI, just a few countries explain the bulk of greenfield project announcements and expenditures. Guinea, the Democratic Republic of the Congo, Ethiopia, Mozambique and Bangladesh (in that order) were the leading destinations in terms of project values. Combined, these countries accounted for about 60 per cent of the total project values for LDCs in 2023 (excluding the outlier deal in Mauritania).

The primary sector has accounted for about one fourth of greenfield project values in LDCs over recent years. For developing countries overall, its share is

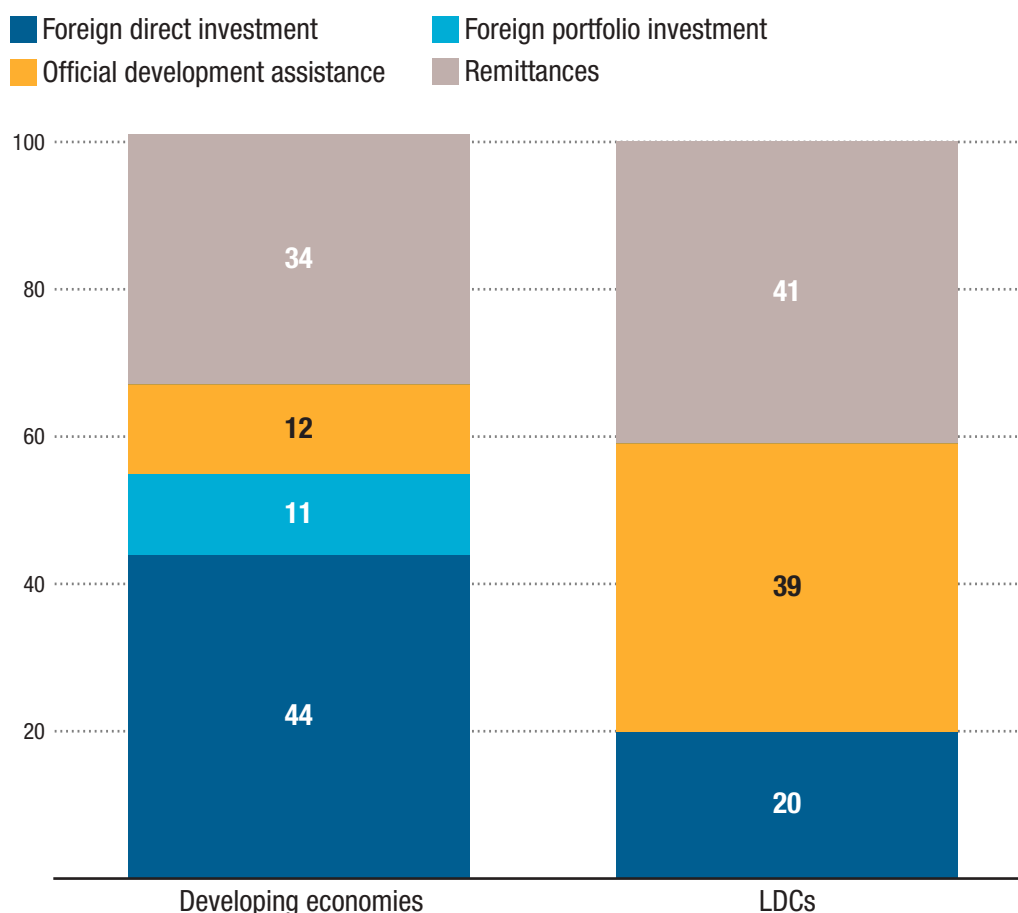




Figure I.10

The composition of financial flows to least developed countries differs from that of flows to other developing economies

Shares across categories of external financial flows, 2023
(Percentage)



Sources: UNCTAD FDI/MNE database (www.unctad.org/fdistatistics), IMF balance-of-payments statistics, World Bank KNOMAD (Global Knowledge Partnership on Migration and Development) database and OECD.

only about 10 per cent. This highlights that LDCs are significantly exposed to global commodity cycles, not only for trade but also for investment.

International project finance deals in LDCs fell by 24 per cent in value and 32 per cent in number in 2023. The lack of project financing for sectors relevant to the Sustainable Development Goals was particularly acute, with a total of just \$14 billion – a significant drop compared with previous years. Over the past decade,

the number of project finance deals has gradually increased, while the number of announced greenfield projects has declined (figure I.11). Some 32 per cent of international investment projects in LDCs were initiated using project finance in 2022, compared with less than 15 per cent in other developing countries. As a consequence, although the 2023 downturn in project finance affected all countries, LDCs were among the worst affected.



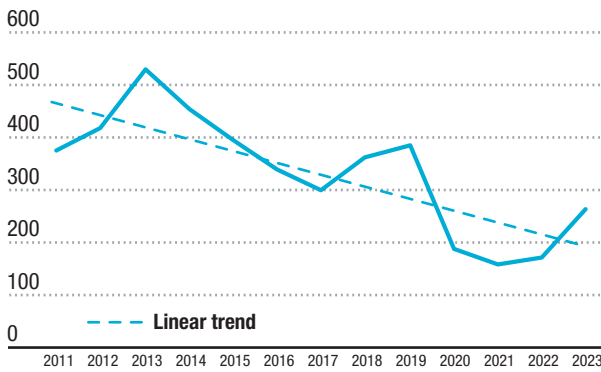


Figure I.11

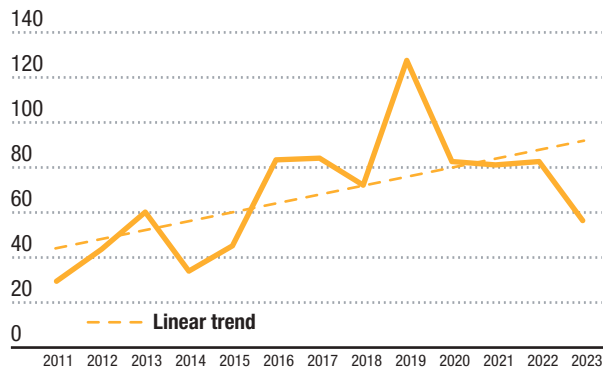
International project finance deals have become relatively more important in least developed countries

Types of international investment in least developed countries
(Number)

a. Greenfield projects



b. International project finance deals



Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fDimarkets.com) and Refinitiv.

(f) Landlocked developing countries

FDI inflows to the 32 landlocked developing countries (LLDCs) rose by 3 per cent in 2023, to \$24 billion. Flows remained concentrated in a few economies, with the top five recipients (Ethiopia, Kazakhstan, Uganda, Mongolia and Uzbekistan, in that order) accounting for about 55 per cent of total FDI to the group. A large share of FDI to LLDCs originates from just a few investor countries. China was the home country of the largest investors by far in 2022, at about \$20 billion (with \$7 billion of FDI stock in Kazakhstan alone); it was followed by Thailand, Canada and the Netherlands.

The increase in announced greenfield project values was most pronounced in manufacturing, where the total jumped by \$20 billion, in large part because of a single \$7.7 billion project announced for a polyethylene production project in Kazakhstan. Overall, the gains in greenfield announcements for LLDCs outweighed the downturn in international project finance deals. Kazakhstan and Uzbekistan were the top destinations for greenfield projects in 2023, receiving together a

large share of the total value (53 per cent) and number (40 per cent). In addition to the polyethylene production project, Kazakhstan entered into a power purchase agreement with TotalEnergies (France) for a \$1.4 billion onshore wind farm and battery energy storage system. The Uzbekistan Government awarded contracts for several solar projects, which are expected to generate \$4 billion in investment.

The global downturn in the number and value of international project finance deals affected LLDCs. Overall, the number of such deals declined by 33 per cent and values were 13 per cent lower than in 2022. There were a few exceptions. Activity picked up in Latin America, mainly in the Plurinational State of Bolivia with a string of deals for lithium extraction and processing that totalled \$3.7 billion. In addition, the value of deals in renewables increased by 24 per cent to \$15 billion, with projects in Kazakhstan and Uzbekistan accounting for about half of the total. The largest projects in Africa were in copper mining, with a \$2 billion expansion in Zambia and a \$1.9 billion acquisition in Botswana.



(g) Small island developing States

FDI inflows to the 29 small island developing States (SIDS) rose by 15 per cent to \$8.3 billion in 2023 – about 0.6 per cent of global FDI. Divestments and the resulting negative inflows in several countries affected outcomes in 2022 more than in 2023. Putting these cases aside, actual growth in 2023 was about 10 per cent. The Dominican Republic accounted for more than half of FDI inflows to SIDS in 2023.

Greenfield project announcements were up for most SIDS. There were strong gains for the transportation and storage sector, with project values up by \$350 million and the number of projects doubling to 10. Hospitality accounted for about 30 per cent of greenfield projects announced over recent years, but values fell by almost 50 per cent to \$930 billion in 2023, with a large drop in project numbers as well (down 33 per cent). Volatility in some sectors reflects unusually high investment in 2022 as project backlogs resolved following the pandemic.

The number of international project finance deals in SIDS increased by 18 per cent in 2023, and their value also increased strongly. With the small number of deals (49 from 2021 to 2023), a few large deals caused major fluctuations. Three distinct investment streams explained most deals: renewable energy, leisure and hospitality, and oil and gas (along with petrochemicals). Maldives accounts for most projects in the hospitality sector. Other projects were more distributed.

b. FDI outflows

In 2023, FDI flows from developed economies increased by 4 per cent to \$1.1 trillion. As with FDI inflows, corporate restructurings in Europe affected FDI outflows. Several investment-hub countries with significant conduit FDI reported large negative outflows, albeit less negative than in 2022 (i.e. a net positive gain). Excluding the effect of these conduits, global outflows were about 10 per cent lower.

The United States and Japan were the home countries of the largest investors. Outward FDI increased by 10 per cent from the United States and by 14 per cent from Japan, going against the overall trend for developed countries. Outward investment from European countries fell by 11 per cent (excluding five conduit countries). Germany, Sweden and Spain are home to large outward investors, and outflows declined from all three (figure I.12). Conversely, FDI outflows from France, another top home country for investors, increased by about one third. Looking at the 20 largest economies by outward FDI flows, those in Asia now account for almost half (9 total), with the relative ranks of India and Taiwan Province of China both rising in 2023.

The value of cross-border M&As originating from developed countries dropped by 53 per cent in 2023 due, in part, to tighter financial conditions. The downturn was general across developed economies, including in Europe, Australia, Canada and the United States. Results for greenfield projects were more heterogeneous. MNEs based in North America reduced their number of projects by 18 per cent. Numbers were flat in Europe but increased for other developed economies.

FDI outflows from developing economies slowed by 11 per cent in 2023, to \$491 billion. The decrease was general across most regions, except South-East Asia. Prospects appear stronger, as greenfield projects announced by MNEs based in developing countries increased by 23 per cent in number and by 35 per cent in value. The value of cross-border M&As originating from developing countries – which amount to only about one quarter of those originating in developed countries – was resilient, increasing by 25 per cent. In large part, these results were driven by a rebound in activity by Chinese MNEs.

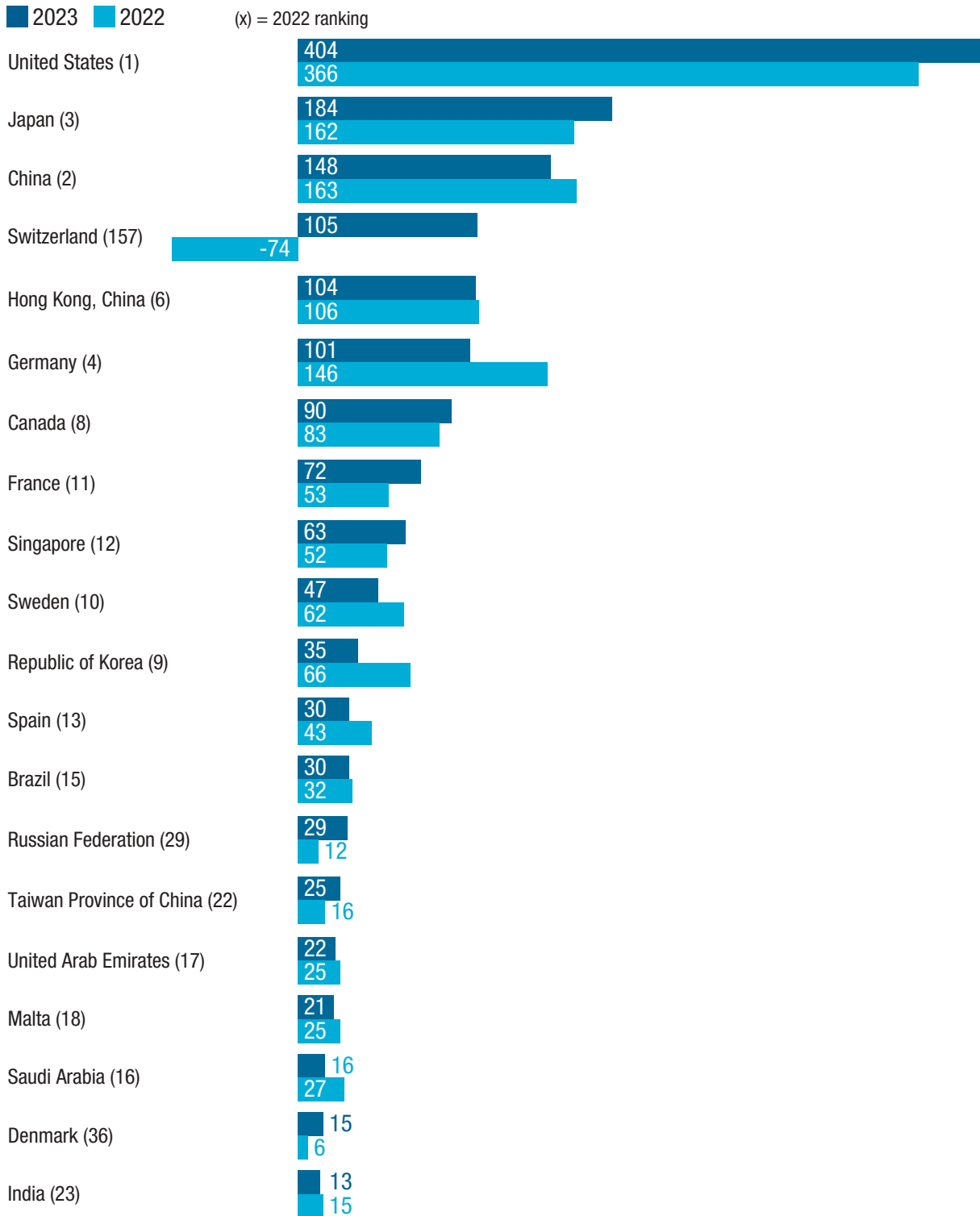




Figure I.12

Nine economies in Asia are among the top 20 home economies of outflows

Foreign direct investment outflows, top 20 home economies
(Billions of dollars)



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

Note: Negative outflows result from divestments and the repayment of intracompany loans.



The number of greenfield projects announced by Chinese MNEs almost doubled compared with 2022, explaining half of the total increase for developing countries. In part, this doubling reflects the project backlog following the pandemic, but investment patterns also changed in 2023. Most of the increase in projects announced by Chinese MNEs were in South-East Asia and concentrated in manufacturing industries, particularly computers, electrical equipment, motor vehicles and

other transport. The number of greenfield projects by Chinese MNEs in developed economies was stable, at a relatively low level compared with earlier years. Other developing countries also contributed to the rise in greenfield announcements. Greenfield project numbers increased by 21 per cent for MNEs based in Africa and by 18 per cent for those in developing Asia (excluding China). The number of greenfield projects announced by MNEs in Latin America and Caribbean fell 19 per cent.

3. Trends by project type and sector

Greenfield project announcements – mostly concentrated in industrial sectors – increased in both value and number in 2023 (figure I.13). The increase in value followed already strong growth in 2022,

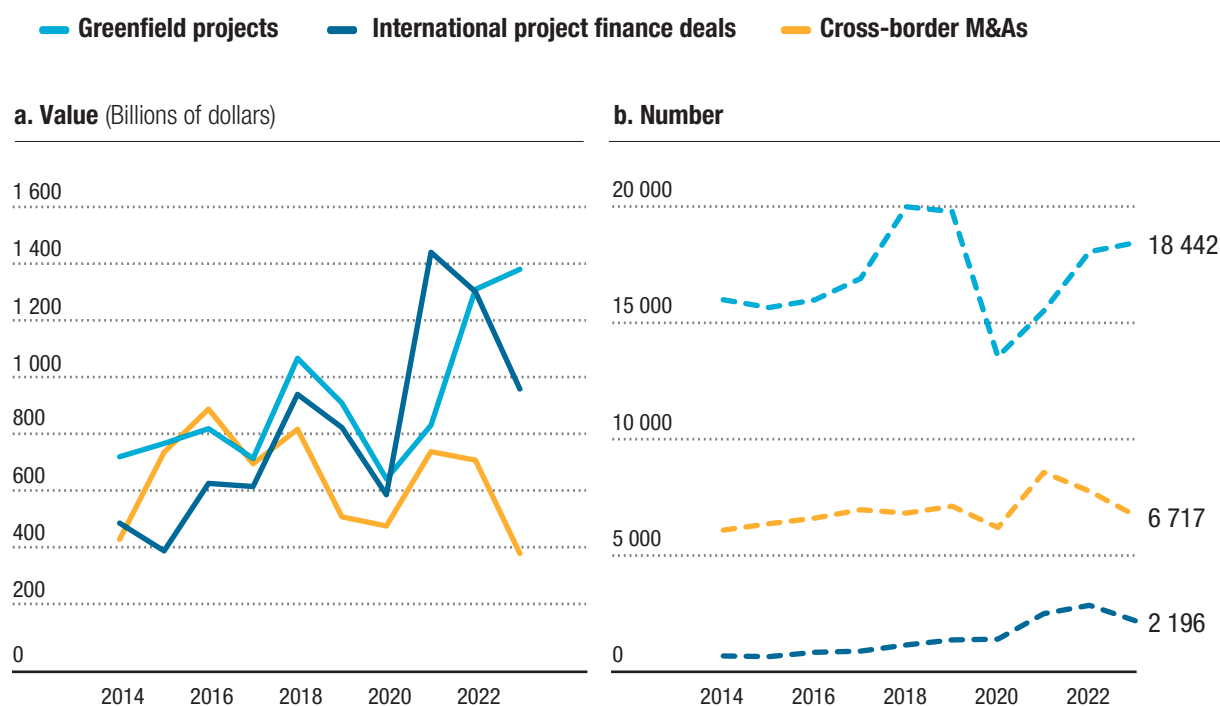
fuelled by a few very large announcements, including in renewable energy projects. Values in both years ended well above the average for the last decade. Project finance – mostly in infrastructure sectors – declined.



Figure I.13

Announced greenfield projects have regained momentum in recent years

Types of investment projects



Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fDimarkets.com) and Refinitiv.

Abbreviations: M&As = mergers and acquisitions.



Infrastructure projects have a significant debt component and are thus more sensitive to interest rate changes. Total values remained high compared with the average before 2021, when international project finance took off. Fewer deals in services, particularly in the ICT sector, explain a large part of the drop in cross-border M&A values.

a. Project types

i. Greenfield investment

The overall increase in greenfield announcements was powered by a significant rise in the number of manufacturing projects (table I.4). This marked a notable departure from the long-term decline in manufacturing share. Supply chain diversification pressures explained much of the increase, with most

GVC-intensive sectors registering growth. Announcements of manufacturing projects by Chinese investors in South-East Asia accounted for one third of the total increase.

The announced value of greenfield projects rose by 5 per cent to \$1.4 trillion – the highest level ever recorded – again mostly due to the expansion of manufacturing projects among developing economies. The automotive, metals, petroleum, and chemicals sectors all expanded. Only the ICT sector registered lower project numbers and values, after a period of unusually rapid growth between 2020 and 2022.

ii. International project finance

In 2023, the number of international project finance deals declined by 26 per cent to \$958 billion (table I.5). Nevertheless, project finance deals have grown over the past 10



Table I.4

Announced greenfield projects by sector and top industries

Sector/industry	Value (Billions of dollars)			Number		
	2022	2023	Growth (%)	2022	2023	Growth (%)
Total	1 309	1 380	5	18 061	18 442	2
Primary	108	66	-39	128	149	16
Manufacturing	485	611	26	6 142	7 521	22
Services	715	703	-2	11 791	10 772	-9
<i>Top 10 industries in value terms</i>						
Energy and gas supply	381	365	-4	586	879	50
Electronics and electrical equipment	215	183	-15	1 200	1 408	17
Information and communication	129	110	-14	5 131	3 339	-35
Automotive	61	91	50	729	977	34
Construction	69	72	4	218	358	64
Basic metal and metal products	49	70	42	241	336	39
Transportation and storage	57	69	20	997	1 306	31
Extractive industries	107	65	-40	97	117	21
Coke and refined petroleum	18	58	216	41	78	90
Chemicals	27	57	111	488	590	21

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



Table I.5
International project finance deals by top industries

Industry	Value (Billions of dollars)			Number		
	2022	2023	Growth (%)	2022	2023	Growth (%)
Total	1 301	958	-26	2 858	2 196	-23
<i>Top 10 industries by number</i>						
Renewable energy	418	368	-12	1 454	1 177	-19
Industrial real estate	266	146	-45	308	231	-25
Power	134	79	-41	193	149	-23
Residential/commercial real estate	67	43	-36	228	129	-43
Telecommunication	119	82	-31	140	111	-21
Oil and gas	93	72	-22	114	103	-10
Transport infrastructure	52	33	-36	111	81	-27
Petrochemicals	69	59	-15	83	77	-7
Mining	42	47	11	88	51	-42
Water and sewerage	18	12	-37	35	27	-23

Source: UNCTAD, based on data from Refinitiv.

years and are well above their 2015 nadir of \$400 billion. Following a boom in 2022, the number and value of announcements in industrial real estate fell sharply, though they remain at historically high levels. The average cost of debt has substantially increased. The most common reference rates for deals all increased sharply over the course of 2022 and early 2023.

International project finance deals in renewable energy – the biggest sector – also declined, with a 12 per cent drop in announced values in 2023. This mostly occurred in developing countries, where declines in oil and gas and in transport infrastructure were also severe. Both the number and the value of public–private partnership announcements fell in 2023, further contributing to the decline. Over the past 10 years, the value of such announcements averaged about \$65 billion, whereas in 2023 the total was \$6 billion. Similarly, their share in the number of total

project finance deals averaged about 5 per cent but fell to less than 1 per cent in 2023.

iii. Cross-border mergers and acquisitions

Cross-border M&A sales were down by 46 per cent (table I.6). This decline primarily derives from the services sector, where values dropped by more than half and numbers fell by one fifth. A significant part of the decline in services occurred in the ICT sector, which experienced a boom during the pandemic. Both the number and the value of cross-border M&As in manufacturing remained flat. M&A values for the primary sector also normalized after quintupling in 2022. The number of M&A sales decreased across all major industries except for extraction and automobiles. The \$23 billion reverse merger of VinFast Auto in Viet Nam with a SPAC based in the United States accounts for a large part of the uptick in the automobile sector.



Table I.6
Net cross-border M&A sales by sector and top industries

Sector/industry	Value (Billions of dollars)			Number		
	2022	2023	Growth (%)	2022	2023	Growth (%)
Total	707	378	-46	7 763	6 717	-13
Primary	122	36	-71	389	505	30
Manufacturing	142	141	-1	1 406	1 431	2
Services	442	201	-54	5 968	4 781	-20
<i>Top 10 industries in value terms</i>						
Information and communication	166	67	-60	1 799	1 432	-20
Extractive industries	121	33	-73	216	400	85
Chemicals	15	32	108	147	132	-10
Pharmaceuticals	36	31	-12	169	129	-24
Automotive	8	31	273	59	62	5
Professional services	23	29	25	730	594	-19
Utilities	18	18	-5	279	229	-18
Trade	27	17	-35	592	523	-12
Food, beverages and tobacco	21	13	-41	157	156	-1
Finance and insurance	88	12	-87	602	539	-10

Source: UNCTAD, based on data from Refinitiv.

Several factors explain the drop in M&A activity overall, including tight financial conditions and uncertainty in financial markets. Greater scrutiny from antitrust bodies and foreign investment regulators also affected M&As in the United States, the biggest market.

b. Selected industries

i. Infrastructure

International project finance is the main funding source for infrastructure industries, and the decline in the value and number of project finance deals in 2023 affected this sector in particular (table I.7). The number of announced greenfield infrastructure projects rose, driven by renewables. However, across

infrastructure industries, the drop in the value of project finance deals outweighed the gains in greenfield project values.

Most infrastructure projects were in renewable energy, constituting more than 45 per cent of announcements and accounting for 65 per cent of estimated project outlays. Both the number of projects and the total project value have grown rapidly in this category, from fewer than 700 announcements in 2015 to more than 2,000 in 2023. There is evidence that investors switch between project finance and greenfield FDI as financial conditions change. When debt finance is costlier and project finance is below trend, greenfield project announcements tend to increase.



Table I.7
Investment project announcements in infrastructure
(Millions of dollars, number and percentage)

Industry	Announced greenfield projects				International project finance deals			
	2021	2022	2023	Growth, 2022–2023 (%)	2021	2022	2023	Growth, 2022–2023 (%)
Infrastructure industries								
Value	265 712	497 837	506 811	2	848 256	722 677	562 380	-22
Number of projects	2 179	2 377	2 775	17	1 724	1 898	1 518	-20
Power ^a								
Value	6 538	8 775	13 537	54	199 493	134 319	78 977	-41
Number of projects	50	52	70	35	154	193	149	-23
Renewable energy								
Value	141 198	372 441	352 883	-5	506 693	417 889	367 815	-12
Number of projects	515	560	859	53	1 355	1 454	1 177	-19
Transport ^b								
Value	36 579	53 335	68 421	28	61 549	51 959	33 229	-36
Number of projects	763	988	1 298	31	105	111	81	-27
Telecommunication ^c								
Value	81 397	63 287	71 970	14	80 521	118 511	82 359	-31
Number of projects	851	777	548	-29	110	140	111	-21

Source: UNCTAD, based on information from The Financial Times, fDI Markets (www.fDimarkets.com) and Refinitiv.

^a Excluding renewable energy.

^b Transport services for greenfield projects and transport infrastructure for project finance.

^c Including information services activities.

ii. Global value chain-intensive industries

GVC-intensive industries registered a significant increase in investment projects (table I.8). Greenfield project announcements for the automotive, machinery and textile sectors were all up. Project values for semiconductors declined, but mainly after exceptionally high numbers in 2021 and 2022 as MNEs responded to global semiconductor shortages and concerns about supply chain bottlenecks. In the automotive sector, growth is driven by strong demand for hybrid and fully

electric vehicles, and by several new firms entering global markets. The GVCs needed to build electric vehicles (EVs) are also spurring new investment in mining, processing and battery production.

A recent UNCTAD analysis examines how economic fracturing is affecting international production in GVCs (UNCTAD, 2024d). Since the 2010s, GVCs have undergone significant restructuring, partially reversing the earlier trend towards offshoring. This shift has been driven by several factors, including technological advancements, policy changes, sustainability concerns and



Table I.8

Announced greenfield projects in global value chain-intensive industries

(Millions of dollars, number and percentage)

Industry	2021	2022	2023	Growth, 2022–2023 (%)
Global value chain-intensive industries				
Value	255 426	302 371	314 039	4
Number of projects	3 264	3 505	4 441	27
Electronics and electrical equipment				
Value	192 678	214 518	182 574	-15
Number of projects	1 116	1 200	1 408	17
<i>Semiconductors</i>				
Value	125 161	109 478	55 231	-50
Number of projects	114	142	140	-1
Automotive				
Value	40 846	60 567	90 979	50
Number of projects	725	729	977	34
Machinery and equipment				
Value	9 490	14 815	23 424	58
Number of projects	656	751	985	31
Textiles, clothing and leather				
Value	12 411	12 470	17 062	37
Number of projects	767	825	1 071	30

Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fdimarkets.com).

supply chain resilience needs. Robotics and automation are reducing the share of labour in total production costs, enabling the reshoring of production processes. Rising trade and investment interventionism is evident, along with a shift towards regional economic cooperation. Large-scale public interventions, such as the Inflation Reduction Act of the United States and the Recovery and Resilience Facility of the European Commission, are reshaping the FDI landscape with numerous incentives for investment in targeted industries. Finally, sustainability concerns, including carbon border adjustments, are also likely to affect trade flows and investment decisions.

iii. Digital industries

Following the pandemic, digital industries expanded rapidly. In 2023, the number of greenfield project announcements returned to close to pre-pandemic levels (table I.9). The number of greenfield projects fell by half. Declines were general across all digital industry subgroups. The introduction of advanced large language models over the past two years has led firms in some digital industries to pause investment as they adjust to the new technology. Developing countries that rely on offshore digital services (e.g. call centres or software programming) face the growing risk that automation could harm prospects for new investment projects.





Table I.9

Greenfield project announcements in digital industries

(Millions of dollars, number and percentage)

	2021	2022	2023	Growth, 2022–2023 (%)
Digital industries				
Value	33 035	34 518	20 382	-41
Number of projects	378	344	187	-46
Digital content				
Value	2 084	515	121	-77
Number of projects	44	37	12	-68
Digital solutions				
Value	3 090	3 842	2 262	-41
Number of projects	48	61	51	-16
E-commerce				
Value	25 229	23 935	17 178	-28
Number of projects	232	190	102	-46
Internet platforms				
Value	2 632	6 226	822	-87
Number of projects	54	56	22	-61

Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fdimarkets.com).

Note: For the classification of digital industries see *WIR 2017* (UNCTAD, 2017).

Digitalization is also a factor in reshaping GVCs. Along with the growth of services, the growth of digital industries is transforming manufacturing. Data-driven tools allow for real-time analysis and optimization of maintenance and logistics. E-commerce platforms blur the line between physical products and services, facilitating the sale of both and often bundling them together. Finally, digital technologies enable the remote provision of service, reducing the need for a physical presence close to manufacturing facilities or final sales points. These factors have increased the share of services activities within manufacturing, and lead to more asset-light international investment.

iv. Extractive sectors and critical minerals

Greenfield project announcements in mining and critical minerals (including processing) increased significantly in 2023 (table I.10), doubling in both their number and their value. The growth in investment in critical minerals for the energy transition and the decline in new investment in oil and gas extraction show how climate goals are reshaping investment patterns.

One third of greenfield projects in critical minerals were invested in by Chinese firms, mostly for the extraction, processing and production of materials for the battery supply chain. Australia, the Republic of Korea,





Table I.10

Investment project announcements in extractives and critical minerals
(Millions of dollars and percentage)

	Announced greenfield projects				International project finance deals			
	2021	2022	2023	Growth, 2022–2023 (%)	2021	2022	2023	Growth, 2022–2023 (%)
Extractive industries								
Value	12 655	107 256	64 589	-40	242 825	134 906	118 652	-12
Number of projects	61	97	117	21	246	202	154	-24
Oil and gas								
Value	6 112	89 567	25 850	-71	198 306	92 756	72 072	-22
Number of projects	23	58	47	-19	124	114	103	-10
Mining								
Value	6 542	17 689	38 740	119	44 519	42 150	46 580	11
Number of projects	38	39	70	79	122	88	51	-42
<i>Memorandum:</i>								
Critical minerals (including processing)								
Value	13 106	30 396	57 964	91	19 553	24 430	23 230	-5
Number of projects	56	61	114	87	28	27	28	4

Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fDimarkets.com) and Refinitiv.

Canada and the United Kingdom were other important investor home countries.

The United States, Indonesia and Canada attracted the most projects overall. The highest project values were in Indonesia, Chile and the United States, in that order. Three quarters of projects were in developing countries; about half were in processing or production of materials. Ten projects were announced in LDCs, two of which including a processing or manufacturing component.

International project finance in the extractive sector is generally deployed for larger projects. The average estimated value of these projects in 2023 was close to \$1 billion, which compared with an average value of about \$500 million for greenfield projects. The highest total values of international project finance deals were announced in Chile, Indonesia, Zambia, Botswana and Argentina, in that order.



B. Investment in the Sustainable Development Goals

The drop in international project finance will exacerbate the \$4 trillion gap in investment needed to meet the Sustainable Development Goals in developing countries. Several sectors important for such investment saw a decline in project numbers in 2023; two of them, agrifood systems and water and sanitation, attracted fewer projects in 2023 than in 2015 when the Goals were adopted.

The past year marked the mid-point of the 2030 Agenda for Sustainable Development. WIR 2023 updated the estimate for the Goals investment gap for developing countries to \$4 trillion, from \$2.5 trillion in 2015 (UNCTAD, 2023f). Between 2015 and 2023, the overall number of projects in Goals-relevant sectors grew about 4 per

cent annually, outpacing overall growth in numbers of deals (at 3 per cent). However, these gains occurred in just a few Goals-relevant sectors, mainly infrastructure and renewable energy (table I.11). Furthermore, investment has been unequal across countries and LDCs still account for only a small share of Goals-relevant investment.



Table I.11

Developing countries: investment in sectors relevant to the Sustainable Development Goals

(Number and percentage)

	2015	2022	2023	Growth, 2015–2023 (%)	Growth, 2022–2023 (%)
Infrastructure^a	730	945	1 022	40	8
Renewable energy	372	687	655	76	-5
Water, sanitation and hygiene (WASH)	32	36	30	-6	-17
Agrifood systems^b	368	305	346	-6	13
Health and education	277	317	337	22	6

Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fdimarkets.com) and Refinitiv.

^a Including transport infrastructure, power generation and distribution (except renewables) and telecommunication.

^b Including agricultural production and processes; fertilizers, pesticides and other chemicals; research and development; and technology.



Most Goals-relevant investment is in infrastructure sectors, which were heavily exposed to the global decline in international project finance in 2023. This had a significant negative effect on total Goals investment flows. International project finance deals in Goals-relevant sectors in developing economies fell by

36 per cent in value and 28 per cent in number (table I.12). Declines in renewable energy, power generation and transport infrastructure were the main contributors. Collectively, the value of project finance deals in these sectors fell by almost \$100 billion compared with 2022, marking the second consecutive year of declines.



Table I.12

Sectors relevant to the Sustainable Development Goals: announced international project finance deals in developing economies

(Millions of dollars, number and percentage)

Goals-relevant sector	Developing economies				Least developed countries			
	2021	2022	2023	Growth, 2022–2023 (%)	2021	2022	2023	Growth, 2022–2023 (%)
Total								
Value	442 629	313 161	200 064	-36	55 102	26 742	14 154	-47
Number of projects	641	724	524	-28	55	55	36	-35
Power ^a								
Value	145 722	63 548	40 632	-36	42 148	4 764	766	-84
Number of projects	60	67	50	-25	6	8	1	-88
Renewable energy								
Value	217 440	175 502	121 623	-31	7 800	11 849	10 078	-15
Number of projects	443	500	378	-24	34	31	28	-10
Transport infrastructure								
Value	29 408	28 514	8 858	-69	3 637	5 103	..	..
Number of projects	58	58	26	-55	7	5	..	..
Telecommunication ^b								
Value	25 013	21 009	14 356	-32	749	320	2 367	639
Number of projects	38	43	35	-19	3	2	4	100
Water, sanitation and hygiene (WASH)								
Value	11 947	14 475	9 942	-31	179	2 458	522	-79
Number of projects	16	21	19	-10	2	5	1	-80
Food and agriculture								
Value	9 678	7 452	2 974	-60	..	2 231	421	..
Number of projects	12	22	11	-50	..	3	2	..
Health								
Value	2 253	1 300	1 678	29	..	16	..	..
Number of projects	6	5	5	0	..	1	..	..
Education								
Value	1 167	1 360	..	..	589	..	..	..
Number of projects	8	8	..	..	3	..	..	..

Source: UNCTAD, based on data from Refinitiv.

^a Excluding renewable energy.

^b Including information services activities.



Greenfield investment provided some counterweight, as the value of cross-border greenfield project announcements for Goals-relevant sectors grew by 14 per cent in 2023 (table I.13). Project numbers increased even more, to 19 per cent. Still, a few sectors explain most of the growth. Transport services accounted for about one

half of the increase in project numbers and values. Renewable energy accounted for about one quarter. At the same time, the estimated value of international investment in agrifood, health and education, and WASH (water, sanitation and hygiene) declined compared with 2022. Raising investment in these sectors is key to achieving the Goals, and the needs are substantial.

Table I.13

Sectors relevant to the Sustainable Development Goals: announced greenfield projects in developing economies

(Millions of dollars, number and percentage)

Goals-relevant sector	Developing economies				Least developed countries			
	2021	2022	2023	Growth, 2022–2023 (%)	2021	2022	2023	Growth, 2022–2023 (%)
Total								
Value	126 820	261 481	297 746	14	10 147	9 437	49 157	421
Number of projects	1 312	1 566	1 866	19	73	66	91	38
Power ^a								
Value	4 173	4 080	7 155	75	2 000	1 865	671	-64
Number of projects	20	17	29	71	1	3	1	-67
Renewable energy								
Value	56 040	176 342	183 327	4	4 809	4 824	41 614	763
Number of projects	149	187	277	48	13	13	24	85
Transport services								
Value	14 438	23 347	39 730	70	436	776	4 849	525
Number of projects	275	435	599	38	22	18	31	72
Telecommunication ^b								
Value	29 441	25 672	39 502	54	2 018	917	1 359	48
Number of projects	295	325	283	-13	20	12	13	8
Water, sanitation and hygiene (WASH)								
Value	4 127	1 619	1 208	-25	136	139	75	-46
Number of projects	19	15	11	-27	1	1	1	0
Food and agriculture								
Value	11 900	19 829	17 041	-14	426	739	437	-41
Number of projects	275	283	335	18	7	14	14	0
Health								
Value	5 679	9 668	8 866	-8	187	171	109	-36
Number of projects	194	207	227	10	3	4	3	-25
Education								
Value	1 021	925	916	-1	136	7	44	535
Number of projects	85	97	105	8	6	1	4	300

Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fdimarkets.com).

^a Excluding renewable energy.

^b Including information services activities.

LDCs accounted for only a small share of Goals-relevant investment among developing countries. The combined value of Goals-relevant greenfield investment and international project finance deals in developing countries reached \$500 billion in 2023. Of this, \$63 billion went to LDCs (about 13 per cent). A \$34 billion green hydrogen project in Mauritania accounted for more than half the total. The downturn in project finance deals also disproportionately affected LDCs and the number of projects fell by 35 per cent compared to 2022. Still, a few Goals-relevant sectors performed well: renewable energy saw net gains in project values and numbers in LDCs, as did telecommunication, where numbers and values increased for both greenfield investment and project finance deals.

The distribution of Goals investment across developing regions is also unequal; only developing Asia attracts above-average greenfield projects and international

project finance in Goals-relevant sectors – the share of the region in the global number of Goals projects was higher in 2023 than its share in all projects (figure I.14). Other developing regions not only attract less investment overall, but even lower levels of Goals investment.

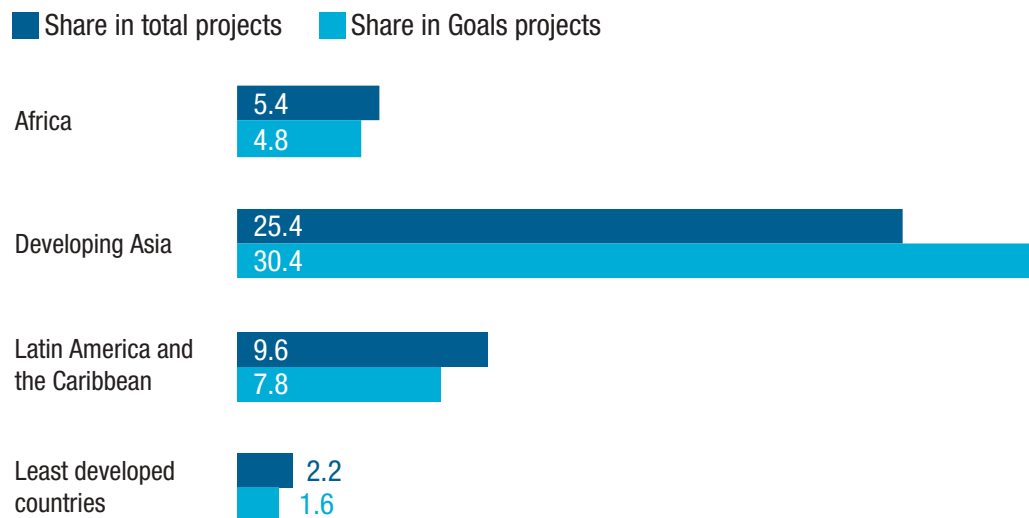
Africa remains one of the most underserved regions and its share of international investment projects is low. However, it has attracted sizeable investment in power, infrastructure and renewable energy; over the last three years, it accounted for about 30 per cent, on average, of all Goals-relevant investment values in developing countries. In 2023, the region's share was only slightly lower (27 per cent). Yet there is less progress in other Goals-relevant sectors in Africa. This is particularly true for health (about 5 per cent of total value in developing countries), but also for more capital-intensive sectors such as telecommunication and transport (about 15 per cent for each).



Figure I.14

Only developing Asia attracts above-average investment for the Sustainable Development Goals

Shares in numbers of investment projects, by region and economic grouping (Percentage)



Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fDimarkets.com) and Refinitiv.

Note: Shares are calculated by sector.



WIR 2023 identified gaps of \$500 billion in annual investment for WASH and \$300 billion for agrifood systems (UNCTAD, 2023f). As mentioned, the number of deals in these sectors is less than in 2015. The lack of foreign participation in WASH projects is a particular area of concern. It hampers progress towards Goal 6, which targets universal access to safe drinking water, sanitation and hygiene. In 2023, there were only 11

greenfield project announcements related to WASH, amounting to \$1.2 billion in developing countries, and only one announcement in LDCs. Project finance and public–private partnerships are more important in WASH, but there were large declines in the value of WASH-related international project finance deals in 2023, including public–private partnerships, with only one deal among LDCs.



C. International production

International production continues to expand, but investment patterns and GVCs are shifting under the influence of economic fracturing trends. The overall transnationality of the top 100 MNEs still increased marginally in 2023. However, they are beginning to alter their international footprint, bringing strategic activities closer to home and considering options to de-risk supply chains.

1. Key indicators of international production

Despite the lacklustre growth of international investment in the last decade, international production through the networks of MNEs remains an important part of the globalized economy (table I.14). The value of FDI flows is about 5 per cent of gross fixed capital formation, production of foreign affiliates as a share of global output is more than 6 per cent, and the sales of foreign affiliates are higher than the value of global exports, confirming the importance of FDI as a modality to reach overseas markets. Furthermore, the global production networks of MNEs are estimated to govern about 80 per cent of global trade.

However, significant changes in the global economy are reshaping international production networks and GVCs. A recent UNCTAD report on global economic fracturing and shifting FDI patterns (UNCTAD, 2024d) identifies several key trends. First, it shows three types of divergence. The growth of FDI and GVCs has lost pace with GDP and trade – their growth paths have disconnected. There

is a widening gap in investment trends between the manufacturing and services sectors. And investment patterns in China have delinked from the rest of the world. Second, it points out that, in recent years, geopolitical differences and global crises have led to a transition from divergence to fracturing. This leads to more volatile investment patterns and shifting home- and host-country relationships, and it causes geopolitical factors to become increasingly important in investment decisions, at times overriding economic considerations. Third, it shows that the sustainability imperative and the drive to stimulate investment in the Sustainable Development Goals are opening up new opportunities for investment-driven industrial development, particularly in environmental technologies. However, it also shows that these opportunities are available to only a small group of countries with larger markets. In many smaller developing countries, and especially LDCs, marginalization and vulnerability continue to grow.





Table I.14

Selected indicators of foreign direct investment and international production

(Billions of dollars at current prices and number)

Item	1990	2005–2007 (average)	2020	2021	2022	2023
FDI inflows	205	1 415	985	1 622	1 356	1 332
FDI outflows	244	1 464	780	1 882	1 575	1 551
FDI inward stock	2 196	14 573	41 893	47 156	44 375	49 131
FDI outward stock	2 255	15 296	40 718	43 386	40 570	44 381
Income on inward FDI ^a	82	1 123	2 173	2 883	3 002	2 498
Rate of return on inward FDI ^b	5.4	9.6	6.8	8.2	8.2	6.0
Income on outward FDI ^a	128	1 235	1 954	2 857	2 923	2 516
Rate of return on outward FDI ^b	8.4	10.7	5.8	7.7	7.8	6.4
Announced greenfield projects	..	..	641	830	1 309	1 380
International project finance deals	..	..	585	1 440	1 301	958
Cross-border M&As	98	729	475	737	707	378
Sales of foreign affiliates	4 801	19 758	31 298	33 194	..	..
Value added (product) of foreign affiliates	1 074	4 662	6 547	7 030	..	..
Total assets of foreign affiliates	4 649	47 065	97 467	91 386	..	..
Employment by foreign affiliates (thousands)	20 449	49 780	82 405	74 402	..	..
<i>Memorandum:</i>						
Gross domestic product	22 612	52 680	84 961	96 488	100 135	104 476
Gross fixed capital formation	5 838	12 482	22 055	25 270	26 142	27 161
Charges for the use of intellectual property, receipts	31	191	507	615	590	460

Sources: UNCTAD, FDI/MNE database, IMF (2024), information from The Financial Times, fDi Markets (www.fDimarkets.com) and Refinitiv.

Notes: Not included are the value of worldwide sales by foreign affiliates associated with their parent firms through non-equity relationships and the value of sales of parent firms themselves. Worldwide sales, gross product, total assets, exports and employment of foreign affiliates are estimated by extrapolating worldwide data of foreign affiliates of MNEs from countries for which data are available, on the basis of three-year average shares of those countries in worldwide outward FDI stock.

Abbreviations: FDI = foreign direct investment, M&As = mergers and acquisitions.

^a Based on data from 168 countries for income on inward FDI and 142 countries for income on outward FDI in 2023, in both cases representing more than 90 per cent of global inward and outward stocks.

^b Calculated only for countries with both FDI income and stock data. The stock is measured in book value.



2. Internationalization trends of the largest MNEs

The average transnationality index of the top 100 non-financial MNEs – the weight of their overseas assets, sales, and employees in their global operations – increased marginally in 2023 (table I.15). This increase was driven by MNEs in the automotive industry, where the transition to EVs and

new technologies attracted more foreign investment. Falling revenues in other sectors and several MNEs' divestments in the Russian Federation held back the index.

The 12 car producers in the top 100 significantly expanded their international



Table I.15

Internationalization levels of top 100 MNEs increased marginally in 2023

Internationalization statistics of 100 largest non-financial MNEs, worldwide and from developing economies

Variable	100 largest MNEs, global					100 largest MNEs, developing economies		
	2021 ^a	2022 ^a	Growth, 2021–2022 (%)	2023 ^b	Growth, 2022–2023 (%)	2021 ^a	2022	Growth (%)
Assets (Billions of dollars)								
Foreign	10 449	10 127	-3.1	10 230	1.0	2 953	2 896	-1.9
Domestic	8 902	10 566	18.7	10 665	0.9	7 054	8 694	23.3
Total	19 351	20 693	6.9	20 895	1.0	10 007	11 590	15.8
Foreign as share of total (%)	54	49		49		30	25	
Sales (Billions of dollars)								
Foreign	6 703	7 438	11.0	6 965	-6.4	2 272	2 490	9.6
Domestic	4 949	6 744	36.3	6 596	-2.2	4 094	5 523	34.9
Total	11 651	14 182	21.7	13 562	-4.4	6 366	8 013	25.9
Foreign as share of total (%)	58	52		51		36	31	
Employment (Thousands)								
Foreign	8 998	9 096	1.1	9 553	5.0	4 064	4 150	2.1
Domestic	11 102	11 316	1.9	10 606	-6.3	9 265	9 665	4.3
Total	20 100	20 413	1.6	20 159	-1.2	13 328	13 815	3.7
Foreign as share of total (%)	45	45		47		30	30	
Unweighted average TNI	62	61		62		48	46	
Median TNI	63	63		66		47	45	

Source: UNCTAD.

Notes: Data refer to fiscal year results reported between 1 April of the base year and 31 March of the following year. Complete 2023 data for the 100 largest MNEs from developing economies are not yet available.

Abbreviations: MNEs = multinational enterprises, TNI = Transnationality Index.

^a Revised results

^b Preliminary results.



networks, focusing on the United States and China, the two largest EV markets. Since passage of the Inflation Reduction Act of 2022 in the United States, top automotive MNEs have announced greenfield projects in the EV and battery supply chain amounting to nearly \$17 billion. In China, the competitiveness of local brands led some, such as Ford (United States) and Honda Motors (Japan), to scale back investment. However, other MNEs such as Stellantis (Italy) and Volkswagen (Germany) started more joint ventures to leverage local technological advancements. For instance, in 2023, Stellantis invested \$1.5 billion in Chinese EV start-up Leapmotor, and Volkswagen invested \$1 billion in Horizon Robotics, a Beijing-based manufacturer of electronic components, to strengthen its position in the autonomous driving and EV markets.

The number of technology MNEs in the top global rankings remained steady at 14 companies, with S&P Global (United States) entering the list as Legend Holdings (China) exited. S&P Global bolstered its capabilities by merging with IHS Markit (United Kingdom) in a \$43 billion transaction. Key trends driving investment in the technology industry are the competition to acquire expertise in artificial intelligence and machine learning and to consolidate market presence across neighbouring industries, resulting in more deals. While most of these deals occurred within home economies, larger ones implied an increase in foreign assets. The \$75 billion acquisition of video game maker Activision Blizzard by Microsoft (both United States) led to a 22 per cent increase in Microsoft's foreign assets. Not all technology MNEs have expanded their foreign operations. Apple (United States) scaled down its operations in China, diversifying its supply chain. SAP (Germany) divested its stake in Qualtrics (United States) of approximately \$12 billion to focus on its core services.

In 2023, the pharmaceutical industry saw a modest expansion of its international footprint, with 10 MNEs driving growth

through strategic acquisitions. Similar to developments in the technology sector, many of these transactions occurred within the United States but significantly influenced the international profile of the acquiring companies. For instance, the \$43 billion merger of Pfizer (United States) with Seagen (United States) led to a 15 per cent increase in foreign assets. The \$7.1 billion acquisition of Telavant (United States) by Roche (Switzerland) reinforced the position of Roche in the United States market.

The internationalization rate of the remaining 21 manufacturing MNEs in the top 100 (light and heavy industry) remained stable. British American Tobacco (United Kingdom) reduced its foreign assets by 20 per cent, while Philip Morris International (United States) bolstered its global presence with a \$15 billion acquisition of Swedish Match (Sweden). Siemens (Germany) led in digital transformation, acquiring Brightly Software (United States) for nearly \$1.9 billion.

In the extractive industries, most of the 15 MNEs in the top 100 held back from pursuing large-scale international investment in 2023. Notable exceptions were Rio Tinto and Shell (both United Kingdom), which actively engaged in strategic acquisitions and new ventures. Rio Tinto finalized the acquisition of copper and nickel miner Turquoise Hill (Canada) for nearly \$3.3 billion, to enhance its portfolio of critical minerals for the energy transition. Rio Tinto announced initiatives to increase its production of copper and lithium for the same reason. Shell has also expanded operations in view of the energy transition, exemplified by its acquisition of Sprng Energy (India), which develops and operates renewable energy facilities, for about \$1.5 billion. The latter part of 2023 and early 2024 saw several more announcements from mining companies about deals intended to boost investment in critical minerals.

The telecommunication sector saw significant portfolio shifts in foreign assets. Vodafone (United Kingdom) exited markets in Ghana and Hungary and sold its operations in Italy. Deutsche Telekom

Supply chain restructuring is affecting the international footprint of technology MNEs



Critical minerals are driving major cross-border investment deals among top MNEs

(Germany) and Orange (France) focused on expansion in more profitable regions, including North America, Africa and the Middle East. The utilities sector experienced several reconfigurations that affected its internationalization rate. EDF (France) was fully nationalized, and Enel (Italy) continued strategic divestments, generating \$1.3 billion from the sale of its business in Romania. Among construction companies, Vinci (France) moved up the ranking of the top 100 with strategic expansions in airport concessions and energy ventures. A.P. Møller–Maersk (Denmark) exited the ranking after reshuffling operations in East Asia.

Finally, the ranking of the top 100 MNEs was also affected by divestments or exits from the Russian Federation. OMV (Austria) dropped out of the ranking after suffering losses due to the expropriation of its stake in the Yuzhno-Russkoye oil and gas field. Between 2022 and 2023,

MNEs in the ranking made 36 significant divestments from the Russian Federation, with the largest write-downs and charges concentrated among MNEs in the oil and gas and extractive industries.

Emerging-economy MNEs favoured greenfield investment over equity acquisitions. TSMC (Taiwan Province of China), CATL (China) and Zijin Mining Group (China) – in that order by investment size – announced large-scale projects in developed economies. Starting in 2021, TSMC has launched greenfield projects first in the United States, then in Japan and Germany. In 2020 CATL invested over \$5 billion in Indonesia and almost \$7.5 billion in Hungary, forming multiple joint ventures with top automotive MNEs. Zijin Mining Group has invested more than \$5 billion in Serbia and expanded its global footprint by developing mines in Argentina and Kazakhstan.

3. Shifting investment patterns among the top 100 MNEs

UNCTAD recently published a diagnostic of 10 major trends in global FDI patterns, examining the effects of long-term structural changes in international production and the more recent pressures caused by economic fracturing (box I.1). This section looks at how the trends observed in that diagnostic are reflected in the investment behaviours of the top 100 MNEs.

The main drivers of the structural changes in FDI patterns are technological developments, most visible in high-technology industries; sustainability trends, evident in intense investment activity in environmental technologies and critical minerals; the push for supply chain resilience, which affects most GVC-intensive industries; and geopolitical and trade tensions, felt across all strategic sectors. These sectors include industries such as high-technology, semiconductors, pharmaceuticals, instruments and machinery manufacturing, environmental technologies and other activities deemed essential for the future competitiveness of countries

and which therefore play a key role in their industrial and trade policies (IMF, 2023).

Over the last 10 years, two thirds of greenfield investment by the top 100 MNEs related to setting up services subsidiaries (figure I.15). Even within manufacturing sectors often considered strategic such as automotive and pharmaceuticals, more than half of the greenfield projects focused on establishing sales and marketing offices, support and technical services centres, or other professional services, thus making these projects less sensitive. The effects of fracturing are mostly seen in the remaining projects, in physical manufacturing activities.

The deceleration of global FDI after 2010 is also reflected in the decreasing total number of deals and projects undertaken by top MNEs. The number of greenfield projects announced in the last five years (2019–2023) was about 10 per cent lower than in the preceding five years (2014–2018). While the overall number of projects has declined, notable shifts in their regional distribution have emerged.





Box I.1

Global economic fracturing and shifting FDI patterns: 10 major trends

Trend 1: Long-term FDI stagnation

The long-term trend in cross-border investment shows that a slowdown in global FDI started in about 2010. It no longer keeps pace with global trade and GDP. Trade within global value chains (GVCs) also slowed, confirming the close link between FDI and GVCs.

Trend 2: The increasing weight of services

The overall stagnation in FDI conceals sectoral differences. Cross-border investment in services flourishes while manufacturing lags. This reflects a global shift towards more services-centric and asset-light investment.

Trend 3: The deglobalization of manufacturing (from an FDI perspective)

Manufacturing FDI, stagnant for two decades, showed negative growth after the outbreak of the COVID-19 pandemic. Although global manufacturing activity and investment remain robust, their international component is shrinking, suggesting a trend towards deglobalization.

Trend 4: The growing ends of the smile curve

The transition from manufacturing to services is part of a broader change in the role of FDI in global value creation. Cross-border investment is moving from the centre to the two ends of the “smile” curve, most notably towards services in business and information and communication technology upstream and in marketing downstream.

Trend 5: Convergence of sectoral patterns across regions

All regions are feeling the effects of the transition towards services-oriented, asset-light FDI. Consequently, traditional differences in sectoral patterns between developed and developing regions are increasingly blurring.

Trend 6: The diminishing role of FDI in China

The regional rebalancing of global FDI has been significantly influenced by the declining share of China as a recipient country. Despite waning interest from multinational corporations in initiating investment projects in China, the country continues to maintain a dominant position in global manufacturing and trade, signifying a transformation in its global production model.

Trend 7: Unstable investment relationships

Heightened geopolitical tensions are exacerbating the volatility of investment sources and destinations, and the susceptibility of traditional investment links to disruptions. Instability in investment relationships limits the capacity of developing countries to strategically capitalize on diversification opportunities arising from shifts in investment patterns.

Trend 8: Fracturing along geopolitical lines

Geopolitical differences are causing a fracturing trend in global FDI, with the reduction in investment between geopolitically distant countries highlighting the significant influence of such differences on investors' location choices, overshadowing traditional determinants of FDI.

Trend 9: The sustainability imperative driving new FDI sectors

FDI in environmental technologies stands out as the main pocket of growth outside services. Since 2010, while manufacturing investment stagnated across all industries, the number of greenfield projects along the entire value chain of environmental technologies sectors has increased steadily.

Trend 10: The increasing concentration of FDI and marginalization of developing countries

Amid historical shifts and economic fracturing, the share of greenfield projects in smaller developing countries and least developed countries is diminishing. This trend exacerbates the marginalization and vulnerability of those countries, as FDI becomes increasingly concentrated in developed and emerging economies.

Source: UNCTAD (2024d).

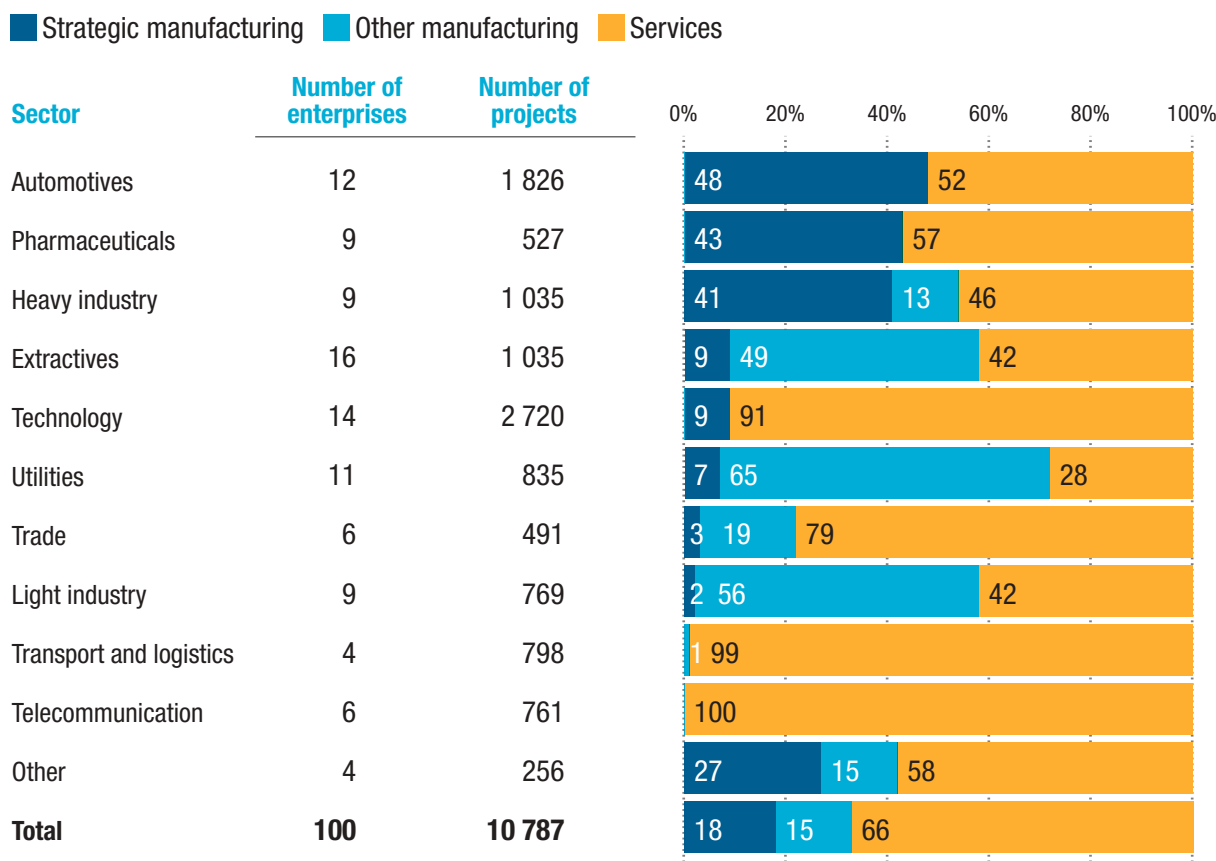




Figure I.15

Manufacturing activities represent about one third of projects by top 100 multinational enterprises

Greenfield projects, by type and industry, 2014–2023



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

Notes: Refers to the ranking of top 100 multinational enterprises in *WIR 2023*. Manufacturing includes several activities normally classified as services but physical asset-heavy in nature, in the construction, electricity, extraction and infrastructure segments. Strategic manufacturing includes activities in environmental technologies, explaining their presence in extractive industries and utilities. “Services” includes all remaining services-related business activities and services activities in typical manufacturing industries (e.g. sales offices of car manufacturers).

Until 2018, manufacturing projects were predominantly directed towards developing economies, with East Asia and South-East Asia being key destinations. In services, however, more than a third of projects were concentrated in Europe. Within the manufacturing sector, strategic projects – often involving high-value activities – were relatively more concentrated in developed economies and East Asia.

Since 2019, the geographical distribution of manufacturing projects has shifted towards

locations closer to MNE home markets, especially in strategic sectors (figure I.16). Europe and North America have emerged as primary destinations – unsurprisingly, considering that the majority of MNEs in the ranking are from the United States (19), Europe (53) and Japan (10) – with Central America (including Mexico), North Africa, and West and Central Asia also gaining traction. This trend reflects a strategic pivot towards regionalization and nearshoring, driven by the need to enhance supply chain resilience and reduce geopolitical risks.

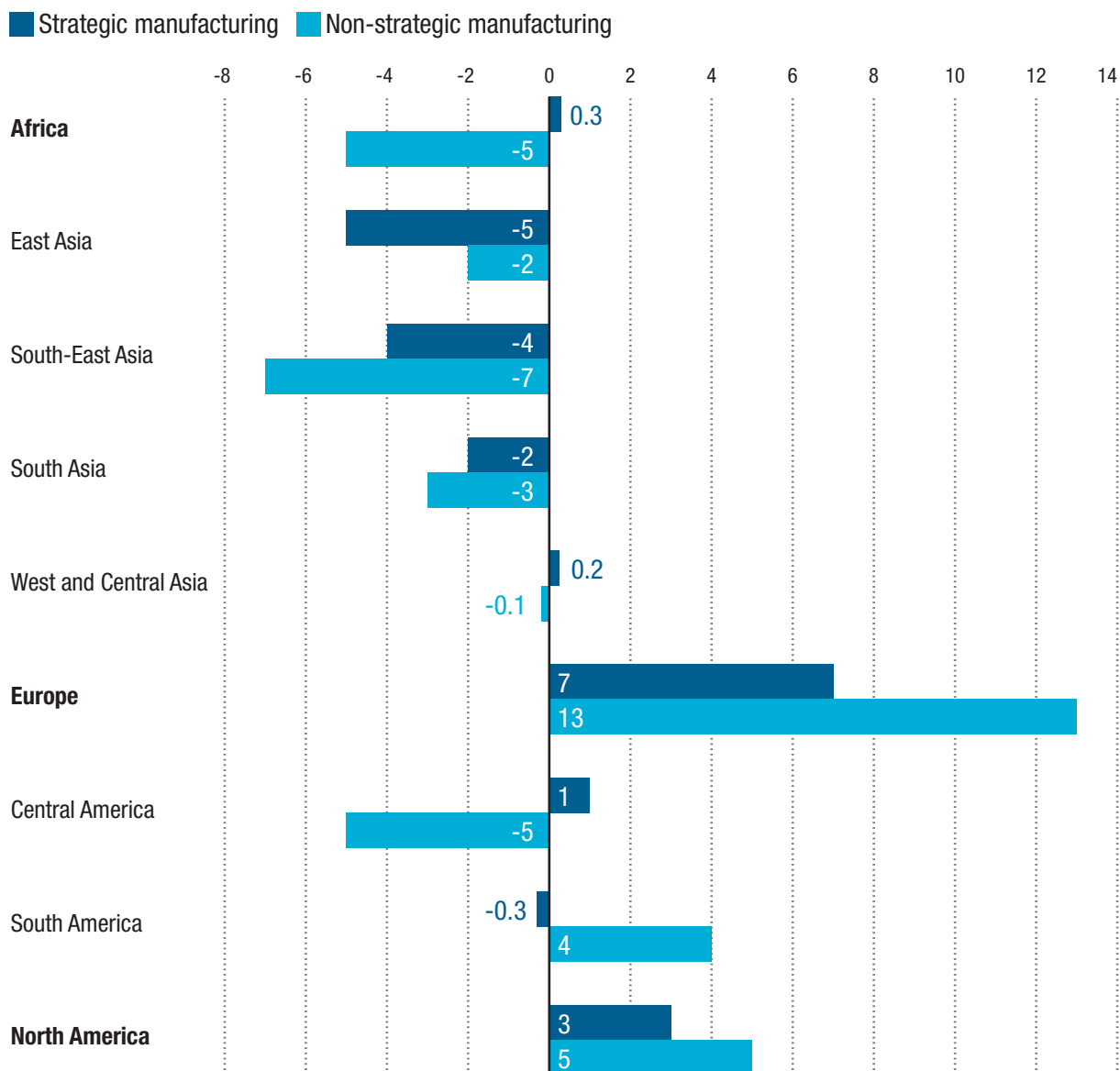




Figure I.16

Manufacturing projects by top 100 multinational enterprises moved closer to headquarters

Shares of selected regions/subregions in types of manufacturing projects, difference between 2019–2023 and 2014–2018
(Percentage points)



Source: UNCTAD, based on information from The Financial Times, fDI Markets (www.fDimarkets.com).

Notes: Refers to the ranking of top 100 multinational enterprises in *WIR 2023*. Manufacturing includes several activities normally classified as services but physical asset-heavy in nature, in the construction, electricity, extraction and infrastructure segments. Caribbean economies are included in Central America. Other regions and subregions (developed Asia and Oceania) are not included as there were no significant changes in the share of projects attracted.



Investment projects by top 100 MNEs in strategic manufacturing sectors are moving closer to home

In contrast, the number of strategic manufacturing projects in East Asia decreased. Among the top MNEs, the largest manufacturing investors in China include the electronics company Hon Hai Precision Industry (Taiwan Province of China), the chemicals company BASF (Germany) and a range of car manufacturers such as Toyota (Japan), Volkswagen and BMW (both Germany) and Samsung Electronics (Republic of Korea). These companies have historically maintained significant manufacturing operations in China. However, since 2019 they have halved their greenfield investment in the country in favour of partnerships with local manufacturers, especially in the EV market.

Among these companies, Hon Hai Precision Industry and Samsung Electronics have reassessed their manufacturing footprint in China because of trade tensions. A significant portion of their products, especially chips and high-technology electronics, are produced in fabrication plants in China and exported to the United States. Hon Hai reduced its greenfield projects in China from 23 to 6, while Samsung reduced its from 9 to 1. Both companies have started investing in new manufacturing facilities in their home markets and in other countries such as Viet Nam, India and Mexico – in order of investment size. Hon Hai Precision Industry tripled the number of manufacturing projects in Viet Nam.

The share of strategic manufacturing investment in Central America has increased. Manufacturers in the automotive industry, such as Robert Bosch (Germany), Toyota Motor (Japan) and Volkswagen (Germany), have chosen to invest in Mexico, largely for its proximity to the United States and its market access under the United States–Mexico–Canada Agreement (USMCA). MNEs in the pharmaceutical and medical instrument industries, including Bayer (Germany), Medtronic (Ireland) and Johnson & Johnson (United States), have targeted Costa Rica for investment projects.

North Africa and West and Central Asia have also emerged as strategic locations for manufacturing MNEs, offering proximity to both European and Asian markets. In North Africa, Morocco and Egypt stand out as key investment destinations. Morocco has attracted projects by automotive MNEs including Stellantis (Italy) and Renault (France). Egypt has attracted not only automotive MNEs such as BMW and Robert Bosch (both Germany) and Nissan (Japan) but also pharmaceutical companies such as GlaxoSmithKline (United Kingdom) and electronics producers such as Samsung Electronics (Republic of Korea). In West and Central Asia, Türkiye attracted the largest share of manufacturing projects.

The decreasing share of manufacturing projects in South-East and South Asia might seem counterintuitive. However, the top 100 MNEs had already established a significant presence in ASEAN by the early 2010s. This is the case, for example, for the two leading investors in manufacturing MNEs in South-East Asia: Toyota Motors (Japan) and Samsung (Republic of Korea). From 2011 to 2013, Toyota announced 23 manufacturing projects in South-East Asia. This number declined to 13 projects during 2014–2019 and dropped farther to only 5 projects since then. Similarly, Samsung experienced a peak of 10 projects in South-East Asia during 2014–2019, but this number fell to 4 projects in the following years. Of the top manufacturing investors in South-East Asia, only Hon Hai Precision Industry (Taiwan Province of China) started reconfiguring its supply chain in the last five years, increasing its number of projects in the region from 3 during 2011–2019 to 12 since then.

Greenfield projects in services activities have also shifted closer to home economies (figure I.17) with one notable exception. Over the last 10 years, about 10 per cent of services projects have been aimed at establishing regional headquarters and back-office functions. MNEs from Europe and North America have increasingly established regional headquarters throughout developing Asia, particularly

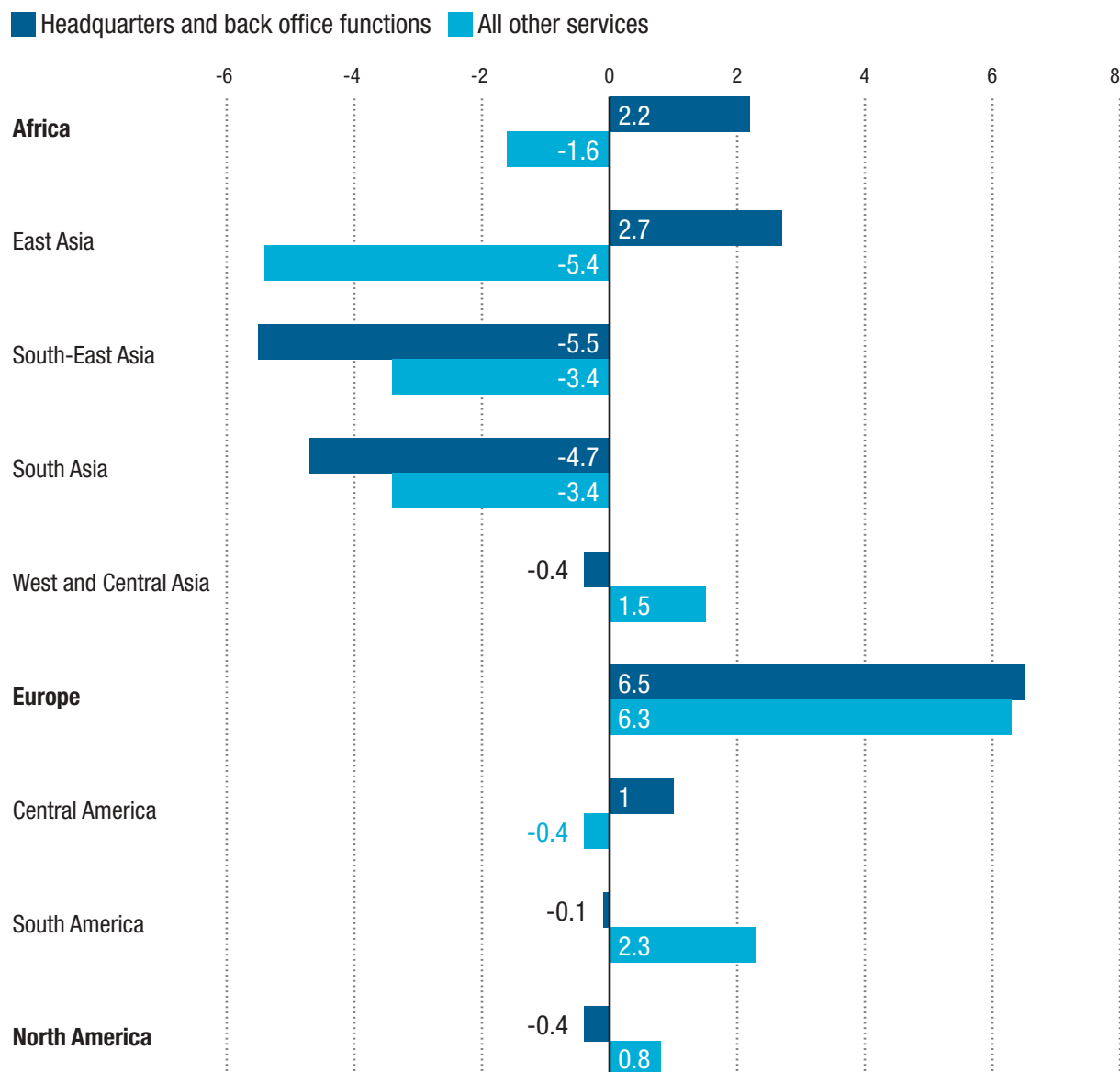




Figure I.17

Top multinational enterprises are establishing regional headquarters closer to key markets

Shares of selected regions/subregions in types of services projects, difference between 2019–2023 and 2014–2018
(Percentage points)



Source: UNCTAD, based on information from The Financial Times, fDI Markets (www.fDimarkets.com).

Notes: Projects aimed at setting up headquarters include the following business activities: headquarters, business services, shared and technical services. Caribbean economies are included in Central America. Other regions (developed Asia and Oceania) are not displayed as there were no significant changes in the share of projects attracted.



Regional headquarters functions are proliferating to increase regional autonomy and mitigate risks

in East Asia. These regional hubs provide essential services and can help mitigate risks to local operations from geopolitical and trade tensions as well as supply chain disruptions. Specifically for investment in large markets, many MNEs are establishing almost autonomous subsidiaries that produce for the domestic rather than the global market. For example, the pharmaceutical MNE AstraZeneca (United Kingdom) announced five projects in China to set up headquarter offices and back-office functions. Its business there would become a legal entity listed in Hong Kong, China or Shanghai and controlled by the MNE.

Consistent with the global FDI slowdown and similar to the trend observed in greenfield investment, the number of equity acquisitions since 2019 also decreased, by a little more than 10 per cent. M&As often respond to different drivers than greenfield investment. Importantly, acquisitions can be subject to screening and approval procedures.

M&A deals traditionally are more prevalent in developed economies, and this concentration has only increased in the last five years, particularly for MNEs in strategic industries. Trends in M&As are consistent with those seen in greenfield projects. MNEs have decreased their shares of equity acquisitions in manufacturing companies in East Asian economies. However, the value of deals in the subregion has increased, driven largely by significant investment in the automotive sector, targeting Chinese producers. Although the number of transactions has fallen, their strategic importance and associated financial commitment have risen.

Divestment trends among the top 100 MNEs do not reveal any clear relocation strategy. On the contrary, the number of divestments from China has decreased since 2019, indicating that MNEs recognize the strategic importance of maintaining a presence in the world's second-largest economy, not only to tap into its large market but also to benefit from its advanced manufacturing capabilities and extensive supply chains.





Chapter II

Investment policy trends

Developing countries continue to prioritize investment attraction

Share of measures more favourable to investors



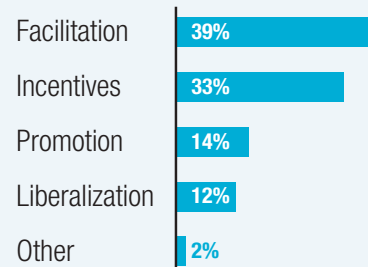
137
national
measures

Key trends: facilitation and entry restrictions on the rise

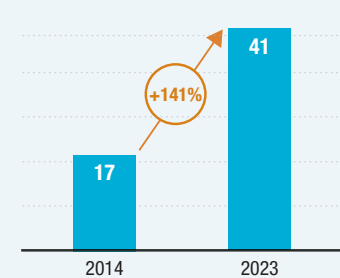
Less favourable measures by type



More favourable measures by type

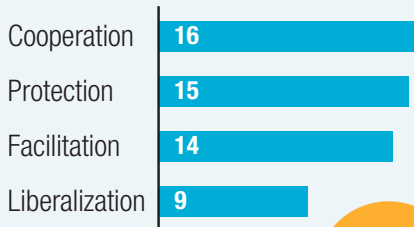


Countries with FDI screening



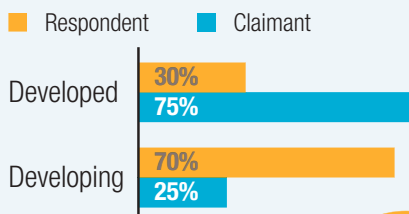
2023 agreements address new investment governance issues, yet old-generation ones persist, raising the risk of investor-State disputes

Commitments in 2023 IIAs



29
IIAs signed

Parties involved in 2023 cases



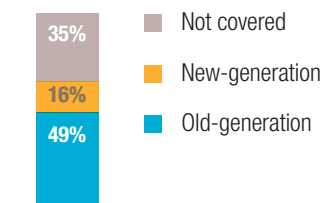
60
new ISDS
cases

2023 cases: top sectors



Old-generation agreements cover half of global foreign direct investment stock – with greater exposure for developing countries

Global FDI stock: IIA coverage



FDI stock covered by old-generation IIAs



A. National investment policies

1. Overall trends

The number of investment policy measures adopted in 2023 remained consistent with the five-year average, despite declining by 25 per cent compared with 2022. In developing countries, most measures aimed at promoting and facilitating investment. Developed countries continued to introduce restrictive measures to address national security concerns related to investment.

In 2023, 73 countries introduced a total of 137 policy measures affecting foreign direct investment (FDI), a 25 per cent decrease from 2022 but in line with the five-year average (figure II.1). The majority

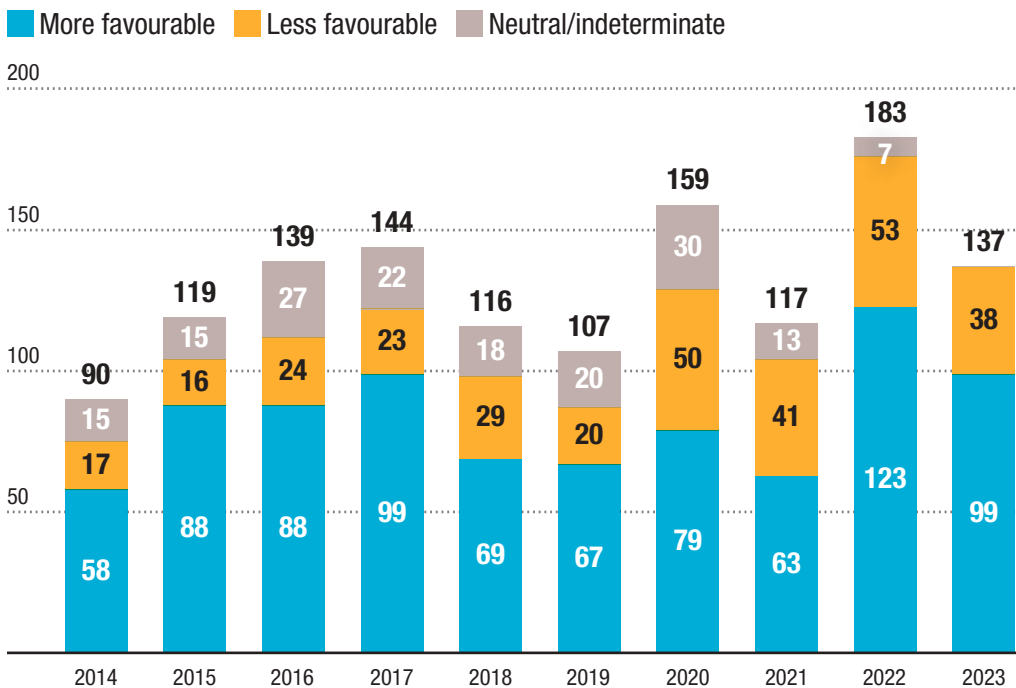
— 72 per cent — were favourable to investors (70 per cent in 2022) (box II.1). This confirms a return to the pre-pandemic distribution between policy measures more and less favourable to investors.



Figure II.1

Lower numbers of new investment policy measures in 2023

Nature of measures, worldwide
(Number)



Source: UNCTAD, Investment Policy Monitor database, accessed 31 March 2024.





Box II.1

Methodology for analysing national investment policy trends

The analysis of national investment policy trends in this chapter is based on official measures affecting FDI adopted by United Nations Member States, as compiled in the UNCTAD Investment Policy Monitor database. These encompass measures explicitly targeting FDI (FDI-specific), as well as general investment measures with a clear impact on foreign investment (FDI-related).

The measures are either reported directly to UNCTAD by Member States through annual surveys or identified by UNCTAD researchers through publicly accessible sources (such as government websites and specialized policy databases). The analysis excludes restrictive economic measures that affect investment.

The classification of measures as more or less favourable is based solely on their potential impact on investors. The types of measures included in each category are described in box table II.1.1. When a measure – for example, the adoption of an investment promotion strategy – contains more than one component, such as incentives and facilitation, these components are analysed separately. This classification does not reflect any value judgement by UNCTAD on the merit or suitability of the measure.

Box table II.1.1
Classification of measures

Category	Type of measure
More favourable	
Liberalization	Privatization
	Lifting of entry restrictions (e.g. opening of sectors to FDI) and entry conditions (e.g. minimum capital requirement)
	Removal (total or partial) of FDI screening or approval mechanisms
	Other (e.g. liberalization of land access)
Facilitation	Streamlining of investment procedures (e.g. one-stop shops)
	Greater transparency of investment-related laws and procedures (e.g. information portals) Services by investment promotion agencies and other entities to assist investors (e.g. linkages programmes, investor visa facilitation and alternative dispute resolution mechanisms)
Promotion	Establishment of investment promotion agencies or other institutions with a remit as investment promoters
	Adoption of investment promotion strategy and plans
	Public–private partnership initiatives, auctions and concessions Outward FDI promotion initiatives
Incentives	Tax and financial incentives for investment
	Other incentives (e.g. citizenship by investment programmes)
	SEZ-related incentives
Other	Enhanced investor treatment and protection guarantees
	Easing of labour or migration regulations concerning foreign hires and key personnel
	Removal of operational restrictions on investment (e.g. local content requirements)
Less favourable	
Entry	Entry restrictions (e.g. total and partial ban on FDI in specific sectors)
	Entry conditions (e.g. minimum investment threshold, joint venture requirements or State participation in strategic sector)
	Introduction or expansion of screening mechanisms for national security
Treatment and operation	Foreign exchange restrictions
	Restrictions on foreign hires and key personnel
	Removal or reduction of investment incentives
	Post-establishment local content requirements or prioritization of national companies in procurement
	Other measures reducing guarantees for investment treatment and protection
	Restrictions on outward FDI

Source: UNCTAD.

Abbreviations: FDI = foreign direct investment, SEZ = special economic zone.



Significant differences persist between developing and developed countries (figure II.2). Developing countries continue to prioritize investment attraction as part of their economic development strategies. The proportion of policies more favourable to investors in developing countries has remained stable at well above 80 per cent since 2014, except for a low point registered during the pandemic. In 2023, 86 per cent of the measures adopted by developing countries were favourable to investors. Initiatives to promote and facilitate investment by simplifying or streamlining administrative processes and introducing incentive schemes were among the measures most frequently adopted (see section A.2). In contrast, in developed countries, policies more favourable to investors, which represented between half and two thirds of the total in the mid-2010s, started to decline in importance well before the pandemic. They reached an all-time low of 17 per cent in 2020 and have

since stabilized at about 40 per cent of the total. In 2023, measures less favourable to investors adopted by developed countries made up two thirds of the world total. Many of these policies related directly or indirectly to national security concerns regarding foreign ownership of critical infrastructure, core technologies, or other sensitive assets (see section A.3).

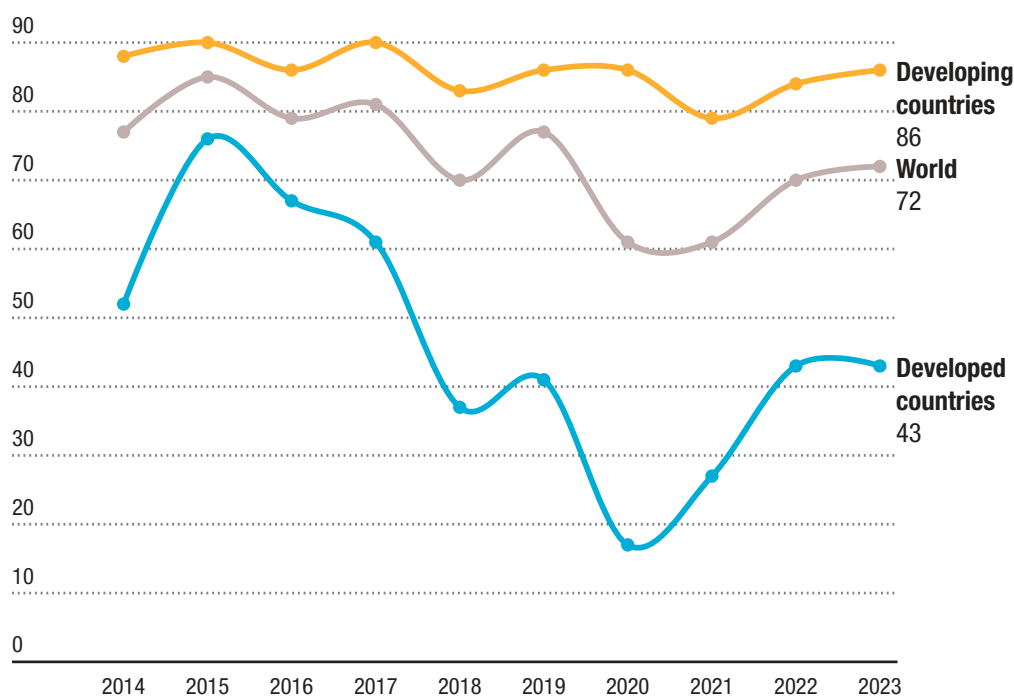
African countries were the most active in adopting new investment policy measures in 2023, followed closely by developing countries in Asia. Africa and developing Asia also produced the highest share of policy measures more favourable to investors. Among developed regions, Europe led in the adoption of new investment policy measures, despite a decrease compared with 2022. Most new measures were less favourable to investors. The number of new investment policy measures in North America and other developed regions also declined significantly. Three quarters of them were less favourable to investors (figure II.3).



Figure II.2

Developing countries continue prioritizing investment attraction

Share of policy measures more favourable to investors in total measures (Percentage)



Source: UNCTAD, Investment Policy Monitor database, accessed 31 March 2024.

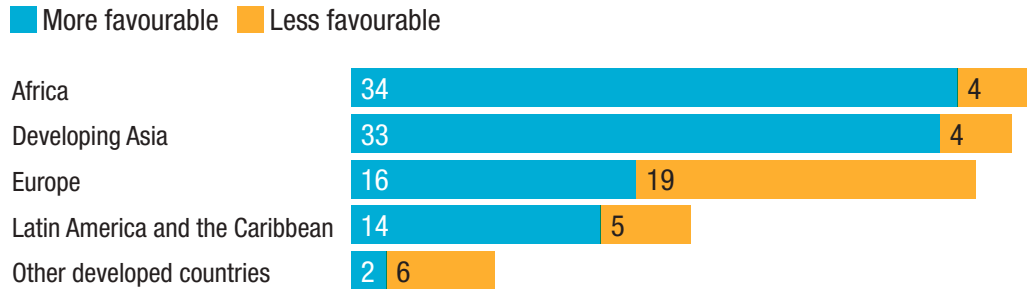




Figure II.3

Africa and developing Asia adopted the most investment policy measures in 2023

Nature of measures by region, 2023
(Number)



Source: UNCTAD, Investment Policy Monitor database, accessed 31 March 2024.

2. Policy measures more favourable to investors

In 2023, investment facilitation measures and incentives remained the primary components of investment attraction initiatives in developed and developing countries. Facilitation measures reached a record 39 per cent of the measures favourable to investors.

Over the last decade, the investment policy landscape has evolved significantly, with noticeable shifts not only in the distribution between measures more and less favourable to investors but also in their composition (figure II.4).

A marked change has been the diminishing prominence of liberalization measures, especially following the pandemic. In the period from 2014 to 2019, liberalization measures constituted approximately 40 per cent of the total – peaking at 44 per cent in 2018. Yet from 2020 to 2022, they represented less than a quarter and in 2023 further declined to a mere 12 per cent.

In contrast, the weight of investment incentives has increased significantly since the pandemic. Prior to 2020, measures related to the introduction of incentives

represented about a quarter of all favourable measures. They have since grown to over a third of favourable measures, indicating a strategic pivot towards using incentives as a tool to foster investment. This trend is occurring despite ongoing international tax reforms that should make fiscal incentives a less effective tool for the attraction of FDI from large multinational enterprises (MNEs).

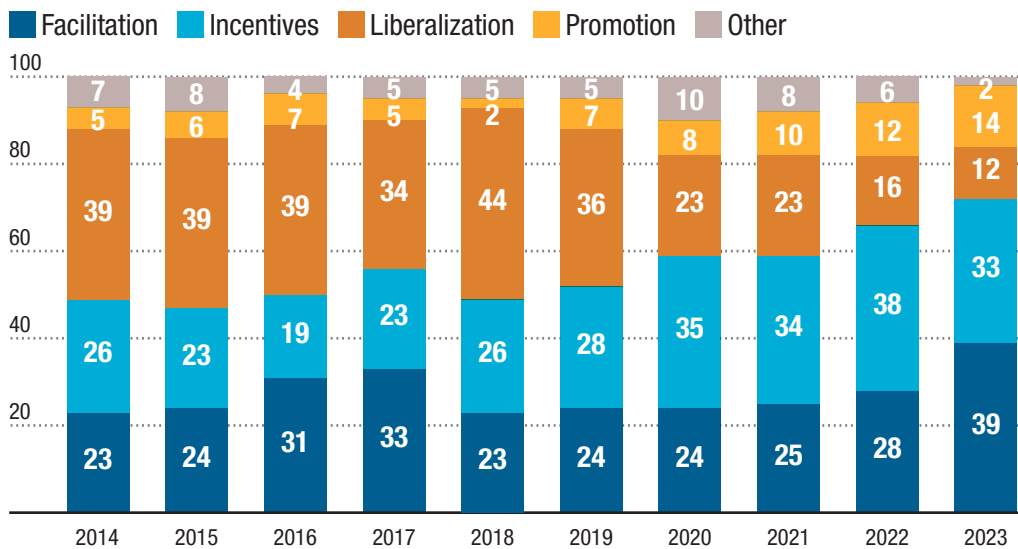
Investment facilitation and investment promotion measures also display a notable upward trend since the pandemic. Together with incentives, they were all complementary components of country efforts to promote economic recovery and resilience. In 2023, investment facilitation and investment promotion initiatives reached record shares of 39 and 14 per cent of all favourable measures, respectively. Investment promotion measures were fuelled



by an increase in the adoption of new investment promotion strategies and the creation of new investment promotion agencies (IPAs).

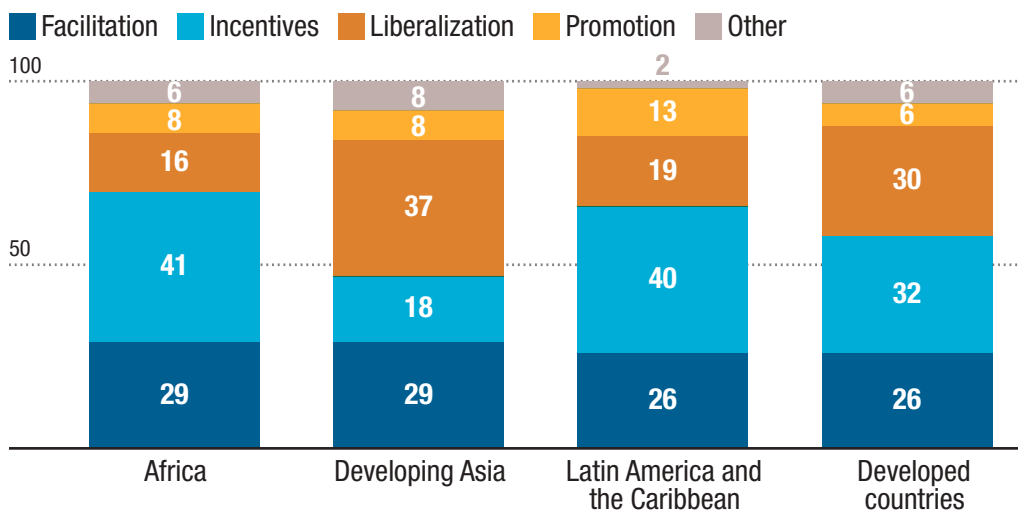
The regional breakdown of policy measures more favourable to investors adopted in the last decade reveals important differences (figure II.5). In Africa and in Latin America

Figure II.4
Investment policy shifts from liberalization to facilitation
Measures more favourable to investors by category
(Percentage)



Source: UNCTAD, Investment Policy Monitor database, accessed 31 March 2024.

Figure II.5
Investment facilitation is important across regions
Measures more favourable to investors by category and region, 2014–2023
(Percentage)



Source: UNCTAD, Investment Policy Monitor database, accessed 31 March 2024.

**Investment
facilitation
measures
hit record
high (39%)**

and the Caribbean, incentives were the most common policy initiative, accounting for approximately 40 per cent of all measures in both regions. In contrast, Asia favoured liberalization, which accounted for 37 per cent of the measures, notably higher than in Africa (16 per cent) and in Latin America and the Caribbean (19 per cent). Investment facilitation measures consistently represented more than a quarter of the total across all regions. This underscores the widespread recognition of investment facilitation as a cornerstone of investment attraction efforts globally.

a. Facilitation

In 2023, investment facilitation measures reached a peak, constituting 39 per cent of the policy measures more favourable to investors implemented by countries worldwide, 45 per cent of the measures adopted by developed countries and 38 per cent of those adopted by developing ones.

Investment facilitation measures fall into three main categories: transparency, streamlining and facilitation services. Transparency measures aim at improving the clarity and accessibility of laws and procedures related to investment. They made up 21 per cent (12) of the facilitation measures in 2023. Streamlining measures encompass initiatives designed to enhance the efficiency of procedures related to investments. They accounted for almost

half (27) of the facilitation measures. Facilitation services are provided by IPAs, special economic zones or other administrative entities. They constituted 28 per cent (16) of the total (figure II.6).

The introduction of single windows for investment figured prominently among the facilitation measures adopted in 2023. For instance, Egypt introduced a single-approval system for investment projects, encompassing various licences and permits relevant to investment activities. (Unless indicated otherwise, all examples provided in this section, including additional information and links to official sources, can be found in the UNCTAD Investment Policy Monitor database).¹ The General Authority for Investment and Free Zones also announced plans to launch an online platform for company establishment. Uruguay introduced an online single window for investment, integrating various services related to company establishment and operation. Uzbekistan established a physical one-stop shop to assist investors upon entry and facilitate visa processes.

Transparency measures included the introduction of information portals for foreign investors. Jordan and Mexico, for example, unveiled platforms providing detailed investment procedures, opportunities and incentives. Additional measures involved initiatives to clarify investment-related procedures. For instance, the



**Figure II.6
Streamlining of administrative procedures is top priority**

Investment facilitation measures by category, 2023
(Number)



Source: UNCTAD, Investment Policy Monitor database, accessed 31 March 2024.

¹ Accessible at <https://investmentpolicy.unctad.org/investment-policy-monitor>.



Kingdom of the Netherlands and the United Kingdom issued guidance on the approval processes of their FDI screening regimes.

Facilitation services ranged from assistance in obtaining specific permits to comprehensive support for foreign investors. Chile implemented a multi-agency cooperation agreement involving the Foreign Investment Promotion Agency, the National Immigration Service and the Economic Development Agency to streamline visa services for foreign investors and skilled professionals. Malaysia introduced a dedicated visa facilitation service for strategic investors identified by the Malaysian Investment Development Authority. Uzbekistan introduced the position of “investment managers” within the Ministry of Investments, Industry and Trade, to provide dedicated support to investors throughout the project life cycle, from resolving land acquisition issues to securing necessary permits. The rise in investment facilitation initiatives is discussed in greater detail in chapter IV.

b. Incentives

The introduction or expansion of investment incentives represented one third of the policy measures more favourable to investors in 2023 in both developed and developing countries. Although the number of new incentives decreased in comparison with 2022, it remained significantly higher than the average for the decade. Investment incentive measures encompass tax and financial incentives, including incentives

related to special economic zones, alongside other types, such as infrastructure facilities or visa and work permits (e.g. citizenship-by-investment programmes).

Approximately 50 per cent of the sector-specific incentives introduced in 2023 aimed at promoting investment in the services sector, followed by manufacturing and agriculture (figure II.7). This confirms a growing focus on promoting investment in services, illustrated by the increase in the share of new incentives for the services sector from 35 per cent of non-industry-specific incentives in 2014–2018 to 46 per cent in 2019–2023. New incentives for manufacturing and agriculture remained stable at 31 per cent and 15 per cent, respectively. New incentives for extractive industries declined from 19 per cent in 2014–2018 to 9 per cent in 2019–2023.

As in 2022, the push for renewable energy investment stood out as the primary focus of new incentives enacted in 2023. Italy, Nigeria and South Africa adopted a range of fiscal and non-fiscal incentives aimed at encouraging investments in renewable energy. Canada and Egypt introduced an investment tax credit and other fiscal incentives focused specifically on the promotion of green hydrogen.

New incentives in manufacturing also aimed to support clean technologies, as well as high-tech manufacturing. For instance, France introduced a tax credit for producing batteries, solar panels, wind turbines and heat pumps. The United

Renewable energy: **key target of incentives** in 2023

Figure II.7
Sector-specific incentives primarily target services

Incentive schemes by sector, 2023
(Number)



Source: UNCTAD, Investment Policy Monitor database, accessed 31 March 2024.

National investment policies on the rise

Kingdom established new green freeports offering several fiscal incentives for advanced manufacturing and the production of renewable energy equipment. Israel offered a tax credit in the high-technology sector. Mexico launched incentives for nearshoring in semiconductors, electromobility and medical devices.

c. Promotion

Investment promotion measures accounted for 14 per cent of all measures more favourable to investors in 2023. They included the formulation of new national investment policies and investment promotion strategies, the establishment or strengthening of investment promotion institutions and the adoption of public-private partnership (PPP) initiatives (figure II.8).

In recent years, several countries have adopted national investment policy documents to emphasize investment-related priorities and introduce measures to improve investment attraction. Notable examples include Kenya in 2019, Jamaica in 2020, El Salvador and New Zealand in 2021 and Australia in 2022. In 2023, Nigeria and Pakistan also introduced national investment policies. Both outlined comprehensive frameworks for regulating and promoting investments, identifying target sectors for investment attraction and enhancing the coordination among various entities involved in investment promotion at different levels of Government. The national investment policies of both Kenya and Nigeria were prepared with technical assistance from UNCTAD.

Enhancing the coordination and effectiveness of investment promotion activities was also the key objective behind the creation or strengthening of investment promotion institutions in 2023. In Botswana, for instance, four investment-related institutions were merged into the Botswana Investment and Trade Centre. Egypt established a Supreme Council for Investments under the chairmanship of the country's president. Papua New Guinea passed reforms to strengthen the Investment Promotion Authority, including through improved inter-agency coordination on investment matters.

In addition, several investor targeting strategies were implemented in 2023. Jordan introduced the Investment Promotion Strategy for 2023–2026, entrusting all international promotion activities to specialized marketing agencies charged with identifying potential investors and conducting focused campaigns in select countries. China launched the Invest in China initiative, targeting foreign investment from specific countries. Costa Rica debuted an FDI strategy aimed at attracting investment beyond the capital's metropolitan area.

Efforts to foster investment through PPPs were undertaken by Ecuador, Ethiopia, Kenya, Peru and the Russian Federation. Ecuador rolled out a new PPP framework, and Ethiopia introduced a mechanism for direct PPP negotiations with foreign firms. Kenya encouraged the development and operation of port infrastructure through PPPs. Peru made land access easier for PPP investors. The Russian Federation strengthened its PPP



Figure II.8

Adoption of new strategies leads investment promotion efforts

Measures by type, 2023
(Number)



Source: UNCTAD, Investment Policy Monitor database, accessed 31 March 2024.



framework to reduce investment risks and initiated an electronic tender process.

d. Liberalization

Liberalization initiatives accounted for 12 per cent of all measures more favourable to investors in 2023. All of them were adopted by developing countries. The removal of FDI entry restrictions and conditions represented the majority of liberalization measures, followed by the removal of restrictions on foreign exchange, privatization initiatives and liberalization of land access (figure II.9).

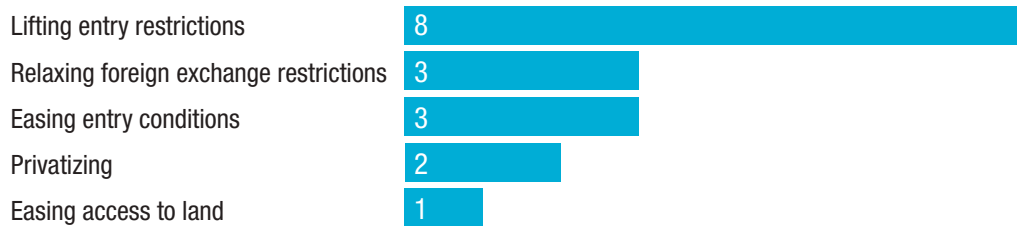
As in the case of incentives, though most measures were cross-sectoral, sector-specific liberalization initiatives concerned primarily services. For instance, Ethiopia allowed foreign investment in digital payment systems. India permitted foreign lawyers and law firms to “practice foreign law within the country” (i.e. to advise clients on the international elements of mergers and acquisitions or appear as arbitrators). Nigeria opened its electricity sector to FDI at the state level, granting each state the authority to create an independent electricity market within its jurisdiction.



Figure II.9

Most liberalization measures lifted entry restrictions

Liberalization measures by type, 2023
(Number)



Source: UNCTAD, Investment Policy Monitor database, accessed 31 March 2024.

3. Policy measures less favourable to investors

Heightened caution towards foreign investments in critical sectors persisted in 2023. New or expanded FDI screening mechanisms accounted for nearly half of the measures less favourable to investors (45 per cent). Four additional countries implemented FDI screening in 2023, and several others will follow in 2024.

A series of global crises, including the pandemic, have intensified geopolitical tensions, disrupted global supply chains and raised food and energy prices. This has led to greater caution towards foreign investment in sectors that are essential for national and economic security, prompting many countries, particularly developed

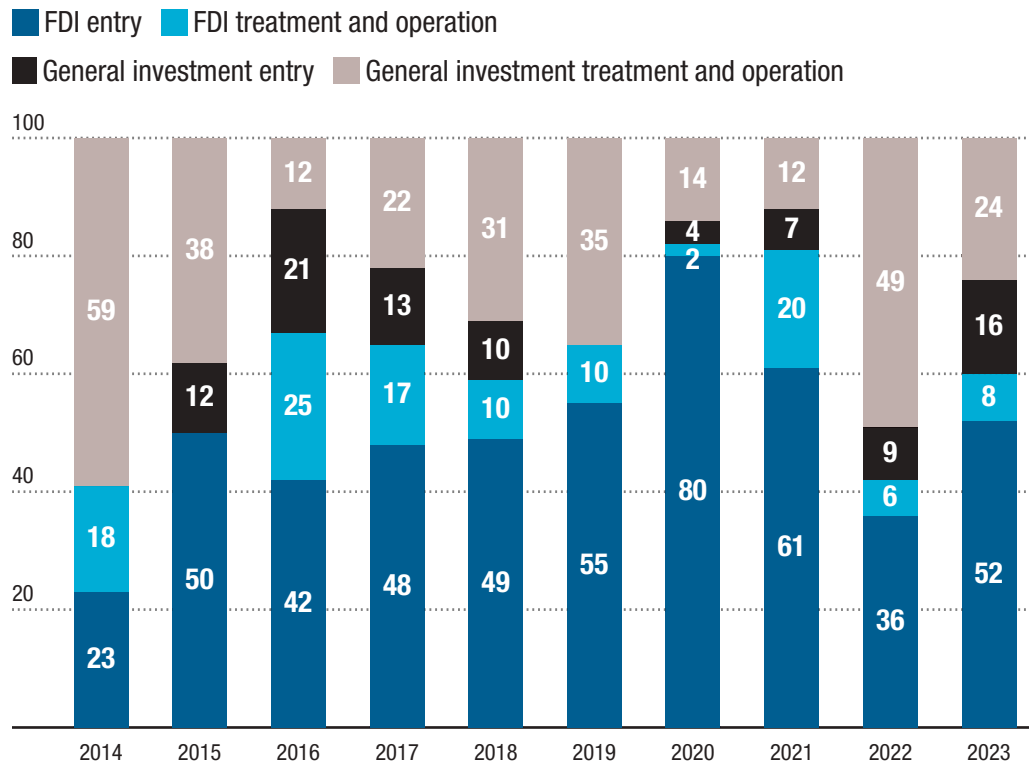
ones, to tighten regulations on foreign investment. FDI-specific restrictions, which accounted for the minority of measures unfavourable to investors a decade ago, have since represented about 60 per cent of the total number of measures, with peaks of more than 80 per cent during the pandemic (figure II.10).





Figure II.10
Entry restrictions remain prominent

Policy measures less favourable to investors by category
(Percentage)



Source: UNCTAD, Investment Policy Monitor database, accessed 31 March 2024.

FDI entry restrictions represented the majority of the measures less favourable to investors over the last decade. These primarily involved the adoption of investment screening mechanisms in developed regions, especially Europe. Other entry-related measures adopted by both developed and developing countries included primarily restrictions on foreign ownership of land and limitations on foreign investment in strategic sectors (e.g. financial services, mining, media or transport). Tax-related measures, e.g. the removal or reduction of investment incentives, accounted for the bulk of treatment and operation measures affecting FDI.

a. Investment screening for national security

Nearly half of the investment policy measures less favourable to investors adopted in the last decade concerned investment screening for national security. As documented in recent World Investment Reports and in a dedicated issue of the Investment Policy Monitor (UNCTAD, 2023d), screening has been the largest category among all less favourable measures adopted by countries since 2017, except in 2022, when tax measures predominated (UNCTAD, 2023f). In 2023, this trend persisted, with investment



screening accounting for 45 per cent of all measures less favourable to investors.

New FDI screening regimes were implemented in Belgium, Estonia, Luxembourg and Sweden, bringing the total number of countries with comprehensive FDI screening regimes to 41 (figure II.11). Of these, 26 are in Europe. Collectively, countries that conduct FDI screening for national security now represent more than half of global FDI flows and three quarters of FDI stock. As in previous years, countries continued to address vulnerabilities in their existing FDI screening mechanisms by covering a broader range of transactions to improve the detection of potential risks related to FDI.

Only a limited number of countries report on their screening mechanisms. Table II.1 displays data compiled by UNCTAD from country surveys and official sources. UNCTAD has previously pointed out the lack of a standardized methodology for

collecting data on screened projects, highlighting the variety in metrics and reporting periods employed by various screening authorities (UNCTAD, 2023f). Despite these methodological differences, discernible trends emerge. In the majority of countries for which historical data are available, there has been an uptick in the number of projects subject to review. The rejection rate remains low, at less than 1 per cent in most countries.

Transactions that underwent screening for national security concerned a variety of sectors, including defence and security, energy and utilities, critical infrastructure, automotives, financial services, health care and pharmaceuticals, electronics and semiconductors, media, communication and Internet services, and metals and mining.

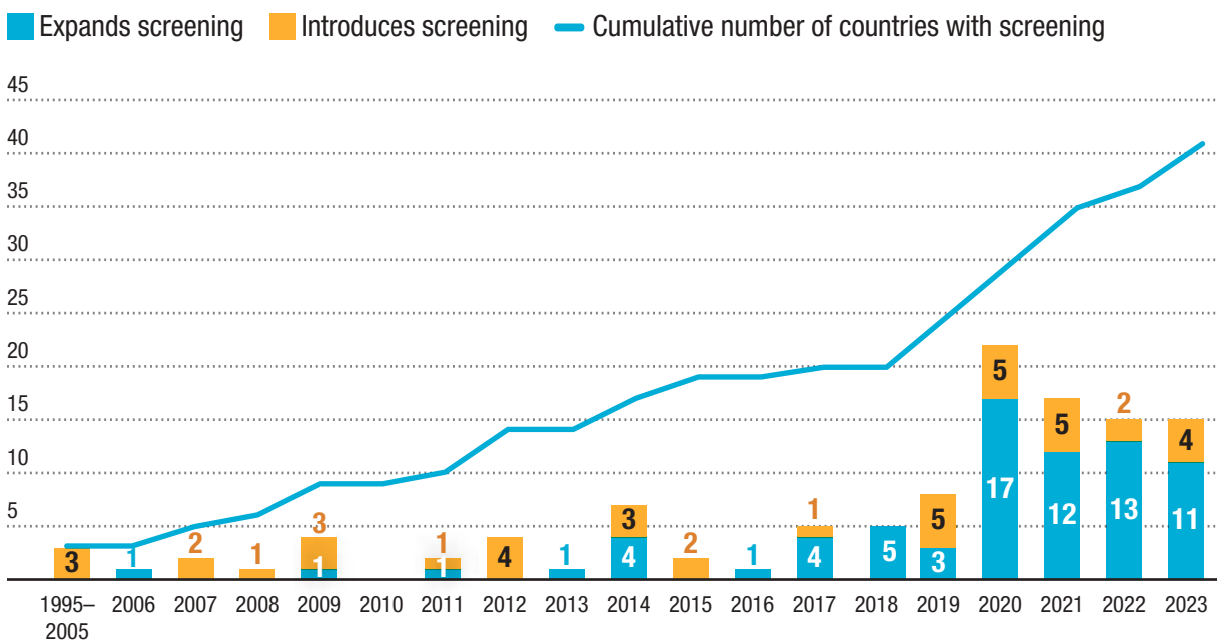
The growing number of cases screened by authorities across several jurisdictions inevitably signifies a growing burden on administrative resources and



Figure II.11

Screening regimes continue to expand

Countries introducing or expanding security-related investment screening
(Number)



Source: UNCTAD, Investment Policy Monitor database, accessed 31 March 2024.





Table II.1
Screened investment projects on the rise but low rejection rates

Country	Period	Screened ^a	Authorized	Modified or authorized with conditions	Rejected	Withdrawn
Australia	4/2020–3/2021	..	28	4	..	..
	7/2021–6/2022	..	75	39	..	..
	7/2022–6/2023	..	100	18	..	..
Belgium	7/2023–12/2023	32	26	..	0	..
Canada	2022	35	24	0	3	8
	2023	27	16	0	0	3
Czechia	2022	13	7	0	0	3
	2023	28	20	0	0	1
Finland	2019	15	..	..	0	..
	2020	15	..	..	0	..
	2021	32	..	..	0	..
	2022	34	..	..	0	1
	2023	39	..	..	0	0
France	2021	328	57	67	..	..
	2022	325	61	70	..	..
Germany ^b	2019	106	..	12	..	..
	2020	160	..	12	..	..
	2021	306	..	14	..	..
	2022	306	..	12	..	..
	2023	257	..	10	..	..
Italy	2019	83	39	13	0	..
	2020	342	135	40	2	..
	2021	496	183	26	3	1
	2022	608	242	18	4	3
Malta	2021	81	2	6	2	0
	2022	22	0	10	1	3
	2023	20	1	2	0	3
Spain	2019	6	6	0	0	0
	2020	37	34	3	0	1
	2021	57	51	6	0	1
	2022	78	67	9	1	1
	2023	108	94	10	0	4
United Kingdom ^c	1/2022–3/2022	209	3	0	0	..
	4/2022–3/2023	776	757	9	5	11
United States	2019	231	..	28	2	12
	2020	313	..	16	2	9
	2021	436	..	26	0	11
	2022	440	..	46	1	20

Source: UNCTAD, based on official sources and country inputs.

^a The total number of cases screened by the end of the period may include cases carried over from previous periods, depending on the methodology employed by each country.

^b For Germany, the number of projects modified or authorized with conditions includes prohibitions, side conditions, public legal contracts and administrative orders.

^c In the United Kingdom, the review mechanism applies equally to domestic and foreign parties. The cumulative number of cases is subject to continuous adjustment as a result of verification processes, which may result in discrepancies with case numbers reported in previous years.



case management. In response, in 2023, some countries established procedures such as pre-authorization and consultation (e.g. Denmark and Spain). Others introduced fees for FDI screening (e.g. Germany and Romania).

The trend towards the adoption of FDI screening regimes will continue in the coming years. The screening regimes of Bulgaria and Singapore entered into force in March 2024. The regime in Ireland is expected to become operational before the end of the year. The European Union has also put forward a reform proposal aimed at revising the current framework.² It emphasizes the need for all member States to adopt ex ante screening mechanisms and suggests extending the scope of the screening regimes to cover intra-European Union transactions controlled by foreign investors.

Bilateral initiatives also play a role in the expansion of FDI screening. They focus predominantly on establishing formal or informal mechanisms for exchanging information relating to national security and investment. In December 2023, Mexico and the United States signed a memorandum of intent to create a bilateral working group for regular exchanges of information.³ The United States and the European Union have created a working group on investment screening to promote best practices and develop a holistic policy approach to addressing risks pertaining to specific sensitive technologies.⁴

b. Other entry-related measures

Other types of entry restrictions on investment accounted for 23 per cent of the measures less favourable to investors

in 2023, with a significant emphasis on enhancing State control over extractive industries. Key examples included the National Lithium Strategy in Chile, mandating State majority ownership throughout the lithium production cycle, and the revised Mining Code of Mali, granting the State a 10 per cent stake in new mining ventures. Mining law reforms in Mexico tightened concession conditions and removed the expropriation rights of concessionaires for mining exploitation. Panama introduced a moratorium on new metallic mineral concessions.

Concerns regarding foreign investors' ownership of certain types of property also prompted various countries to enact new prohibitions. Canada, for instance, restricted the purchase of residential properties by foreign investors. The Russian Federation limited foreign ownership of news aggregators, and the United States imposed restrictions on foreign acquisition of agricultural and forest properties, as well as land or property near military installations and critical infrastructure.

c. Investor treatment and operation

The remaining one third of policy measures less favourable to investors in 2023 (12 measures) comprised various treatment and operation provisions adopted by both developing and developed countries that aimed to address a diverse array of specific policy concerns. The extractive sector was often affected by these measures. For instance, Chad nationalized the assets of Esso Exploration and Production Chad, and Mali abolished several tax incentives previously available to mining companies.

Countries with FDI screening represent **more than half of global FDI flows, three quarters of FDI stock**

² European Commission, 2024, Proposal for a regulation of the European Parliament and of the Council on the screening of foreign investments in the Union and repealing Regulation (EU) 2019/452 of the European Parliament and of the Council, COM(2024 23 final, 2024/0017 (COD), <https://circabc.europa.eu/ui/group/aac710a0-4eb3-493e-a12a-e988b442a72a/library/f5091d46-475f-45d0-9813-7d2a7537bc1f/details?download=true>.

³ United States, Department of the Treasury, 2023, Secretary of the Treasury Janet L. Yellen and Mexico's Secretary of Finance and Public Credit Rogelio Ramírez de la O announce intent to establish bilateral working group on foreign investment review, 7 December. See <https://home.treasury.gov/news/press-releases/jy1965>.

⁴ European Commission, Working Group 8 – Investment Screening, Part of EU-US Trade and Technology Council, <https://futurium.ec.europa.eu/en/EU-US-TTC/wg8>.



In line with the recent trend towards more stringent controls on outbound investment, three countries introduced measures to address concerns directly related to outward FDI (OFDI). South Africa established an approval requirement for transfers abroad of capital funds in amounts greater than R1 million per year (approximately \$50,000) and increased related documentation requirements. Spain expanded the mandatory reporting of OFDI to encompass new types of transactions. The United States introduced outbound investment controls on certain transactions relating to national security technologies and products.

From near the end of 2023 into the early months of 2024, at least 26 countries, primarily developed economies in Europe,

enacted laws to implement the global minimum tax as outlined in the Pillar II reform of the Organisation for Economic Co-operation and Development (OECD).⁵ Known as the Global Anti-Base Erosion Model Rules, the objective is to ensure that MNEs contribute a minimum amount of tax on earnings within each operating country (UNCTAD, 2023f). The reform targets multinationals with annual revenues above €750 million, enabling jurisdictions to levy a top-up tax to achieve a minimum effective rate of 15 per cent on income taxed below this threshold. These developments are not captured in the Investment Policy Monitor database because of its methodological specifications (see box II.1).

4. Outward foreign direct investment policies

The global landscape of OFDI promotion, facilitation and regulation has undergone substantial changes since the early 2000s. These changes reflect the evolving patterns of global investment and production, the sharpening focus on sustainability and the heightened geopolitical tensions and gradual shift from liberalization to regulation that have characterized FDI policies over the past decade.

a. Promotion and facilitation of outward investment

As highlighted in a recent issue of the Investment Policy Monitor (UNCTAD, 2024b), OFDI promotion and facilitation policies have been a significant component of economic strategies of developed countries for several decades. At least 31 of them (79 per cent of the total tracked) have adopted initiatives to promote outbound investment. Support for companies that are investing abroad typically serves two main objectives: the development and internationalization of

domestic businesses, particularly small and medium-sized enterprises (SMEs), and the promotion of international cooperation and development efforts. The number of developing countries that have adopted OFDI promotion mechanisms has expanded in line with their expanding role as sources of investment. At least 19 developing countries (14 per cent) have established formal mechanisms to promote OFDI, including 11 countries in Asia, 6 in Africa, and 2 in Latin America and the Caribbean (figure II.12).

Four principal types of direct promotion instruments to support OFDI exist: fiscal and

⁵ Based on data from OECD Pillar Two Country Tracker and Pillar Two Navigator, available at oecdpillars.com.





Figure II.12

Outward investment promotion and facilitation schemes introduced mainly in developed countries

Countries with a scheme, 2023
(Number)



Source: UNCTAD.

financial support, investment guarantees, investment facilitation services and direct capital participation. Facilitation services are the most widespread, adopted by 23 per cent of countries globally, including 64 per cent of developed countries and 11 per cent of developing countries. These services may include providing advisory assistance, supporting participation in international events, coordinating economic missions abroad, connecting with partners in the host country, training, and preparing feasibility and country risk analyses.

Fiscal or financial support encompasses loans, grants and tax incentives for companies that venture into OFDI. Loans are usually provided by home-country export promotion agencies, development banks or similar institutions. They generally offer better conditions than market standards or support projects that might otherwise struggle to secure private financing. This type of support is common in developed countries (62 per cent) but rare in developing countries (10 per cent).

Foreign investment insurance or guarantees secure some level of political risk protection for domestic firms investing in more unpredictable and volatile markets. They are offered by 18 per cent of countries globally – 67 per cent of developed countries and 5 per cent of developing countries.

Direct capital participation through State-sponsored programmes is offered in 49

per cent of developed countries and 3 per cent of developing countries (figure II.13). These programmes enable domestic firms to invest abroad by providing patient capital through direct equity participation and private enterprise funds. These are made available through import–export banks, development banks or dedicated funds targeting particular sectors, countries or types of firms, such as SMEs.

A growing number of countries are leveraging OFDI as a tool to further the goals of the 2030 Agenda. Among the 50 countries worldwide with OFDI promotion mechanisms, 18 developed countries (58 per cent) and 5 developing countries (26 per cent) have put in place at least one instrument specifically designed to encourage OFDI in developing countries. In addition, numerous developed countries, especially in Europe, have integrated OFDI promotion schemes into their broader development assistance strategies. They actively engage the private sector in development cooperation initiatives, so as to capitalize on its strengths and capabilities to advance development goals, while promoting growth and global competitiveness of domestic firms. Consequently, OFDI promotion schemes often incorporate criteria that emphasize the benefits to the host country, particularly as regards investments that target developing countries (figure II.14).

More countries using **outward investment** as a tool for **Agenda 2030**

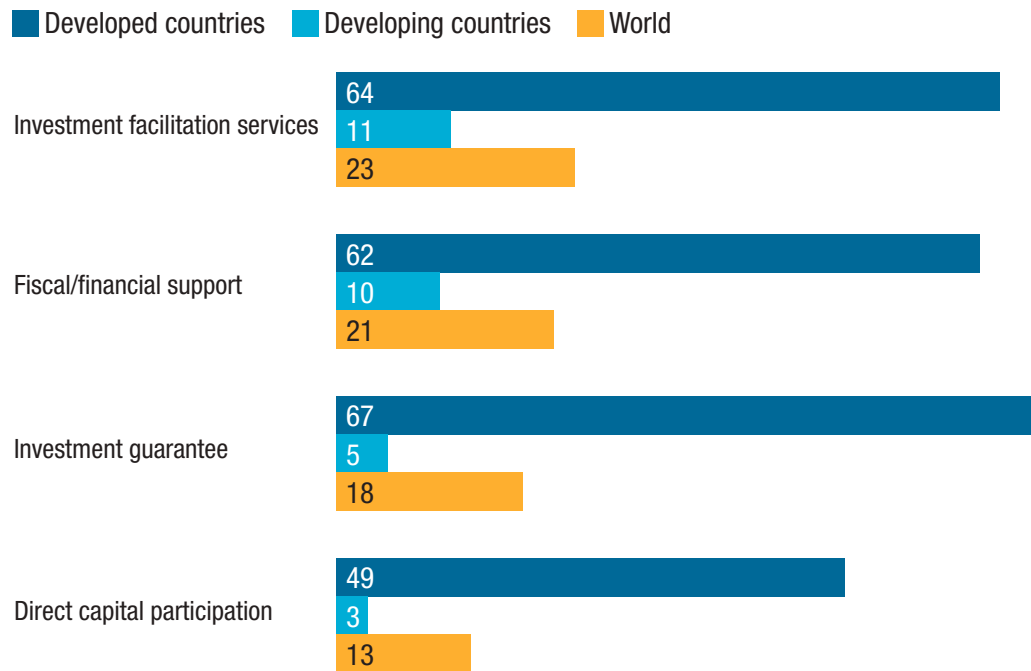




Figure II.13

Facilitation is the main support tool worldwide for outward investment

Tools offered and share of countries using them, 2023
(Percentage)



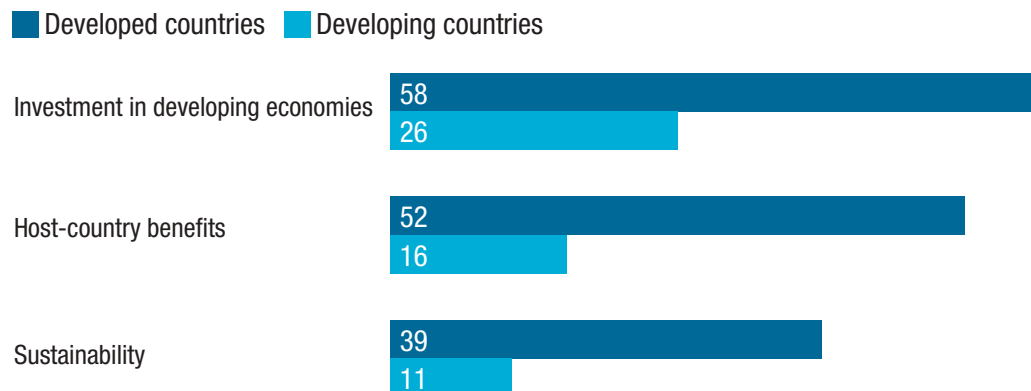
Source: UNCTAD.



Figure II.14

Leveraging promotion of outward investment to achieve the Sustainable Development Goals

Criteria for accessing support schemes, by economic grouping
(Percentage)



Source: UNCTAD.



b. Regulation and screening of outward investment

OFDI promotion and regulation policies often coexist within the same country. Historically, restrictions on OFDI were mainly observed in developing countries and related to balance-of-payments risks (UNCTAD, 2024b). In the early 2000s, the liberalization of OFDI gained momentum, as countries increasingly removed foreign exchange restrictions. In the last decade, by contrast, an observable shift in the regulatory approach to OFDI has seen restrictions increase by nearly one third in both developing and developed countries (figure II.15).

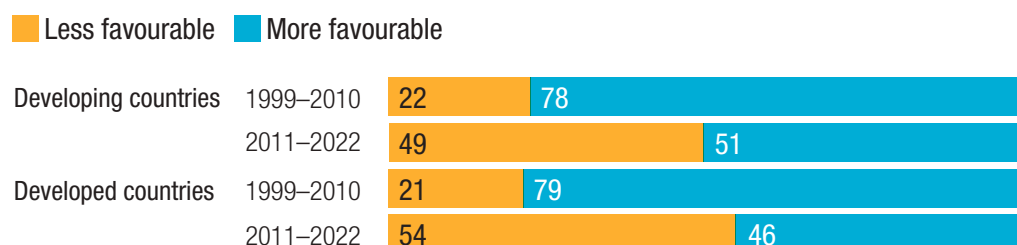
This increase can be partially explained by growing concerns over money-laundering practices, tax evasion and other illicit financial flows disguised as FDI. It was accentuated by the coronavirus pandemic of 2019, which led to a general slowdown in both inward and outward liberalization efforts. Finally, in recent years, concerns have been brought forward related to the potential risks that OFDI could pose to national and economic security, particularly in relation to strategic sectors and technologies.

In 2023, restrictions on OFDI were in place in nearly half (95) of the world's economies, including a majority of developing countries and least developed countries. The most common involve either the necessity for investors to secure prior approval for their projects (69 per cent of countries with OFDI restrictions) or to register their planned OFDI with authorities (14 per cent). Total bans on OFDI are in place in only three countries: Ethiopia, Nepal and the Syrian Arab Republic.

Screening mechanisms for OFDI based on national security concerns are also gaining traction. While some Asian countries have implemented them for decades (e.g. China, India and Japan), the focus on the security aspects of OFDI has recently broadened to include other major sources. Since 2020, the United States has introduced several initiatives to monitor and regulate OFDI, culminating in an executive order aimed at scrutinizing investments in key national security technologies in certain countries (August 2023).⁶ In January 2024, the European Commission responded to growing national security concerns related to OFDI by proposing a framework to monitor outbound investment in critical sectors

Figure II.15 Outward investment restrictions on the rise

Measures by nature and economic grouping
(Percentage)



Sources: UNCTAD, based on Investment Policy Monitor database and IMF Annual Report on Exchange Arrangements and Exchange Restrictions database, both accessed on 31 March 2024.

⁶ President of the United States, 2023, Addressing United States investments in certain national security technologies and products in countries of concern, Presidential Documents: Executive Order 14105 of August 9, 2023, Federal Register, 88:154, <https://www.federalregister.gov/documents/2023/08/11/2023-17449/addressing-united-states-investments-in-certain-national-security-technologies-and-products-in>.

such as advanced semiconductors and biotechnology. Member States have been tasked to provide initial risk assessments by mid-2025. Based on these assessments, the Commission will advise member States

on the extent to which existing tools can mitigate these risks and whether additional proportionate policy actions are warranted at the European Union or national level.⁷

⁷ European Commission, 2024, White paper on outbound investments, 24 January, <https://circabc.europa.eu/ui/group/aac710a0-4eb3-493e-a12a-e988b442a72a/library/51124c0d-58d8-4cd9-8a22-4779f6647899/details?download=true>.



B. International investment policies

1. Trends in international investment agreements

In 2023, new-generation international investment agreements (IIAs) included innovative provisions on investment facilitation and cooperation and tended to safeguard States' right to regulate. However, old-generation IIAs still cover about half of global FDI stock, making IIA reform more urgent. The year was also marked by intensified efforts to reform the IIA and ISDS regimes.

a. Conclusion and termination of investment agreements

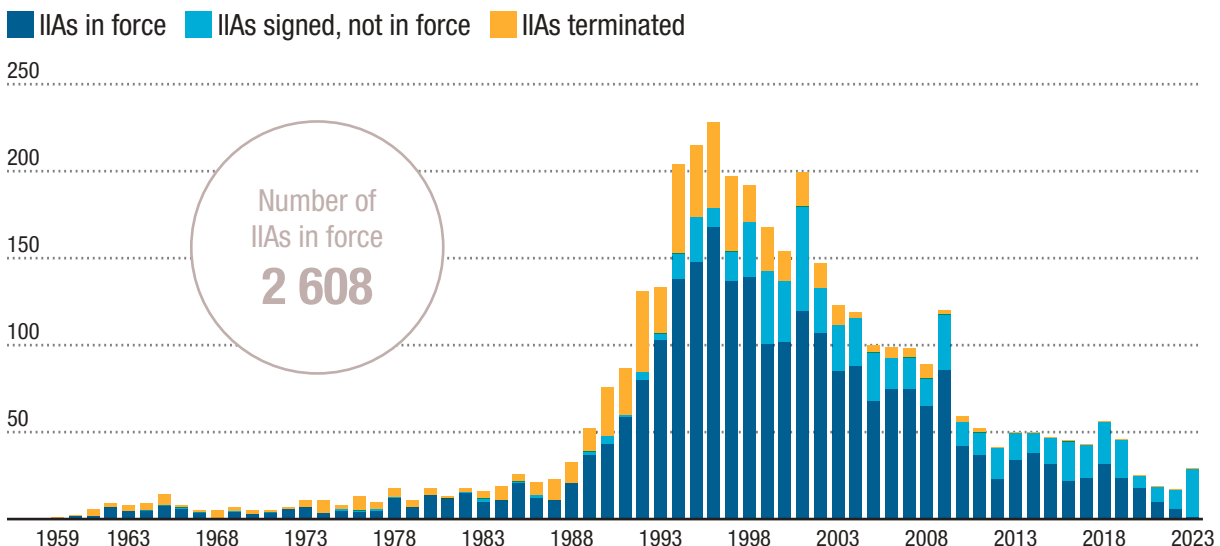
In 2023, countries and regional organizations concluded at least 29 IIAs – 12 bilateral

investment treaties (BITs) and 17 treaties with investment provisions (TIPs). This brought the size of the IIA universe to 3,291 (2,831 BITs and 460 TIPs), according to the UNCTAD IIA Navigator (figure II.16).

Figure II.16

Agreements from the 1990s and 2000s dominate the international investment agreements universe

(Annual number of agreements signed)



Source: UNCTAD, IIA Navigator database, accessed 25 March 2024.

Note: The UNCTAD IIA Navigator is updated continuously as new IIA-related information becomes available.

Abbreviations: IIA = international investment agreement.

In addition, at least 15 IIAs entered into force and 4 were terminated in 2023, bringing the total number of IIAs in force to at least 2,608 by the end of the year. These IIAs are largely dominated by old-generation treaties, signed in the 1990s and 2000s.

The total number of terminations reached at least 585 by 2023; about 70 per cent of these IIAs were terminated in the last decade (figure II.17). Under sunset clauses, IIAs may continue to protect investments in existence at the time of termination or withdrawal and grant investors access to investor–State dispute settlement (ISDS) for up to 20 years afterward.

IIAs signed and/or adopted in 2023 cover a range of investment governance issues that go beyond protection, such as investment facilitation, cooperation or liberalization (figure II.18). Notably, the majority of TIPs signed or adopted in 2023 included commitments on facilitation or cooperation. About half contained protection or liberalization provisions. In the Agreement Establishing

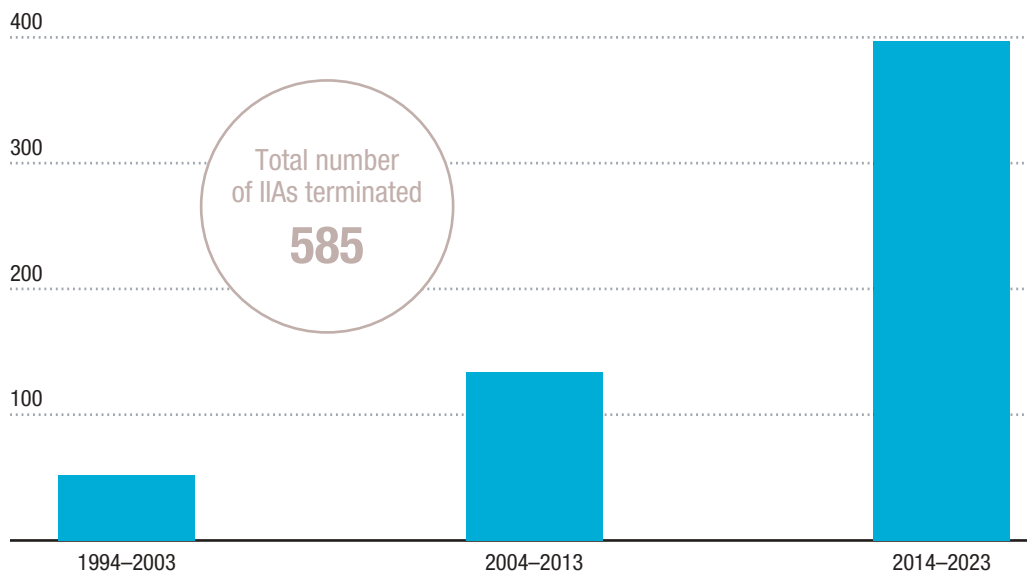
the African Continental Free Trade Area (AfCFTA), the Protocol on Investment – adopted in February 2023 – provides an example of this nascent shift (box II.2).

Newly concluded protection-focused IIAs continued the trend towards safeguarding States’ right to regulate as well as reforming or omitting ISDS. It remains to be seen whether these refinements will be interpreted in line with the treaty parties’ intent in ISDS. A lot remains to be done to focus the coverage of IIAs on sustainable investment and foster responsible business conduct by investors. New IIAs also commonly continue to bind countries for long periods of time, limiting their ability to adapt to changing economic realities and new regulatory imperatives (figure II.19).

The reform of old-generation IIAs continues to advance at a slow pace. Only 19 per cent of the IIAs signed since 2020 replace an old-generation IIA; 39 per cent ensure that the reformed provisions they contain would be effectively applied where parallel old-generation IIAs exist.



Figure II.17
Terminations of investment agreements reach nearly 600
(Annual number of terminations)

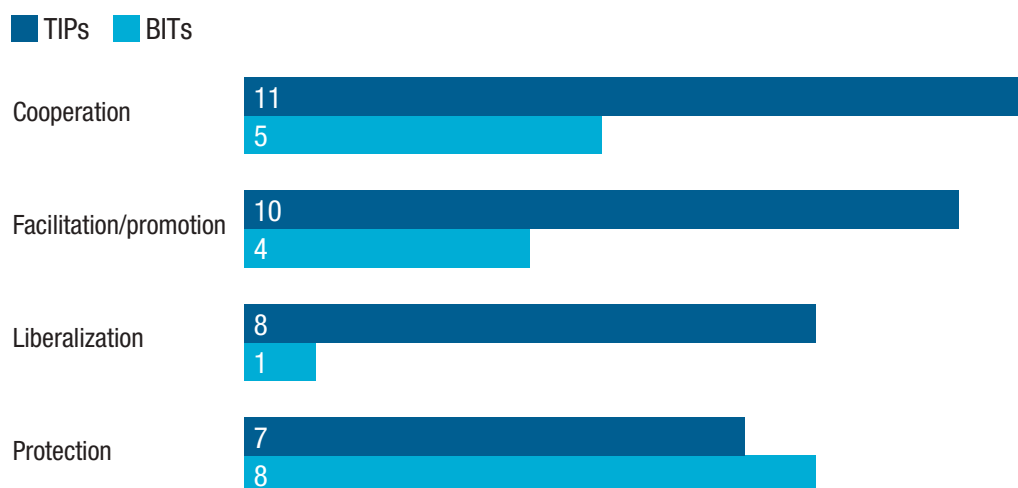


Source: UNCTAD, IIA Navigator database, accessed 25 March 2024.

Abbreviations: IIAs = international investment agreements.



Figure II.18
Content of investment agreements is becoming more diverse
(Number of agreements signed in 2023 by type of commitment)



Source: UNCTAD, IIA Navigator database, accessed 25 March 2024.

Notes: Based on 22 IIAs (14 TIPs and 8 BITs) signed and/or adopted in 2023 for which text or other public information on content is available. Cooperation commitments refer to the establishment of institutional frameworks to cooperate on investment activities (investment committee) and/or undertakings to conduct joint activities on investment in one or more economic sectors.

Abbreviations: BIT = bilateral investment treaty, IIA = international investment agreement, TIP = treaty with investment provisions.

Box II.2
AfCFTA Investment Protocol (2023)

The Investment Protocol to the AfCFTA, which involves 54 countries, is the first megaregional IIA covering the African continent in its entirety. It was adopted by the Heads of the State and Government during the Assembly of the African Union on 18–19 February 2023.

The Protocol builds on existing investment treaty reform objectives and best practices recognized by the African Union and the regional economic communities, as well as UNCTAD. UNCTAD's work on IIA reform is recognized in the preamble of the Protocol. The Protocol provides a balanced approach to international investment governance and contains the following elements:

- Proactive promotion and facilitation commitments for investment that fosters sustainable development
- Refined investment protection provisions that preserve the contracting parties' right and duty to regulate in the public interest and are extended to sustainable investments only
- A dedicated chapter on investment and sustainable development, with proactive commitments on climate action, health and pandemics, human capital development and technology transfer
- Enforceable investor obligations related to environmental and labour protection, human rights, the rights of local communities, transparent corporate governance, tax and non-interference in local governance
- Firm commitments on technical assistance and capacity-building for contracting parties, as well as support for implementation by the Pan-African Trade and Investment Agency established under the Protocol.

Upon entry into force, the Protocol will consolidate the IIA regime in Africa. Under its terms, 183 intra-African BITs will be replaced and regional economic organizations in Africa undertake to harmonize regional IIAs with the content of the Protocol.

UNCTAD is a member of the task force that assisted the AfCFTA Secretariat in the negotiation of the Investment Protocol and continues to assist in the negotiation of the Investment Dispute Settlement Annex to it.

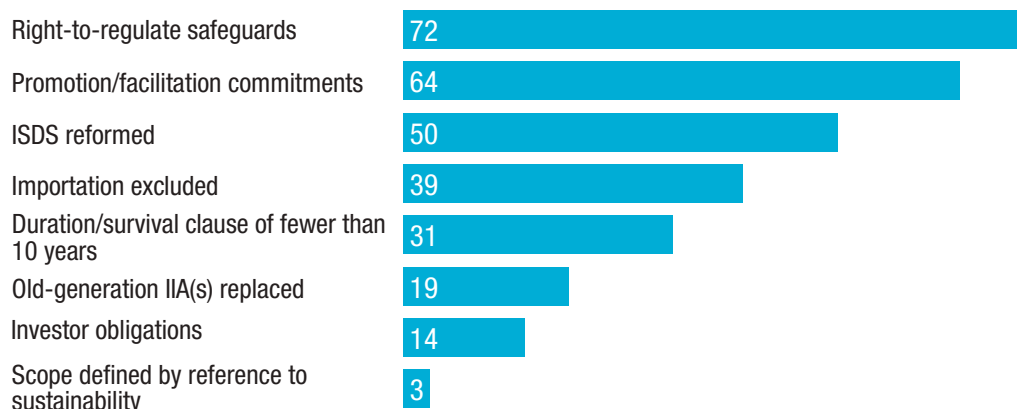
Source: UNCTAD.



Figure II.19

Recently signed investment agreements include reform features

Agreements signed between 2020 and 2023 with selected reform features (Percentage)



Selected features of IIAs

Right-to-regulate safeguards. Reforms language of the majority of key substantive IIA provisions, as defined in the UNCTAD IIA Reform Accelerator, including those most often invoked in ISDS. ^a	Duration/survival clause of fewer than 10 years. Provides for initial duration of validity and survival clause of fewer than 10 years or omits them.
ISDS reformed. Contains procedural improvements, limits the access to ISDS for certain types of claims or omits ISDS altogether.	Old-generation IIA(s) replaced. Provides for the termination or suspension of at least one IIA upon entry into force.
Promotion/facilitation commitments. Includes commitments to transparency and/or the improvement of the regulatory environment, stakeholder engagement on investment policies or cooperation.	Investor obligations. Contains obligations applicable to investors, such as responsible business conduct, avoiding corruption, environmental management and the like.
Importation of elements from unreformed IIAs excluded. Excludes application of most-favoured-nation and non-derogation provisions to obligations in other IIAs.	Scope defined by reference to sustainability. The IIA scope of coverage is defined by reference to "sustainable development" and/or "sustainable investment".

Source: UNCTAD.

Note: Based on 36 IIAs concluded in 2020–2023 for which texts are available, not including agreements that lack investment protection provisions.

Abbreviations: IIA = international investment agreement, ISDS = investor–State dispute settlement.

^a The IIAs counted contain reform language for five or more key substantive provisions, including at least a circumscribed fair and equitable treatment standard and a clarified indirect expropriation clause, or a general exceptions clause with other reformed clauses, in line with the UNCTAD IIA Reform Accelerator (UNCTAD, 2020a).

IIAs in force cover 65 per cent of global FDI stock. TIPs, which include regional and megaregional agreements and relate to a broad range of economic issues beyond investment disciplines, account for the largest share – 53 per cent. BITs, which typically include investment protection provisions only and apply bilaterally, cover about 7 per cent. The remaining 5 per cent are covered simultaneously by a TIP and a BIT (figure II.20). The coverage of TIPs has increased by at least 10 per cent in the past

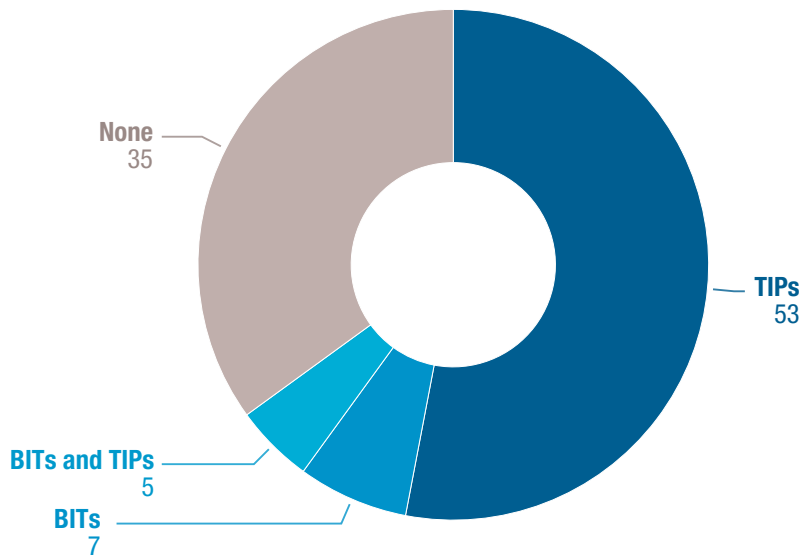
decade, following the growing relevance of regional investment policymaking.

Old-generation IIAs, which provide broad and unrefined provisions that often expose host countries to greater risk of ISDS, cover 49 per cent of the total global FDI stock. For 53 countries, more than 80 per cent of total FDI stock is covered by an old-generation IIA. The exposure to ISDS is overall higher for developing economies and LDCs. Old-generation IIAs cover 65



Figure II.20
Investment agreements in force cover 65 per cent of global stock of foreign direct investment

Share of stock covered, by type of IIA
(Percentage)



Sources: UNCTAD, IIA Navigator database, accessed 25 March 2024, and IMF Coordinated Direct Investment Survey database, accessed 19 March 2024.

Notes: FDI stocks estimated on the basis of information about 193 United Nations Member States' shares of world FDI inward stock for 2022. Does not include confidential and unspecified stock data. Analysis based on 2,429 IIAs in force (2,220 BITs and 209 TIPs) with substantive investment commitments. For TIPs that include a relevant regional economic integration organization, only the FDI stock of members for which the IIA is in force was counted. Excludes the Energy Charter Treaty (1994) in view of its sector-specific scope.

Abbreviations: BIT = bilateral investment treaty, FDI = foreign direct investment, IIA = international investment agreement, TIP = treaty with investment provisions.

per cent of developing countries' FDI stock. This is 16 per cent higher than the global average and more than 20 per cent higher than the share for developed economies. The difference is even higher for LDCs, for which old-generation treaties cover 71 per cent of FDI stock (figure II.21).

IIA terminations and replacements since 2012 have affected the IIA coverage of about 13 per cent of the total FDI stock.⁸ Following terminations, 6 per cent of the stock is no longer covered; 4 per cent relates to developed economies and 2 per cent to developing economies. The remaining 7 per cent are now covered by a new-generation IIA. Barely any

FDI stock of LDCs has been affected by terminations or replacements.

Taken together, these data suggest that to date IIA reform has had a limited effect on mitigating the risk of ISDS in developing countries and has largely left the FDI stock of LDCs subject to old-generation IIAs.

Old-generation IIAs have served as the basis for almost all ISDS cases to date (about 97 per cent), and developing countries have been respondents in the majority of them (about 62 per cent). Of these, at least 58 cases based on old-generation IIAs were initiated against LDCs. ISDS proceedings represent a significant financial risk for developing countries and

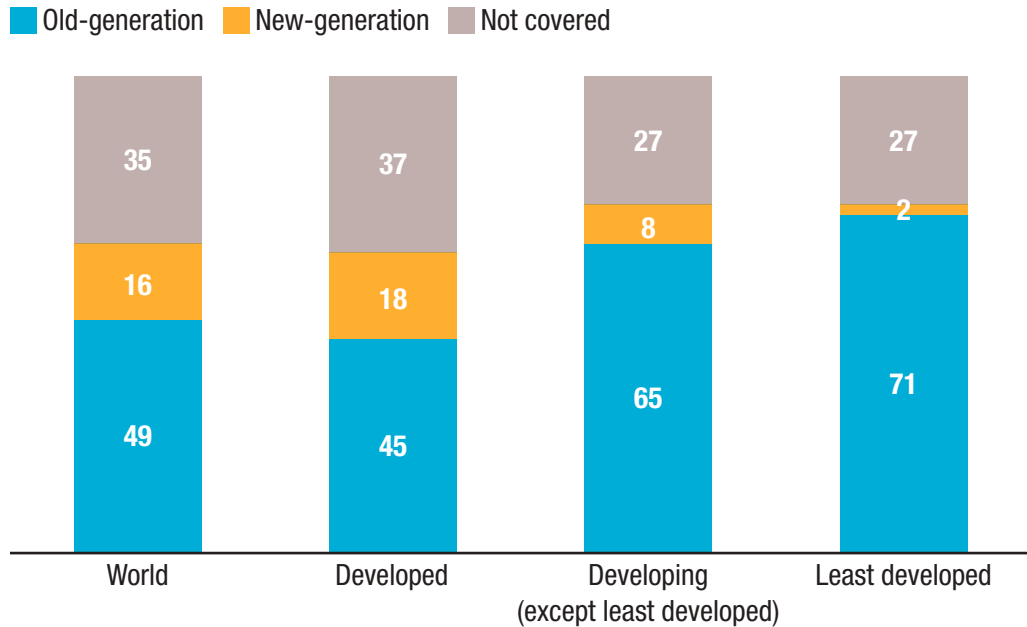
⁸ Analysis based on 424 IIAs (415 BITs and 9 TIPs) terminated since 2012 (including IIAs that were terminated by mutual consent, unilaterally terminated, expired or replaced by a new treaty).



Figure II.21

Old-generation investment agreements cover the majority of foreign direct investment stock in developing and least developed countries

Stock covered, by economic grouping and generation of agreement
(Percentage)



Sources: UNCTAD, IIA Navigator database, accessed 25 March 2024, and IMF Coordinated Direct Investment Survey database, accessed 19 March 2024.

Notes: FDI stocks estimated on the basis of information about 193 United Nations Member States' shares of world FDI inward stock for 2022. Does not include confidential and unspecified stock data. Analysis based on 2,429 IIAs in force (2,220 BITs and 209 TIPs) with substantive investment commitments. For TIPs that include a relevant regional economic integration organization, only the FDI stock of members for which the IIA is in force was counted. Excludes the Energy Charter Treaty (1994) in view of its sector-specific scope. Where a new-generation IIA coexists with an old-generation IIA covering the same FDI stock without suspending its effect, the relevant FDI stock is considered covered by an old-generation IIA.

Abbreviations: BIT = bilateral investment treaty, FDI = foreign direct investment, IIA = international investment agreement, TIP = treaty with investment provisions.

LDCs, in particular. The average amount sought by investors in ISDS cases is \$1.1 billion and the average amount awarded is \$385 million. In at least eight ISDS cases developing countries were required to pay compensation of more than \$1 billion. At the end of 2023, the amount that LDCs were required to pay totalled \$595 million, with one case alone accounting for \$270 million.

b. Other developments relating to investment rule-making

The withdrawals of France, Germany and Poland from the Energy Charter Treaty

(ECT) (1994) became effective in 2023. At least three more countries have deposited notices to exit the ECT over concerns related to climate change, and the European Parliament voted in favour of the withdrawal of the European Union in April 2024.

The trend towards negotiating flexible international instruments aimed at channelling investment towards the green economy also continued. Partners concluded negotiations on the Clean Economy Agreement in the context of the Indo-Pacific Economic Framework for Prosperity.



The year witnessed the first outputs of the work of the United Nations Commission on International Trade Law (UNCITRAL) Working Group III on ISDS reform. In July 2023 the UNCITRAL Commission adopted the Model Provisions and the Guidelines on Mediation for International Investment Disputes, and the Code of Conduct for Arbitrators in International Investment Dispute Resolution. In April 2024, Working Group III finalized the draft statute for the establishment of an advisory centre on investment disputes.

The text of the Investment Facilitation for Development Agreement was made public on 25 February 2024 by the ministers of 123 participating members of the World Trade Organization. The status of

the text in relation to the Organization's architecture remains to be determined.

The UNCTAD World Investment Forum 2023 took place in Abu Dhabi on 16–20 October 2023 ahead of the twenty-eighth Conference of the Parties (COP28). At the Forum investment policymakers and experts discussed urgent reforms of the IIA regime in light of the climate crisis, resulting in the launch of the UNCTAD Multistakeholder Platform for IIA Reform (box II.3).

Work on diverse aspects of international investment governance continued in a number of international forums (table II.2). Notably, Brazil – which holds the Group of 20 Presidency in 2024 – identified sustainable development in IIAs as one of the key priorities for the Group of 20 Trade and Investment Working Group.



Box II.3

UNCTAD World Investment Forum 2023 – IIA track highlights

The events in the IIA track at the UNCTAD World Investment Forum 2023 brought together key actors in IIA reform:

High-level IIA conference 2023 (18 October 2023). Investment policymakers and experts from governments, international organizations, think tanks, academia and the private sector noted the challenges that the current IIA regime may pose to climate action, explored options for aligning IIAs with climate mitigation and adaptation goals, and called for the urgent reform of the stock of old-generation treaties. Based on requests by participants to identify ways to fast-track investment treaty reform for sustainable development and climate action, UNCTAD launched a Multi-Stakeholder Platform for IIA Reform.

International policy developments in investment facilitation (19 October 2023). The session united key actors in investment facilitation from Governments, development partners, private sector representatives and regional/international organizations, to analyse global trends and challenges in investment facilitation policies for sustainable development. Speakers welcomed UNCTAD's policy options for facilitating investment in sustainable development, part of the IIA Issues Note Investment Facilitation in IIAs: Trends and Policy Options (UNCTAD, 2023a).

Regional sessions (16–18 October 2023). Three sessions co-organized with key regional partner organizations complemented the UNCTAD World Investment Forum IIA track and highlighted the role that such organizations can play in shaping coherent international investment policies among their members:

- D-8 Organization for Economic Cooperation – UNCTAD Guiding Principles for Investment
- AfCFTA Investment Protocol: towards a new generation of investment policies in Africa
- Islamic Development Bank–UNCTAD Investment Policy Principles

Source: UNCTAD.

Notes: For more information on the UNCTAD World Investment Forum, see <https://worldinvestmentforum.unctad.org/wif-events-programme?event=80>. For information on the UNCTAD Multi-Stakeholder Platform for IIA Reform, see <https://investmentpolicy.unctad.org/news/hub/1732/20231020-launch-of-multi-stakeholder-platform-for-investment-treaty-reforms>.





Table II.2
Work relating to investment rule-making in international forums,
2023–2024

Organization/initiative	IIA-related coverage	Most recent outputs/events
Americas Partnership for Economic Prosperity	Financing/investment for sustainable infrastructure	East Room Declaration (November 2023)
Asia-Pacific Economic Cooperation	Sustainability considerations for investment policy	San Francisco principles on integrating inclusivity and sustainability into trade and investment policy (November 2023)
Draft legally binding instrument on the right to development	Right to regulate Interaction with the scope of IIAs	Draft instrument presented to Human Rights Council (September 2023)
Group of 20 Trade and Investment Working Group	Sustainable development in IIAs Investment facilitation in IIAs	Second meeting (April 2024) UNCTAD-OECD Report mapping of sustainable development and investment facilitation provisions in IIAs by Group of 20 members and invited countries (April 2024)
Investment Facilitation for Development, WTO	Investment facilitation	Joint Ministerial Declaration on the Investment Facilitation for Development Agreement by participating countries (February 2024)
OECD Work Programme on the Future of Investment Treaties	IIAs and climate change IIA reform	OECD Investment Treaty Conference (March 2024)
OHCHR Special Rapporteur on the issue of human rights obligations relating to the enjoyment of a safe, clean, healthy and sustainable environment	ISDS Safe, clean, healthy and sustainable environment	Report on risks of ISDS for the right to a healthy environment (July 2023)
OIC Intergovernmental Experts Group on ISDS	ISDS, permanent mechanism OIC investment agreement	Second expert meeting (September 2023)
UNCITRAL Working Group III	ISDS reform	Model provisions and guidelines on mediation, and codes of conduct for arbitrators and judges adopted by the UNCITRAL Commission (July 2023) Draft statute of advisory center for ISDS finalized (April 2024)
UNCTAD	IIA reform for sustainable development Policy analysis, technical assistance, consensus building	First meeting of Multi-stakeholder Platform for IIA Reform (February 2024) Capacity-building and technical assistance on IIA reform provided for more than 90 countries
UNIDROIT and ICC Working Group	International investment contracts (codification)	Second working group meeting (March 2024)

Source: UNCTAD, based on various sources.

Abbreviations: ICC = International Chamber of Commerce, IIA = international investment agreement, ISDS = investor–State dispute settlement, OECD = Organisation for Economic Co-operation and Development, OHCHR = Office of the United Nations High Commissioner for Human Rights, OIC = Organisation of Islamic Cooperation, UNCITRAL = United Nations Commission on International Trade Law, UNIDROIT = International Institute for the Unification of Private Law, WTO = World Trade Organization.



2. Trends in investor–State dispute settlement

The total ISDS case count reached 1,332, with 60 new arbitrations initiated in 2023. About 70 per cent of them were brought against developing countries, including three LDCs. Investors in construction, manufacturing and extractives accounted for over half of the claims.

a. New cases initiated in 2023

In 2023, 60 known treaty-based ISDS cases were initiated – 48 cases at the International Centre for Settlement of Investment Disputes (ICSID) and 12 cases before other

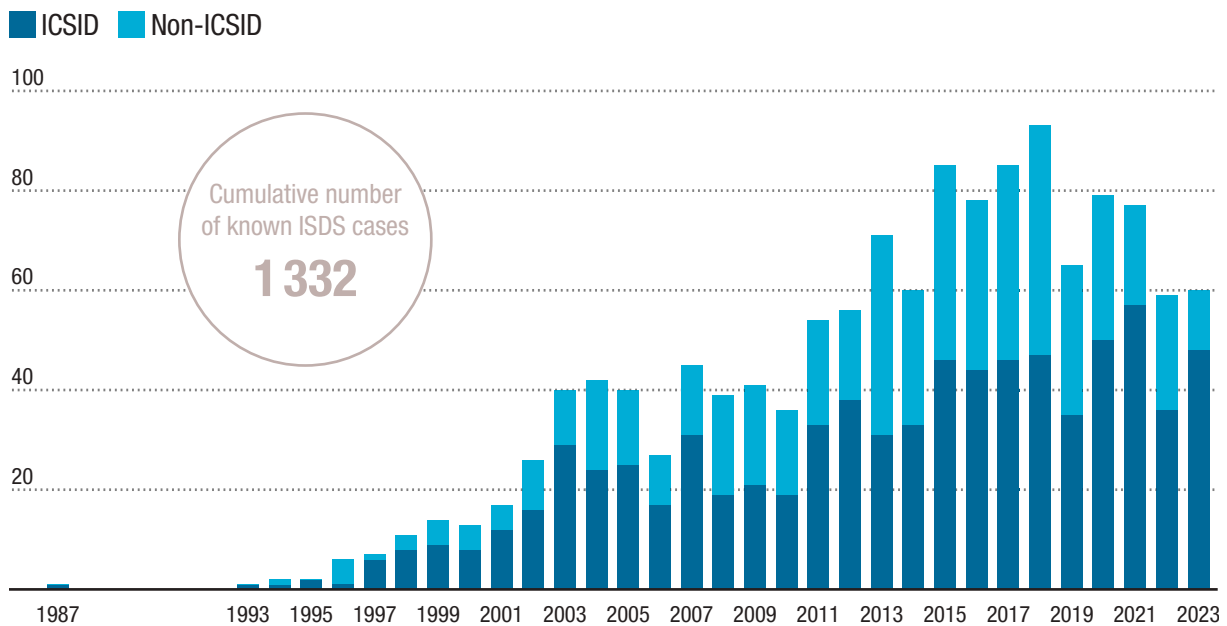
forums (figure II.22). As some arbitrations can be kept confidential, the actual number of arbitrations filed in 2023 (and previous years) is likely to be higher. In the past 10 years, the total number of ISDS cases has more than doubled. There were fewer than



Figure II.22

Investor–State dispute settlement cases surpassed 1,300 at the end of 2023

(Annual number of known treaty-based cases)



Source: UNCTAD, ISDS Navigator database, accessed 25 March 2024.

Notes: Information has been compiled from public sources, including specialized reporting services. UNCTAD statistics do not cover investor–State cases that are based exclusively on investment contracts (State contracts) or national investment laws, or cases in which a party has signalled its intention to submit a claim to ISDS but has not commenced the arbitration. Annual and cumulative case numbers are continually adjusted as a result of verification processes and may not match exactly case numbers reported in previous years.

Abbreviations: ICSID = International Centre for Settlement of Investment Disputes, ISDS = investor–State dispute settlement.



600 known ISDS cases at the end of 2013, against more than 1,300 at the end of 2023.

To date, 132 countries and one economic grouping are known to have been respondents to one or more ISDS claims. The new cases in 2023 were initiated against 37 countries and one economic grouping (the European Union). About 70 per cent of them were brought against developing countries, including LDCs (Myanmar, Senegal and the United Republic of Tanzania). Mexico was the most frequent respondent, with 10 new known cases. Honduras faced five cases, followed by Argentina and the Bolivarian Republic of Venezuela with three cases each. The largest share of claims was directed at countries in Latin America and the Caribbean, with about half of the 60 cases. In regional terms, between 1987 and 2023, respondent States in Europe and in Latin America and the

Caribbean each accounted for about 30 per cent of the total 1,332 known ISDS cases.

Developed-country claimants brought most – about 75 per cent – of the 60 known cases in 2023. The highest numbers of cases were brought by claimants from the United States (13), the United Kingdom (8) and Switzerland (5). Between 1987 and 2023, claimants invoking the IIAs of five countries – the United States, the Kingdom of the Netherlands, the United Kingdom, Germany and Spain – initiated about 45 per cent of the 1,332 known ISDS cases.

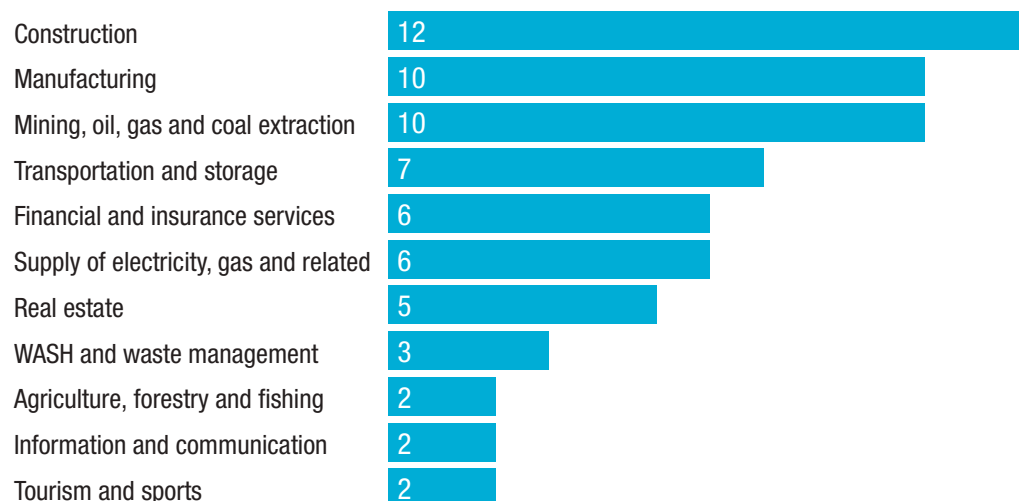
The ISDS cases filed in 2023 involved disputes related to several economic sectors (figure II.23). Construction, manufacturing and extractive industries accounted for over half of them, with 10 or more cases each. By the end of 2023, investors had filed a total of 235 fossil fuel-related cases,⁹ making such activities



Figure II.23

Construction, manufacturing, and extraction activities account for over half of investor–State cases filed in 2023

(Number of known cases by sector)



Source: UNCTAD, ISDS Navigator database, accessed 25 March 2024.

Note: Some cases concerned multiple sectors.

Abbreviations: WASH = water, sanitation and hygiene.

⁹ Fossil fuel-related cases include those related to mining of coal and lignite; extraction of crude petroleum and natural gas; power generation from coal, oil and gas; transportation and storage of fossil fuels; and manufacture of coke and refined petroleum products.



among those most frequently brought to the ISDS system. Construction and manufacturing activities, which commonly involve lengthy and asset-intensive projects, are typically prone to litigation risk.

About 70 per cent of investor–State arbitrations in 2023 were brought under BITs and TIPs signed in the 1990s or earlier. In combination, the North American Free Trade Agreement (NAFTA) (1992) and the Agreement between Canada, the United States and Mexico (USMCA) (2018) were the IIAs most frequently invoked in 2023. They gave rise to 11 cases based on so-called “legacy claims” under the NAFTA. Five cases were based on the ECT (1994), followed by the Central America–Dominican Republic Free Trade Agreement (FTA) (2004) with three cases and the Association of Southeast Asian Nations–Australia–New Zealand FTA (2009) with two cases. Between 1987 and 2023, about 20 per cent of the 1,332 known ISDS cases invoked either the ECT (162 cases) or the NAFTA (92 cases).

b. Outcomes of investor–State dispute settlement

In 2023, ISDS tribunals rendered at least 49 known substantive decisions in investor–State disputes, 28 of which were in the public domain at the time of writing. Ten of the public decisions principally addressed jurisdictional and preliminary objections. In four of them, tribunals dismissed such objections (at least in part) and continued the arbitration proceedings; in six of them, tribunals upheld the objections and ceased the proceedings for lack of jurisdiction or admissibility. Another 18 public decisions were rendered on the merits, with 9 holding the State liable for IIA breaches and 9 dismissing all investor claims. In addition, six publicly available decisions in annulment proceedings at ICSID were rendered. In all of them, the ad hoc committees of ICSID rejected the applications for annulment.

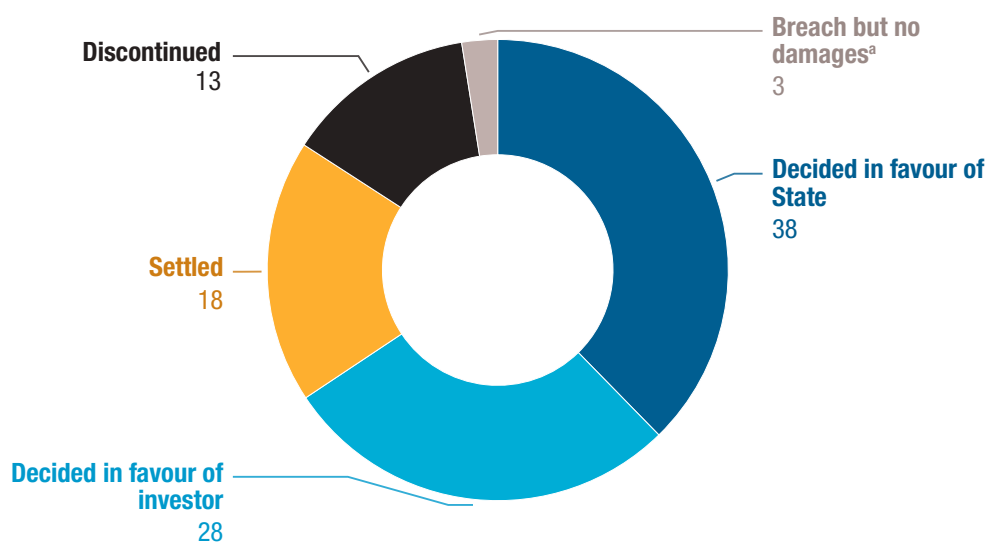
By the end of 2023, at least 958 ISDS proceedings had been concluded, leading to different results (figure II.24).



Figure II.24

Outcomes of investor–State dispute settlement cases can differ greatly

Share of concluded cases, 1987–2023
(Percentage)



Source: UNCTAD, ISDS Navigator database, accessed 25 March 2024.

^aDecided in favour of neither party (liability found but no damages awarded).



* * *

Newly concluded IIAs increasingly incorporate proactive commitments aimed at improving the investment climate in the contracting parties. They increasingly steer towards investment facilitation commitments (see chapter IV.C). There is growing interest also in establishing continuous cooperation mechanisms for investment activities, sometimes geared towards specific development objectives. The majority of investment protection elements in newly concluded IIAs also continued to include refinements, clarifications and flexibility mechanisms that aim to preserve countries' right to regulate in the public interest.

IIA reform continues to advance at a slow pace, accentuating the dichotomy in the IIA regime between newer and older treaties. Old-generation IIAs continue to dominate the regime as much in terms of number of IIAs in force as in coverage of FDI stock. They also continue to form the basis of most ISDS cases. Developing countries – and LDCs in particular – are the most disadvantaged by the slow pace of reform,

as their exposure to the risks of ISDS is significantly higher than that of developed economies. In addition, the dichotomy is producing a progressively more complex IIA regime with overlapping and sometimes contradictory commitments, making it difficult for countries to navigate, especially developing ones and least developed ones.

UNCTAD's Multi-Stakeholder Platform for IIA Reform, established in 2023 as an outcome of UNCTAD's World Investment Forum, aims to fast-track IIA reform and underscores the importance of providing an inclusive forum that promotes the alignment of investment governance with sustainable development priorities. Since 2012, UNCTAD has played a leading role in facilitating IIA reform action by developing core policy guidance tools. UNCTAD will continue to work with all stakeholders to build the capacity of country negotiators and policymakers to ensure that the IIA regime works for – rather than impedes – sustainable development objectives.





Chapter III

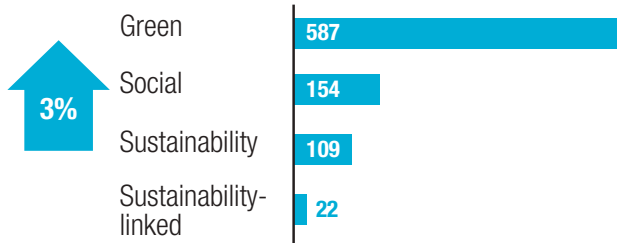
Sustainable finance trends



➤ The sustainable finance market grew but signs of a slowdown persist

Sustainable bond market

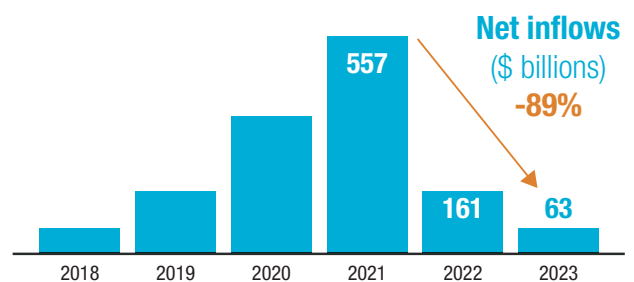
Global issuance, 2023: **\$872 billion**



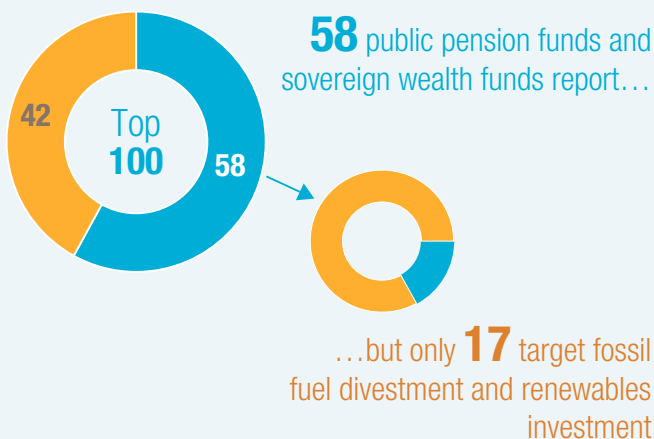
Cumulative issuance since 2018: **\$4 trillion**

Sustainable fund market

Market value, 2023: **\$3 trillion** ↑7%



➤ More institutional investors reported on sustainability performance in 2023



➤ Stock exchanges help drive sustainability disclosure



59% provide written guidance



31% enforce mandatory rules



66% provide training

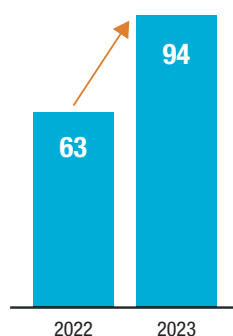
↑12%

➤ Regulations and standards are proliferating; greenwashing remains a challenge

Sustainable finance regulation

50% growth in sustainable finance measures, 2023

Developing economies:
60% of new policies



Sustainability disclosure



17 countries adopted new ISSB standards



Greenwashing: only **20%** of "green fund" portfolios are exposed to climate-positive assets

A. Sustainability-themed capital market products

The sustainable finance market continues to grow. In 2023, the value of sustainable investment products, encompassing bonds and funds,¹ reached more than \$7 trillion, a 20 per cent increase from 2022. Although the picture is nuanced, the overall positive trend in the sustainable finance market points to continued investor confidence and the resilience of sustainable investment strategies. Sustainable bonds were the main driver of growth in sustainable capital market products. Issuance climbed to \$872 billion, a 3 per cent rise from 2022, bringing the cumulative value of the market since 2018 to more than \$4 trillion. Despite continued growth in number and asset value, though, sustainable funds experienced strong headwinds in 2023. Net inflows dropped from \$161 billion in 2022 to \$63 billion in 2023. Greenwashing remains the most significant challenge to the sustainable fund market.

1. Sustainable bond markets

Global issuance of green, social, sustainability and sustainability-linked bonds (box III.1) has grown fourfold since 2018. As a share of global bond markets, the sustainable segment represented 5 per cent in 2023, unchanged from 2022. This consistent share as well as record levels of outstanding bonds and increased annual issuance of sustainable bonds signal the rising importance of such bonds as a mechanism for financing sustainable

development. However, the near-record levels of issuance of green bonds and sustainability-linked bonds were offset by falls in issuance of social and sustainability bonds – partly related to the phasing out of social and sustainability bonds related to the coronavirus disease (COVID-19) pandemic (generally referred to as COVID-response bonds) – which contributed to a slowing in the five-year compound annual growth rate of the sustainable bond segment (figure III.1).

¹ This chapter covers publicly traded sustainable finance products only, namely bonds and funds. It excludes derivatives whose value may be unrealized, as well as voluntary carbon markets, whose value - for now - remains insignificant





Box III.1

What is the difference between green, social, sustainability and sustainability-linked bonds?

All four types of sustainable bonds are fixed-income securities designed to target sustainable outcomes while offering a financial return to investors. Green, social and sustainability bonds are generally tied to the financing of a specific project or use of proceeds, whereas sustainability-linked bonds instead integrate in their design a level of sustainability performance (such as greenhouse gas (GHG) emissions).

Green bonds raise funds specifically for projects with environmental benefits, such as renewable energy or pollution prevention, with issuers providing transparency on how the proceeds are used. These bonds are typically linked to assets and backed by the issuer's balance sheet. Historically, the focus has been on direct financing of physical assets and projects and indirect financing thereof (e.g. loans to suitable assets or projects).

Social bonds raise funds for projects with positive social outcomes, such as education, health care, affordable housing and employment generation, especially for underserved or marginalized communities. Issuers of social bonds also commit to transparency regarding the use of proceeds and the impact of the projects funded, ensuring that investors can see the social benefits derived from their investments.

Sustainability bonds combine elements of both green and social bonds to finance projects with both environmental and social benefits. The proceeds from these bonds are used to fund a diverse range of initiatives, such as renewable energy projects, water conservation, sustainable agriculture, affordable housing and health-care facilities. Sustainability bonds are also designed for investors looking to support comprehensive projects that contribute to the Sustainable Development Goals. Like green and social bonds, issuers of sustainability bonds provide transparency and reporting on the allocation of proceeds and the impact of the projects financed, ensuring accountability and alignment with sustainability objectives.

Sustainability-linked bonds tie the cost of financing to key performance indicators of sustainability. These bonds differ from green, social and sustainability bonds in their structure and objectives. Whereas traditional green, social and sustainability bonds focus on financing or refinancing projects that have specific environmental or social benefits, sustainability-linked bonds are uniquely characterized by their performance-based approach. The financial or structural characteristics of the bond (such as the interest rate) are directly linked to the issuer's achievement of predefined sustainability targets. Transparency and credibility are maintained through regular reporting on progress towards the targets and through third-party verification to ensure objectives are met, making these bonds a powerful tool for promoting sustainability in finance.

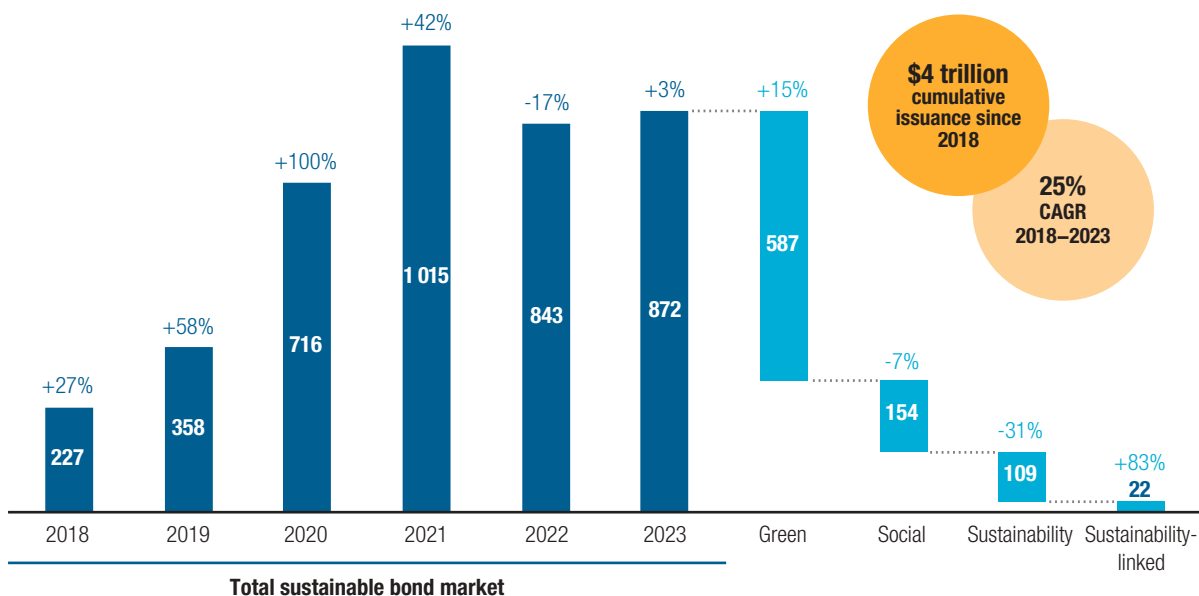
Sources: UNCTAD and Climate Bonds Initiative.



Figure III.1

The sustainable bond market recovered in 2023, aided by green bond growth

Global sustainable bond issuance by year and by category
(Billions of dollars and percentage year-on-year growth)



Source: UNCTAD, based on information from Climate Bonds Initiative.



Issuers based in Europe account for 46 per cent of the global market, with 2023 issuance up slightly from 2022 (figure III.2). The Asia-Pacific region accounted for a third of total issuance, a rise of nearly 40 per cent from 2022. Issuers in North America accounted for 11 per cent of the global market in 2023. Supranational issuance, which is an important source of sustainable bonds, fell to \$24 billion in 2023, from \$106 billion in 2022, a drop of 77 per cent.

Reflecting this regional distribution, the euro is the most common currency used for sustainable debt issuance, accounting for over 40 per cent of total cumulative issuance to date (in equivalent United States dollars). This is followed by the dollar (30 per cent), renminbi (9 per cent) and pound sterling (4 per cent), with the remaining 17 per cent in other currencies.

Developing countries that issue bonds in major reserve currencies while generating revenues in local currencies encounter currency mismatch risks. Investors, especially large institutional ones, often have better access to a variety of financial instruments such as futures, options or swaps, allowing them to hedge against these currency risks. However, this

hedging can lead to demand for higher yields to compensate for the additional risks, ultimately increasing the costs of financing. The involvement of international development finance institutions such as the World Bank, the International Finance Corporation and regional development banks can be crucial in mitigating these risks and reducing the financing costs linked to currency mismatches in bond issuances (UNCTAD, 2023f). In addition, deepening local capital markets and issuing debt instruments in local currencies can also be effective, ensuring that sustainable bonds make a greater contribution to sustainable outcomes.

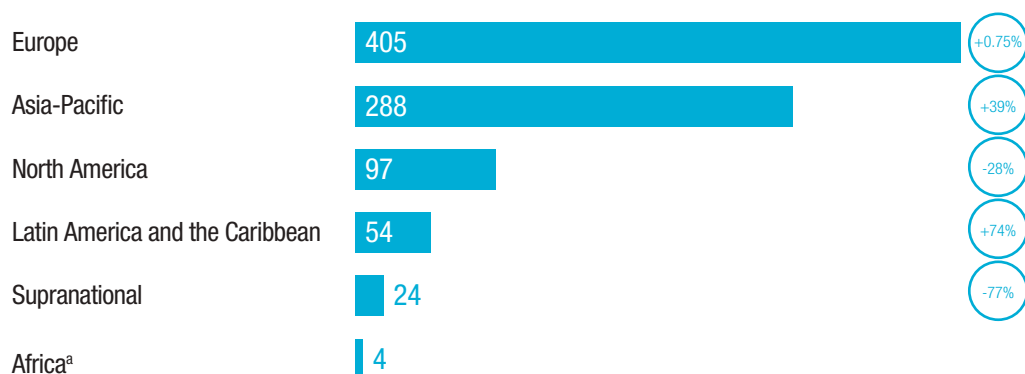
In terms of cumulative issuance (outstanding debt), supranational issuance remains larger than any single country and thus an important generator of finance for sustainable projects. As a group, developing countries remain underrepresented in global sustainable bond markets, even compared with traditional bond markets, although China and Chile rank among the top 15 issuers for cumulative sustainable bond issuance, with \$431 billion and \$53 billion, respectively, at the end of the third quarter of 2023. Their sustainable bond issuance has been helped by strong policy support



Figure III.2

European issuers of sustainable bonds lead the market

Global sustainable bond issuance by region, 2023
(Billions of dollars and percentage change from 2022)



Source: UNCTAD, based on information from Climate Bonds Initiative and Environmental Finance.

^a Percentage change not available because data source and coverage for 2022 differed.

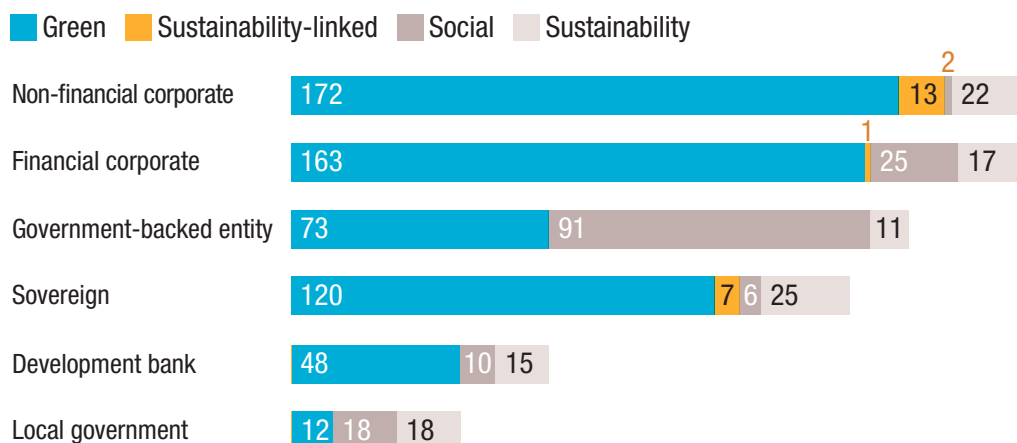




Figure III.3

Corporate issuers dominated sustainable bond issuance in 2023

Global sustainable bond issuance by issuer type
(Billions of dollars)



Source: UNCTAD, based on information from Climate Bonds Initiative.

for the growth of local and international markets (Climate Bonds Initiative, 2023).

Financial and non-financial corporate entities were the largest issuers of sustainable bonds in 2023, followed by government-backed entities (figure III.3). Among the latter, public pension and sovereign wealth funds (PPFs and SWFs) have become more active issuers of sustainable debt as well as more active buyers. Sovereign issuers, the next largest issuer type, account for one tenth of total cumulative issuance of sustainable bonds but about two thirds of the overall debt market, suggesting that there is significant potential to expand the share of sovereign debt in sustainable bond markets (Climate Bonds Initiative).

a. Green bonds

The value of green bonds issued grew 15 per cent to \$587 billion in 2023, from \$509 billion in 2022, representing two thirds of sustainable bond issuance. Looking at use of proceeds categories, this strong growth – reversing 2022 trends – was mainly driven by increases in the energy, transport, information and communication technology, waste and industry sectors (figure III.4). The increase was also

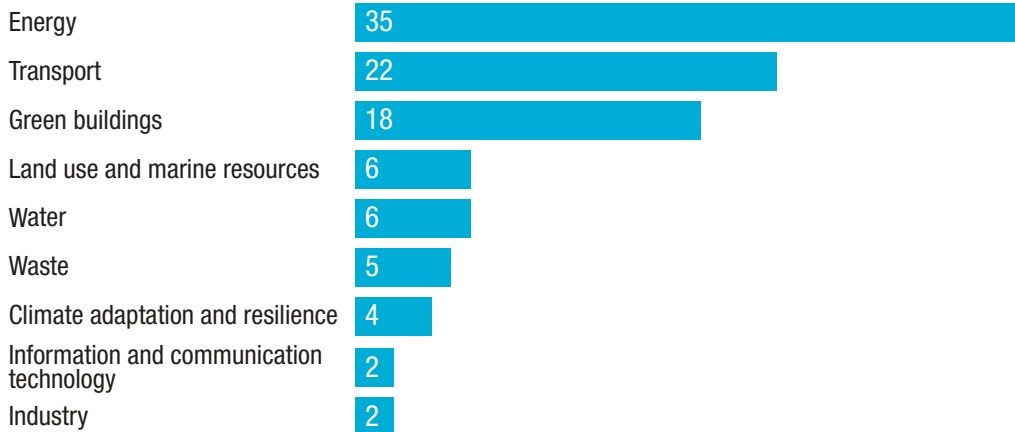
supported by a recovery in sustainable bonds issued by financial corporates to \$163 billion, eclipsing the record highs of 2021, and by non-financial corporates to \$172 billion, which was just short of the 2021 high point of \$174 billion. Notably, sovereign issuance jumped 45 per cent to \$120 billion in 2023, up from \$83 billion in 2022 and surging past the previous all-time high in 2021 of \$92 billion (figure III.5).

In a year of declining values for some sustainable equity investments, the rising demand for green bonds in 2023 could be the result of investors looking for lower-risk routes to gain exposure to sustainable sectors and/or emerging markets, in addition to a general rebalancing towards fixed income in an environment of higher interest rates. Research by the Climate Bonds Initiative has shown that investors are willing to absorb a “greenium” (lower yield and/or higher price) that is usually associated with green bonds, indicating the strength of demand for green versus traditional bonds (Climate Bonds Initiative, 2021). On the supply side, the rise in sovereign issuance may be helping countries to diversify their investor base and provide credibility to green policies.



Figure III.4
Energy, transport and buildings accounted for 75 per cent of the green bond market in 2023

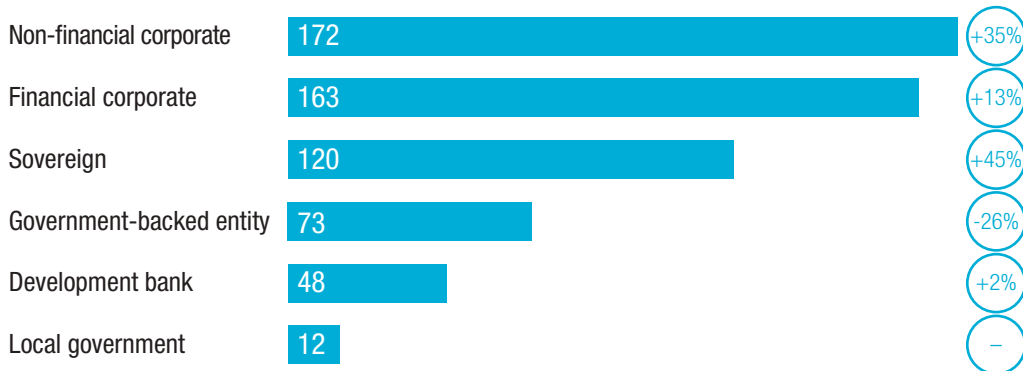
Global green bond issuance by sector
(Percentage)



Source: UNCTAD, based on information from Climate Bonds Initiative.

Figure III.5
Sovereign issuance of green bonds saw the largest gains in 2023

Green bond market size by type of issuer
(Billions of dollars and percentage change from 2022)



Source: UNCTAD, based on information from Climate Bonds Initiative.

b. Social, sustainability and sustainability-linked bonds

The values of both social and sustainability bond issuance both fell in 2023. Social bonds issuance declined by 7 per cent, from \$165 billion to \$153 billion, while that of sustainability bonds fell by 30 per cent,

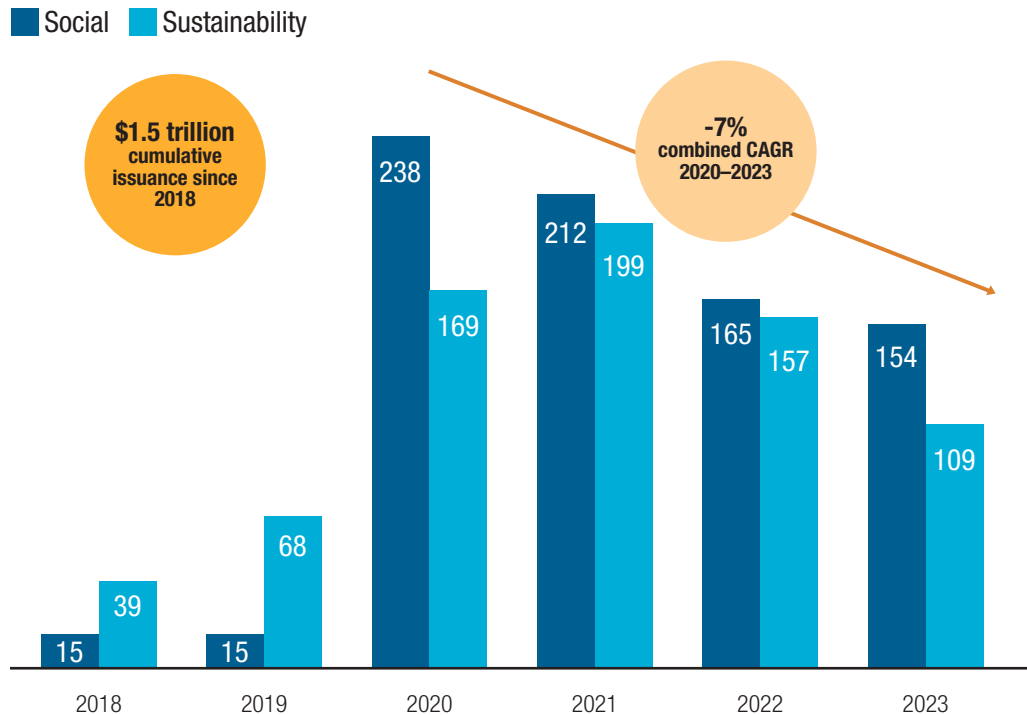
from \$157 billion to \$109 billion. Despite the growing awareness of climate and environmental sustainability issues and the opening of more investment opportunities in social and sustainable projects, both types of bonds continued falling to pre-pandemic levels of issuance (figure III.6). The fall is likely directly related to recovery



Figure III.6

Social and sustainability bond issuance continued to decline in 2023

(Billions of dollars)



Source: UNCTAD, based on information from Climate Bonds Initiative.

from the pandemic, during which the value of COVID-response bonds surged – momentum that has now subsided. Nevertheless, together these two categories still represent 38 per cent of cumulative sustainable bond issuance since 2018.

In contrast, the annual issuance of sustainability-linked bonds increased 83 per cent, from \$12 billion in 2022 to \$22 billion in 2023. This continues a constant annual increase since the introduction of the first such bond by Enel (Italy) in 2019, bringing cumulative issuance of such bonds to \$47 billion. Unlike green, social and sustainability bonds, sustainability-linked bonds are not tied to use of proceeds. This potentially gives issuers more flexibility but may also call into question the sustainability impact of this debt instrument, reflected in the lower alignment of this category with sustainability screening criteria (for further discussion, see *WIR 2020* (UNCTAD, 2020).

Latin America and the Caribbean is the only region where the value of outstanding social, sustainability and sustainability-linked bonds is higher than that of green bonds; they account for more than 90 per cent of total cumulative issuance, according to the Climate Bonds Initiative. Despite social bond issuance there being on a par with that in Europe and in Asia, the region could be missing out on considerable financing opportunities in the green bond segment, especially in sectors such as energy, transport and industry.

In 2023, social bonds were more favoured by government-backed entities and financial corporate entities. Sustainability bonds were more popular with local government, non-financial corporates and sovereign issuers. Sustainability-linked bonds were overwhelmingly favoured by non-financial corporates and sovereign lenders.



2. Sustainable funds

a. Market trends

The sustainable fund market continued to expand in 2023, albeit at a slower pace. The number of sustainability-themed funds worldwide reached 7,485, up 7 per cent from 2022. These funds remain highly concentrated in Europe and the United States, representing 73 per cent and 9 per cent of the global market, respectively. The share of the market in the rest of the world increased slightly, from 16 per cent to 19 per cent, with growth witnessed in Australia and Canada and in developing Asia (figure III.7).

The total assets of sustainable funds reached almost \$3 trillion in 2023, mainly driven by rising share prices in equity markets, in particular in Europe and the United States. Europe remains by far the largest market, with assets of nearly \$2.5 trillion, or 85 per cent of the global market. The value of sustainable funds in the United States increased from \$286

billion in 2022 to \$324 billion in 2023, representing about 11 per cent of the global market. The market share in the rest of the world remains at about 5 per cent.

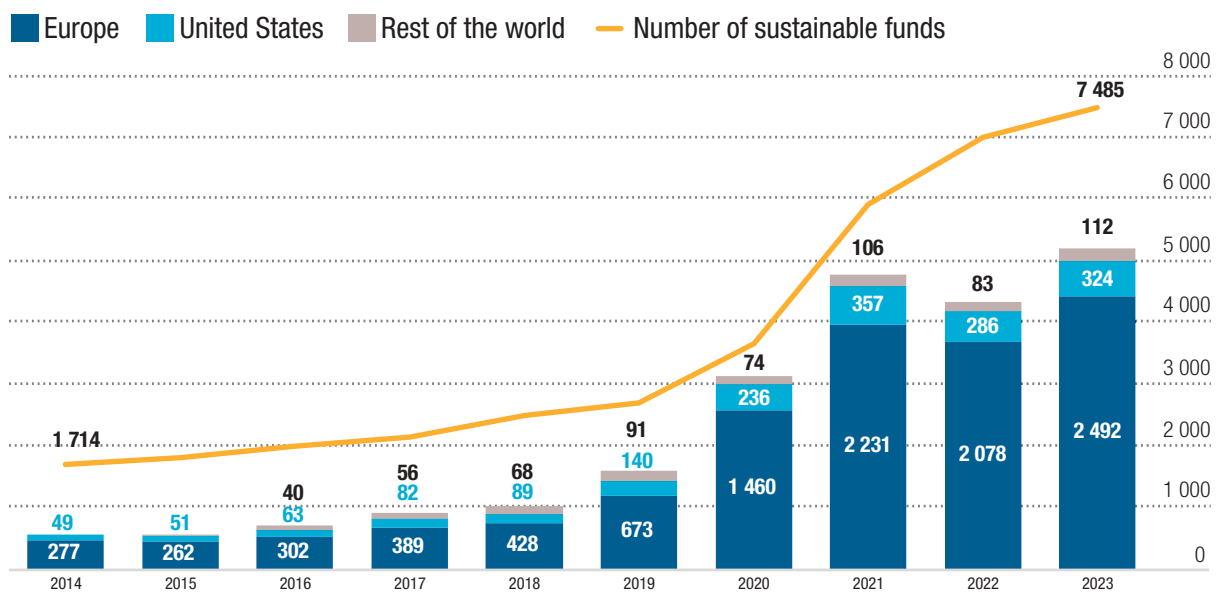
Although the increasing number and value of sustainable funds indicate continued growth, sustainable funds faced a challenging environment in 2023. High interest rates, lagging performance, lukewarm demand and rising concerns about greenwashing issues all contributed to growing uncertainties in the market. As a result, the number of new launches has continued to drop, from a record high of 240 in the fourth quarter of 2021 to 121 in the fourth quarter of 2023. In total, 565 launches were recorded in 2023, down from 682 in 2022. The decline was more than offset by the restructuring of conventional funds into sustainable ones, in particular in Europe, leading to continued expansion of the universe of sustainable funds. Sustainability-themed funds remain an important tool to tilt capital markets



Figure III.7

The market value of sustainable funds recovered in 2023, reaching a record high

(Billions of dollars and number)



Source: UNCTAD, based on Morningstar data.



towards more sustainable investment and thus direct capital to sectors and areas that can contribute to sustainable development.

Net investment flows to sustainable funds also continued to drop, from \$161 billion in 2022 to \$63 billion in 2023, marking a significant decrease from the record of \$557 billion set in 2021 (figure III.8). Throughout 2023, European sustainable funds received net investment inflows of \$76 billion, nearly halved from the \$149 billion of 2022. In addition to a challenging macroeconomic environment and persistent geopolitical risks, some investors have remained cautious about environmental, social and governance (ESG) investing because of the overall underperformance in 2022 and lukewarm returns from popular sustainable investment assets, such as renewables, in 2023. However, compared with annual outflows of \$50 billion from European conventional funds, the European sustainable fund market has remained relatively resilient, demonstrating continued interest by investors in this asset category.

The investment momentum in sustainable funds in the United States reversed completely in 2023. Following a surge in inflows in 2020 and 2021 (\$290 billion and \$472 billion, respectively), new

inflows plummeted to only \$3 billion in 2022. Moreover, 2023 marked the first annual outflows, which totalled \$13 billion. In addition to dismal returns, persisting greenwashing concerns and a backlash against sustainable investment strategies in the United States market (see section C.2) also contributed to a chilling effect on demand.

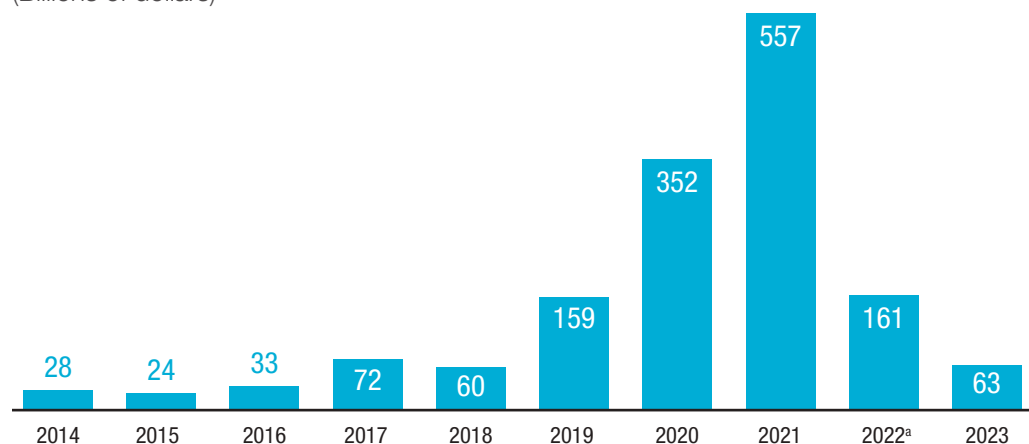
In terms of financial performance, sustainable equity funds underperformed relative to conventional funds for the second consecutive year (Henry and Furdak, 2024). Article 9 funds, the “dark green” products known for their commitment to specific sustainable investment objectives and substantive approach to sustainability integration under the European Union Sustainable Finance Disclosure Regulation (SFDR), underperformed their benchmark by more than 6 per cent in 2023. Article 8 funds, the “light green” products that take environmental or social sustainability into consideration in asset allocation, also underperformed, but by a narrower margin of less than 1 per cent. Only Article 6 funds, which do not incorporate sustainability considerations into their investment strategies beyond basic ESG risk assessments, nearly matched their benchmarks.



Figure III.8

Net flows to sustainable funds continued their slide in 2023

(Billions of dollars)



Source: UNCTAD, based on Morningstar data.

^a The figure for 2022 has been updated since its publication in *WIR 2023*.



This disparity in performance may be attributed to short-term market dynamics that work against some popular sectors in sustainable investments. Renewable energy, for example, has been particularly affected by elevated interest rates, since the sector is particularly characterized by higher upfront costs and lower operational expenses over time. Such short-term fluctuations should not overshadow the long-term benefits of sustainable investing, underscoring the importance of taking a long-term perspective.

b. The greenwashing challenge

As sustainable investment products gain popularity, concerns about greenwashing are also growing. Greenwashing poses the most significant challenge to the sustainable fund market, primarily because of the lack of specific product standards for sustainable funds, including in leading markets. UNCTAD analysis of global green funds published in WIR 2023 revealed that their average net exposure to climate-positive assets (low-carbon assets minus total fossil fuels) is slightly more than 20 per cent, casting doubt on their proclaimed green credentials. According to Morningstar data, just over 20 per cent of Article 9 funds reported minimum sustainable investments aligned with the European Union taxonomy between 0 and 10 per cent, and only 8 per cent target taxonomy-aligned investments of at least 10 per cent. Meanwhile, only 4 per cent are completely free from oil and gas investments, and 15 per cent allocate more than 5 per cent of their assets to oil and gas as of December 2023 (Bioy et al., 2024). These figures suggest that, even among products regarded as “dark green”, a substantial portion might not live up to their sustainability claims. It is not surprising that concerns about greenwashing have dampened investor demand, partly explaining the loss of momentum in investment within the European market and leading to outflows in the United States market.

The persistence of greenwashing has demonstrated that more systemic efforts are needed to tackle the issue. In response to concerns about the implementation of the SFDR, in December 2023 the European Union Commission launched a consultation with the industry and other stakeholders on a general review of the regulation, focusing on bringing more clarity and credibility to the sustainable fund market so as to tackle greenwashing concerns. This consultation addresses critical issues such as the interaction with the European Union taxonomy and other sustainable finance legislation, potential changes to disclosure requirements and the establishment of a categorization system for financial products. In parallel, the European Supervisory Authorities published a final report amending the draft Regulatory Technical Standards for the Delegated Regulation supplementing the SFDR. The report proposes additional social indicators for disclosing the principal adverse impacts of investment decisions on the environment and society, new product disclosure requirements regarding GHG emissions reduction and improvements to disclosures on the “do no significant harm” principle. These measures are designed to bring more clarity to the SFDR and its implementation standards and enhance its consistency with the European Union Taxonomy Regulation with the aim of improving its robustness and effectiveness in addressing greenwashing. (For further discussion of policy responses to greenwashing in other countries, see section C.)

The complexity of defining and combating greenwashing underscores the critical need for clear, verifiable sustainability disclosure rules and effective enforcement to ensure market integrity. In addition, it is essential to establish well-defined rules and product standards that clearly outline the criteria required for a product to be labelled as sustainable. Moreover, reliance on self-assessment should be replaced by external auditing and third-party ratings to ensure market transparency and credibility.

Exposure to climate-positive assets only 20 per cent, casting doubt on green credentials



B. Sovereign and public institutional investors

Institutional investors made progress on sustainability performance and compliance with international sustainability reporting standards in 2023. Since UNCTAD began monitoring in 2019, the number of these funds that report has grown from one in four to almost three in five. Nevertheless, this means that a significant number of these funds still do not disclose any information on their sustainability performance. SWFs and PPFs, with their long-term investment horizons, continued to integrate sustainability into their investment strategies and improve their climate risk management. Yet, a majority of funds still have not committed to net zero in their investment strategies. Both SWFs and PPFs must comply with a range of reporting standards and obligations and have tried to keep pace with the rapidly evolving international landscape for sustainability reporting, especially on climate action.

With assets of more than \$30 trillion at the end of 2023 – a significant portion originating from developing economies – SWFs and PPFs have received growing attention as potential sources of investment, especially in sectors relevant to the Sustainable Development Goals and in developing countries. As the world's largest institutional asset owners, some SWFs and PPFs have substantial market influence through their allocation decisions and strategic influence over the investments they hold through active ownership. PPFs and SWFs also differ from other investors in terms of their liabilities, which are generally long term, and their mandates, which are often aligned with public policy objectives, such as achieving net zero. However, these funds are not always required to disclose and report on their governance or sustainability performance.

Robust regulatory and policy frameworks are needed to ensure that institutional investment can contribute to the sustainable

development agenda, especially in developing countries. For many funds, fiduciary obligations still limit their exposure to sustainable sectors and to developing countries, which have a higher risk premium. Addressing this challenge may require education and training for funds about markets and opportunities in developing countries.

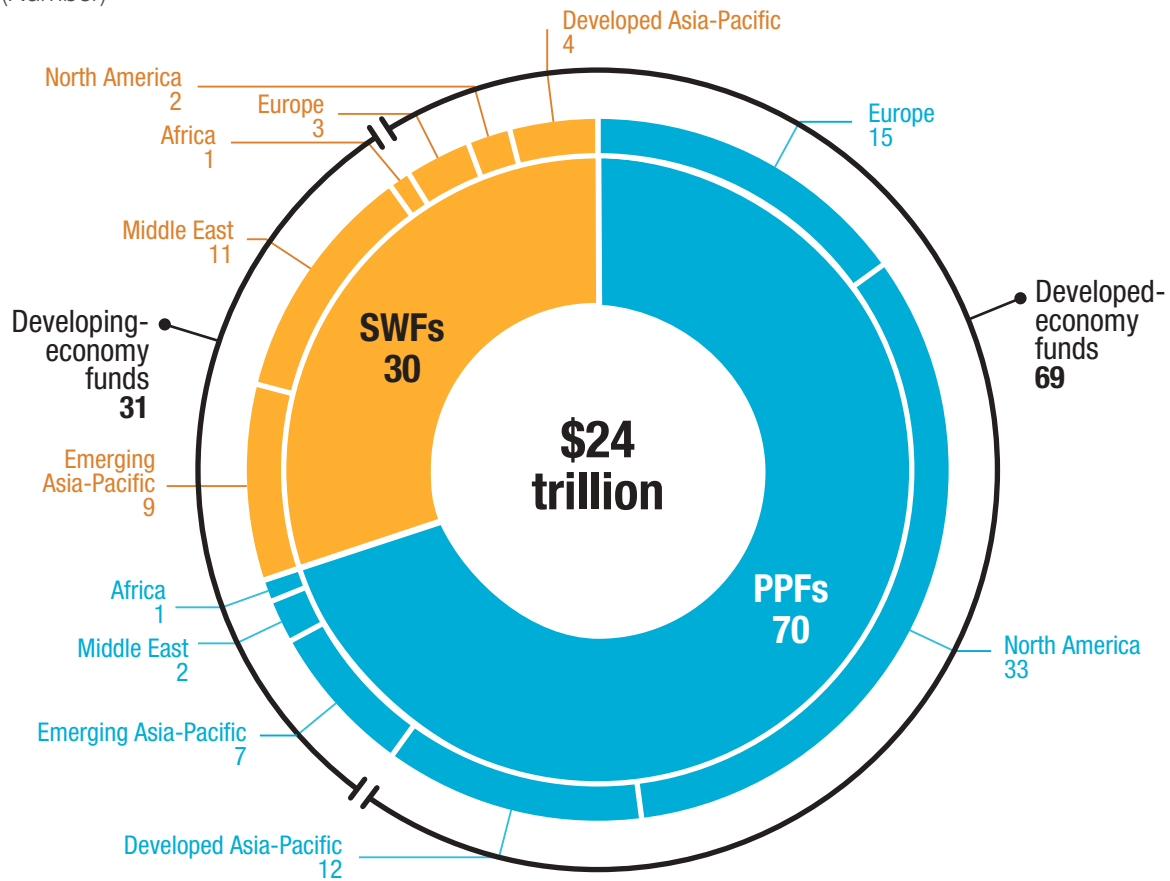
UNCTAD analysis of the top 100 institutional asset owners identified 70 PPFs and 30 SWFs, representing more than \$24 trillion in assets under management in 2023, or 80 per cent of global PPF and SWF assets. More than two thirds of the top 100 are from developed economies; SWFs are predominantly based in developing countries (figure III.9).

In 2023, some 58 of them reported on their sustainability performance, either in a dedicated sustainability report or in annual financial reporting. Among these funds, PPFs are, in general, relatively better at disclosing sustainability-related information



Figure III.9
The top 100 sovereign wealth funds and public pension funds manage \$24 trillion in assets

Funds by type and by region and economic grouping
(Number)



Source: UNCTAD, based on Global SWF (2023).

Abbreviations: PPF = public pension fund, SWF = sovereign wealth fund.

than SWFs (60 per cent of PPFs disclose, against just over 50 per cent of SWFs). Disclosure is strongly linked to the regulatory environment in a fund's jurisdiction. Europe stands out, where 90 per cent of the funds report on sustainability performance, a figure related to the more comprehensive reporting requirements of the European Union.

Among the funds that report, Canadian pension funds make up the majority of those in North America, again reflecting the relatively advanced regulatory environment in that country. Conversely,

some funds in the United States recently experienced pushback against their sustainable investment strategies and sustainability disclosure at the State level as well as from public campaigning.²

Among the top 100, developing-country funds tend to report on sustainability performance less than developed-country funds. A majority of funds in the emerging Asia-Pacific markets do report, but even in countries that have relatively advanced policy environments, such as China and Singapore (see section C),³ several

² Economist Intelligence Unit (2023), Anti-ESG sentiment in the US weakens ESG markets, 29 June, <https://www.eiu.com/n/anti-esg-sentiment-in-the-us-weakens-esg-markets>.

³ UNCTAD Sustainable Finance Regulation Platform: <http://gsfo.org>.

58 of top 100 PPFs and SWFs reported on sustainability performance in 2023

funds in the top 100 do not report. This reflects some implementation challenges and weaker disclosure obligations in these jurisdictions. In the Middle East, a region with many SWFs, fewer than one in three SWFs – and no PPF – reports sustainability-related information, indicating that policy measures to strengthen sustainability reporting would be helpful.

Despite advances, the dichotomy in disclosure persists. Forty-two funds still do not report on their sustainability performance. This group includes almost half of the SWFs in the top 100, with a noticeable concentration in the Middle East and emerging Asia. In the case of PPFs, the tendency not to report is skewed towards North America. This is partly the result of the weight of these regions in the top 100 but

also likely related to regulatory requirements that are weaker than in Europe.

At the same time, the funds that do report exhibit some of the most advanced policies on sustainability integration. They are making sustained efforts to address sustainability risks, both for the material threat to their business models and out of an ethical stance towards future generations. This group of asset owners comprises many first movers, several of which have been addressing sustainability issues for many years already and now employ, for example, complex climate modelling analysis and valuation models and rigorous screening of investments. The following analysis is based on the public disclosures of the 58 reporting funds in the top 100.

1. Sustainability integration strategies and practices

Most reporting funds articulate a clear vision for sustainability integration and have implemented policies and guidelines to manage sustainability risk, such as specific strategies on climate change mitigation. Many funds have also created dedicated sustainable investment teams. Yet, despite the existence of such climate strategies, only one in three of these funds reported a target for fossil fuel divestment in 2023, a share unchanged from the preceding year.

a. Investment strategies

Sustainability risk has been driving PPF and SWF investment strategies and decision-making for several years. In 2023, 9 out of every 10 funds reported the general integration of sustainability considerations in their investment strategies (figure III.10).

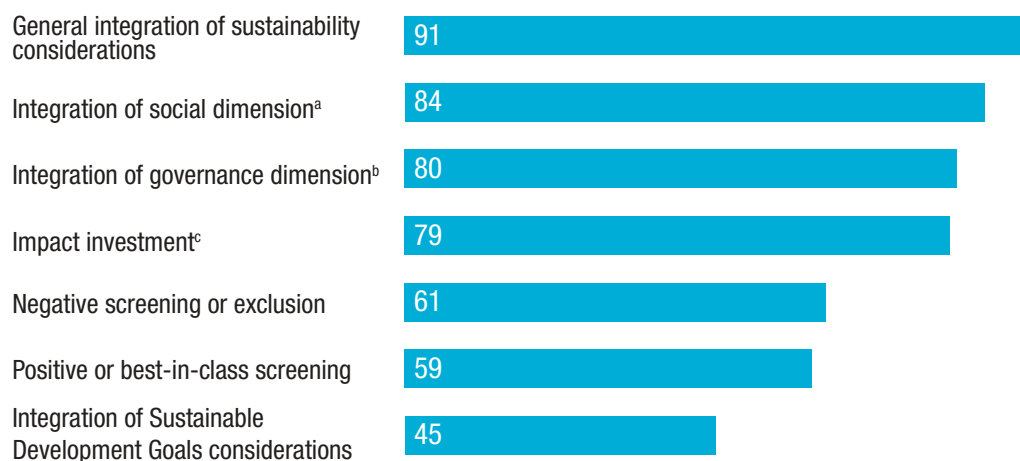
Four out of every five funds reported the integration of social and governance dimensions in their investment strategies by taking into account issues such as labour

rights, executive pay, tax contributions and board diversity. A similar number of funds also reported impact strategies, especially on the environmental side; these can involve sectoral targeting, such as renewables, and capital market instruments, such as green or sustainability bonds. Less than half mentioned the integration of the Sustainable Development Goals in their investment decisions.

Another way funds integrate a sustainability perspective in their investment strategies is through active ownership. In 2023, almost 80 per cent report engagement with their investees (figure III.11). This enables funds to influence the behaviour of their portfolio holdings through discussion or voting for policy changes. While more than two thirds of funds reported providing guidance on ESG criteria and Goals criteria to their asset managers and investees, less than a quarter offered their asset managers training on these topics.



Figure III.10
Sustainability shapes investment strategies used by funds in 2023
(Percentage of reporting funds)



Source: UNCTAD, based on latest fund reporting (2023); some latest reports from 2021 and 2022.

Note: Funds can report more than one strategy.

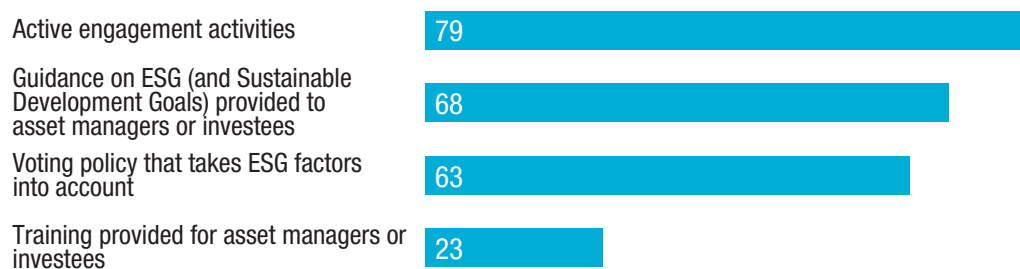
Abbreviation: ESG = environmental, social and governance.

^a Includes issues related to child labour, diversity and others.

^b Includes issues related to executive pay, board diversity, tax and others.

^c Includes ESG-oriented sectors (e.g. renewable energy, green housing) or capital market instruments (e.g. green bonds, ESG funds) or markets (emerging and developing economies) in ESG investment.

Figure III.11
Institutional investors are active owners of their assets
(Percentage of reporting funds)



Source: UNCTAD, based on latest fund reporting (2023); some latest reports from 2021 and 2022.

Abbreviation: ESG = environmental, social and governance;

b. Climate-related actions

Reporting funds demonstrate significant engagement on climate change mitigation, with 9 out of 10 funds having developed specific strategies addressing climate issues. This is partly the result of regulations and fund commitments in this area and partly because of the nature of climate-related reporting metrics available to funds. Nonetheless, while this commitment is significant, the actions taken vary in depth and potential effectiveness and point to areas for further development.

Funds are more likely to set targets for investment in renewable energy than to define a target for divestment from fossil fuels, with just under a third of funds doing both (figure III.12). Among those that do have targets for both, funds in Europe, particularly those in Nordic countries, take the lead with a dual strategy that includes significant investments in renewable energy and assertive fossil fuel divestments. This approach aligns with the comprehensive climate policies in Europe and reflects strategic diversification. This is also true for hydrocarbon funds, such as Norges Bank Investment Management

(Norway), which are transitioning towards more sustainable energy solutions.

Despite robust investments in renewable energies, PPFs in North America take varied approaches to fossil fuel divestment, influenced by diverse state-level policies and public opinion. PPFs, such as the Healthcare of Ontario Pension Plan (Canada) and the New York State Common Retirement Fund (United States), lean heavily towards renewable energy investments, but these funds are less proactive in divesting from fossil fuels. This difference reflects the balancing act between sustainable commitments and funds' fiduciary duty to ensure stable returns.

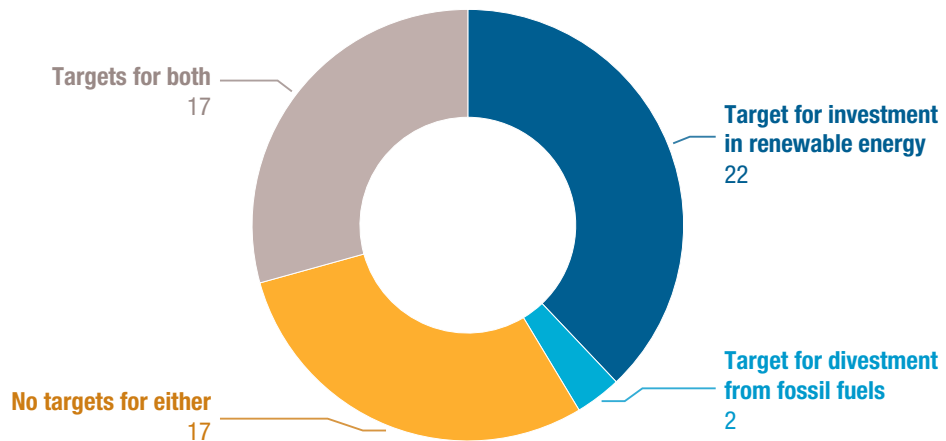
Middle Eastern and African funds, such as Mubadala (United Arab Emirates), which receives funding from sources in the hydrocarbons industry, and the Public Investment Corporation (South Africa), which is linked to an energy sector still dependent on coal, temper their approach. The result is a careful balance between exploring renewable energy investments and maintaining stakes in fossil fuels. This nuanced approach reflects the complex interplay between these



Figure III.12

Only 30 per cent of funds have targets for renewables investment and fossil fuel divestment

Funds by type of target
(Number)



Source: UNCTAD, based on latest fund reporting (2023); some latest reports from 2021 and 2022.



regions' economic priorities, including employment in fossil fuel industries, and their sustainable development objectives.

Among funds that have committed to achieving net zero or carbon neutrality, most have set the target year of 2050. Some have set more ambitious targets, while others, particularly those associated with hydrocarbon sectors, have set later targets, such as 2060.

Three quarters of reporting funds have adopted sophisticated, systematic climate risk assessment strategies. This signifies a commitment by a majority of reporting funds to integrate climate risk into their risk management frameworks, aiming to mitigate vulnerabilities and exposure

to transitional and physical risks, and to explore new opportunities (table III.1). North American funds, such as the California State Teachers' Retirement System, are pioneers in climate scenario analysis, exploring how various global warming scenarios could influence its portfolio. SWFs in oil-rich regions often integrate broader risk management approaches, possibly because of their exposure to the fluctuating dynamics of the energy sector amid global decarbonization efforts. Sectoral analysis is gaining traction among European funds, which scrutinize specific industries for climate-related vulnerabilities, allowing for more targeted risk mitigation efforts. About 20 per cent of funds also conduct climate stress testing of their investment portfolio.



Table III.1
Most funds systematically assess sustainability and climate risk

Category	Number of funds
Integrated risk management	25
Climate scenario analysis	20
Sectorial analysis	7
Stress testing	7
Portfolio testing	6

Source: UNCTAD, based on latest fund reporting (2023); some latest reports from 2021 and 2022.

Note: Number of reporting funds = 41.

2. Sustainability disclosure

a. Reporting frameworks and standards used by funds

In 2023, PPFs and SWFs maintained their commitment to the standardization of sustainability reporting. The Task Force on Climate-related Financial Disclosures (TCFD) and the Principles for Responsible Investment are the two main frameworks that funds use for their sustainability reporting (figure III.13). Following closely are the new International

Financial Reporting Standards (IFRS) Sustainability Disclosure Standards set by the International Sustainability Standards Board (ISSB), the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB).

The growing adoption of the new ISSB standard, which incorporates the elements of the TCFD standard, represents a significant development in SWF and PPF sustainability reporting, showing the

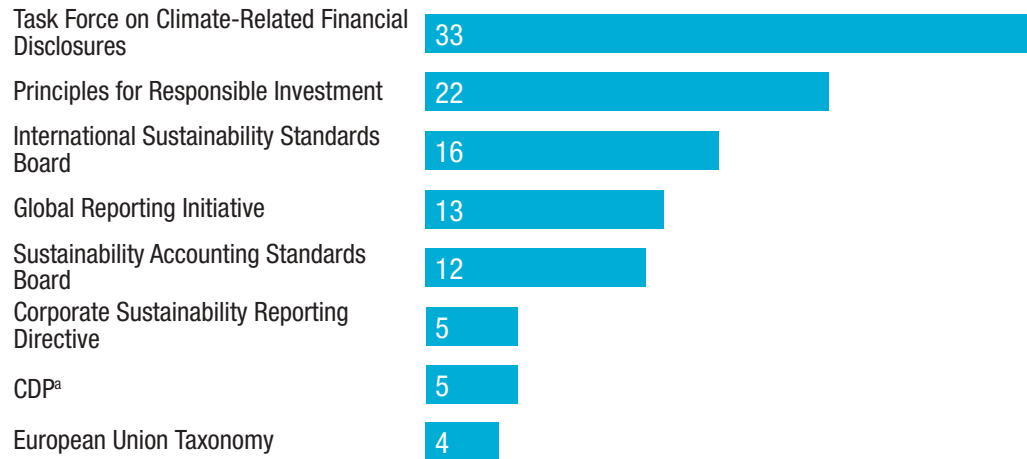




Figure III.13

Most funds use a global sustainability reporting standard or framework

(Number of reporting funds)



Source: UNCTAD, based on latest fund reporting (2023); some latest reports from 2022.

^a CDP was formerly known as the Carbon Disclosure Project.

potential rise of the standard as a global baseline for sustainability disclosure. Nonetheless, the variety of frameworks and standards in use shows that further convergence will be beneficial for enhancing comparability and consistency in disclosure among SWFs and PPFs.

b. The main reporting metrics used for sustainability disclosure

While almost 95 per cent of reporting funds have put in place policies on sustainability, fewer funds – 64 per cent – clearly disclose the metrics or methodologies they use to measure sustainability performance and impact.

Reporting funds mainly use 16 indicators to measure their sustainability performance, categorized into five reporting areas (figure III.14). Climate and GHG emissions are the main area of disclosure and measurement: among the 37 funds reporting on indicators, more than 60 per cent have set specific ones for GHG accounting. The indicators are categorized into three types: absolute emissions, emissions intensity and total carbon footprint.

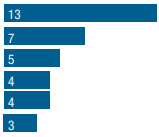




These calculations are typically applied to portfolios: funds generally monitor scope 1 and scope 2 GHG emissions (in tons of carbon dioxide equivalent), with a small minority of funds going further and reporting on scope 3 emissions.

For those funds that use emissions intensity metrics, the largest number use the carbon footprint indicator, describing the total carbon emissions for a portfolio. Nearly half use the TFCF-recommended weighted average carbon intensity, which indicates the portfolio's exposure to carbon-intensive companies, expressed in tons of carbon dioxide equivalent per million dollars of revenue. It assesses a portfolio's carbon efficiency by considering each investment asset's revenue-based emissions intensity and its weight in the portfolio.

Some funds consider operational emission reduction actions of invested companies, including energy consumption, renewable energy usage and operational carbon footprint calculation. However, few funds incorporate science-based climate targets into their metrics system. Regarding environmental protection and resource consumption, specific indicators include



Figure III.14
SWFs and PPFs reported sustainability metrics in five areas in 2023

Reporting indicator	Number of funds reporting	Examples
GHG accounting	36	
<ul style="list-style-type: none"> Carbon footprint of investments Scope 1 and 2 GHG emissions of investments Carbon intensity (no specific calculation methods) Scope 3 GHG emissions of investments Weighted average carbon intensity Absolute emissions of investments (no scope) 		<ul style="list-style-type: none"> Total portfolio emissions (tCO₂e) Portfolio carbon intensity (tCO₂e/\$ million of portfolio value) Portfolio weighted average carbon intensity (tCO₂e/\$ million of revenue)
Sustainable investment targets	17	
<ul style="list-style-type: none"> Sustainability considerations in investments Investments in Sustainable Development Goals and climate solutions Exposure to fossil fuels 		<ul style="list-style-type: none"> Electricity production from renewable energy sources Fossil fuel revenue
Climate risk and emissions reduction	17	
<ul style="list-style-type: none"> Climate risk and climate stress test Emissions reduction of operations Science-based climate target 		<ul style="list-style-type: none"> Climate-neutral and circular internal business operations Number of portfolio companies with science-based net-zero 2050 target
Corporate governance-related targets	12	
<ul style="list-style-type: none"> ESG/sustainability related Others Diversity related 		<ul style="list-style-type: none"> Work-related injuries, net new hires and employee engagement Gender, age, ethnic and cultural background, and work capacity
Environment-related targets	5	
<ul style="list-style-type: none"> Environmental protection and resource consumption 		<ul style="list-style-type: none"> Waste management, environmental performance of properties Water withdrawal

Source: UNCTAD, based on latest fund reporting.

Abbreviations: ESG = environmental, social and governance, GHG = greenhouse gas, PPF = public pension fund, SWF = sovereign wealth fund, tCO₂e = tons of carbon dioxide equivalent.

expenditure on environmental protection by portfolio companies, water withdrawal rates and whether portfolio companies have a responsible waste management system. Regarding corporate governance, funds predominantly use ESG and sustainability-related metrics; company diversity and issues such as employee training are also reported. In general, social areas are underreported compared with environmental and climate areas. Social issues are typically considered within the broader context of sustainability, with only one fund specifically addressing the social impact of portfolio companies.

To ensure the quality of sustainability reporting, third-party verification or auditing is important, in the same way that financial reporting is audited. Yet only one in four

reporting funds use third-party verification. Despite its importance for ensuring credibility and trust (and combating greenwashing), auditing is currently voluntary. Nevertheless, the International Auditing and Assurance Standards Board (IAASB) is developing the International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements, which will be issued before the end of 2024. It is intended to serve as a general standard suitable for any assurance purpose. According to the IAASB, it will apply to sustainability information reported across any sustainability topic and prepared under multiple frameworks, including the recently released IFRS Sustainability Disclosure Standards S1 and S2.

C. Policies, regulations and standards

In 2023, the IFRS Foundation launched the Sustainability Disclosure Standards, which have attracted significant interest globally. The emergence of international standards, including the IFRS and European standards, has created spillover effects that affect developing economies and their small and medium-sized enterprises (SMEs). Progress has been made in enhancing the interoperability of international standards. Stock exchanges also continue to play a vital role in the adoption and implementation of sustainability reporting. Governments from both developed and developing economies have accelerated sustainable finance policymaking, focusing on leveraging capital markets for climate transition. In 2023, 26 of the 35 economies tracked by the UNCTAD Global Sustainable Finance Observatory introduced more than 90 measures dedicated to sustainable finance, marking a significant increase from the 63 measures adopted in 2022. Countries are integrating sustainable finance into national development strategies more and more, prioritizing policy impact and effectiveness.

1. International sustainability reporting standards

a. New standards

June 2023 saw the launch of the first two of the IFRS Sustainability Disclosure Standards by the ISSB, after a global consultation process. The International Organization for Securities Commissions (IOSCO) issued a statement endorsing the standards and called on its 130 member jurisdictions, which regulate more than 95 per cent of the world's financial markets, "to consider ways in which they might adopt, apply or otherwise be informed by the ISSB standards within the context of their jurisdictional arrangements, in a way that promotes consistent and comparable climate-related and other sustainability-related disclosures for investors." This

statement has been received as a strong signal from market regulators to encourage the adoption of the ISSB standards.

The ISSB, created in 2021 by the IFRS Foundation, develops standards that form a global baseline for disclosure of sustainability-related risks and opportunities, to meet the needs of investors and other capital market participants. It was formed in response to strong demand from capital market participants and international policymakers, including the members of the Group of Seven, the Group of 20 and the Financial Stability Board, to harmonize and simplify the landscape of investor-oriented sustainability disclosure standards.



The first standard, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, sets out a requirement for an entity to disclose information about all risks and opportunities related to material sustainability that could reasonably be expected to affect the entity's prospects. It provides conceptual foundations to aid the disclosure of this information, as well as core content requirements applicable to all sustainability-related risks and opportunities. IFRS S2 Climate-related Disclosures provides more detailed requirements for the disclosure of climate-related information.

At its formation, the ISSB merged with four formerly independent bodies: the TCFD, the Climate Disclosure Standards Board (CDSB), the SASB and the International Integrated Reporting Council (IIRC). As a result, the ISSB standards draw heavily from the voluntary investor-focused standards and frameworks produced by those four bodies. Companies using ISSB standards should make disclosures about their governance and risk management of sustainability and climate-related risks and opportunities, as well as the strategy, metrics and targets used to manage those risks and opportunities. In line with the concept of providing a globally consistent baseline, national policymakers may add building blocks to the ISSB's standards in order to meet local reporting objectives, provided that local provisions do not obscure information required by the global baseline.

Following the launch of the ISSB standards and their endorsement by IOSCO, the ISSB set three new priorities. First, for future areas of disclosure standardization, the ISSB is exploring biodiversity, ecosystems and ecosystem services, as well as human capital. It has also published educational material on nature and social aspects of climate-related risks and opportunities. Second, in support of adoption of the standards by market participants, the ISSB has established a partnership framework for capacity-building, working with public and private organizations, global and local,

to ensure accelerated readiness among jurisdictions to adopt the standards. A dedicated IFRS Sustainability Knowledge Hub was also launched to guide report preparers. Third, in support of adoption of the standards by jurisdictions, the ISSB has been engaging with regulators worldwide and has published a preview of a jurisdictional guide for the adoption or other use of the standards.

b. Status of adoption

An increasing number of jurisdictions have already adopted the ISSB standards, with many others working on adoption (table III.2). While some intend to implement the standards fully as the globally consistent baseline, others plan to introduce amendments to them, which may result in inconsistencies in the information reported by complying entities.

In response to the rise of international and regional standards and their spillover effects through global supply and investment chains, many countries, including developing ones, are taking action to modernize their company reporting systems by aligning them more closely with international best practices.

However, several challenges could pose severe barriers to policymaking in this area in developing economies (UNCTAD, 2024c). They include (a) the fragmentation of international standards, (b) the lack of robust national sustainability reporting infrastructure, (c) insufficient knowledge and human capacity, and (d) limited access to sustainability data. Addressing these issues would require enhanced international coordination on sustainable finance regulations, especially in standard-setting, while considering the specific needs and challenges faced by developing economies.

Technical support will also be essential. Towards this end, UNCTAD, through its Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, is supporting countries in reinforcing their regulations and

17
jurisdictions
using ISSB
standards, with
others working
towards
adoption





Table III.2
Jurisdictions move toward adopting ISSB standards

Jurisdiction	Status as of April 2024	Implementation date
Australia	Consulting on standards until 1 March (currently adopting only IFRS S2)	Staggered implementation from January 2025
Bangladesh	Introduced mandatory requirements for banks and finance companies	January 2024
Brazil	Adopting in full (IFRS S1 and S2)	January 2026
Canada	Consulting on draft standards from March to June 2024	January 2025 for listed companies, January 2027 for unlisted companies with assets of more than \$1 billion
Costa Rica	Adopted in full (IFRS S1 and S2) in 2024	Phased mandatory adoption for public companies (January 2025) and companies classed as large taxpayers (January 2026)
Japan	Issued standards for consultation	March 2025
Kenya	Developing a road map	-
Malaysia	Consulted on standards	Phased mandatory adoption for listed and unlisted companies December 2025–December 2027
Morocco	Reviewing disclosure and target-setting requirements	Early 2025 (currently only for banks)
Nigeria	Consulted on adoption road map	Phased mandatory adoption for listed companies and SMEs between January 2027 and January 2030
Pakistan	Consulting on adopting IFRS S1 and S2	Phased mandatory reporting between January 2025 and January 2027
Philippines	Revising sustainability reporting guidelines for listed companies to incorporate IFRS S1 and S2	January 2025 for listed companies, January 2027 for unlisted companies with assets of more than \$1 billion
Republic of Korea	Finalizing standards for June 2024	January 2026 or later
Singapore	Introduced mandatory climate-related disclosures (currently adopting only IFRS S1 for climate reporting)	January 2025 for listed companies, January 2027 for unlisted companies with assets of more than \$1 billion
Türkiye	Adopted in full (IFRS S1 and S2)	January 2024
United Kingdom	Consulting on standards until July 2024	-
Hong Kong, China	Developing adoption road map	-

Source: UNCTAD.

institutions, and building human capacity to implement international standards, such as those of the ISSB. Since 2021, UNCTAD has been launching regional partnerships to promote high-quality sustainability reporting in developing countries. The Partnerships in Africa (29 countries and 58 institutions) and in Latin America (30 institutions in 15 countries) have become operational over the past two years. At the 2023 World Investment Forum, UNCTAD announced additional regional partnerships for Asia, Eurasia, and the Gulf States and neighbouring countries. These partnerships

are vehicles for facilitating the exchange of good practices in the implementation of sustainability reporting standards.

c. Policy spillover effects

The effects of these international standards can extend beyond the jurisdictions where they are formally adopted, through global supply chains. Large companies and financial institutions increasingly require their suppliers or investee companies to report on sustainability. For example, beyond disclosing scope 3 GHG emissions



along supply chains, the ISSB S2 standard requires financial institutions to report “financed emissions” – the emissions associated with their investments, including those in SMEs. The SFDR of the European Union includes similar requirements. As sustainable finance gains traction, all companies, including SMEs, are increasingly expected to provide sustainability reports to meet investor demands.

In some cases, companies may need to comply with regulations in markets where they have significant operations, even if they are not listed there. For example, under the European Union Corporate Sustainability Reporting Directive (CSRD), non-European Union companies will have to report if they generate more than €150 million in the European Union market. It is estimated that about 3,000 United States companies and more than 10,000 businesses worldwide will be affected by the requirements (Huck, 2023). Similarly, the climate disclosure rules released recently by the United States Securities and Exchange Commission (SEC) include requirements for not only local, but also foreign incorporated entities (SEC, 2024).

Sustainability reporting requirements can further arise from legislative developments beyond the immediate standard-setting community. For instance, the European Union Carbon Border Adjustment Mechanism is not specifically a sustainability disclosure regulation, yet its implications for climate-related disclosures will extend well beyond Europe. Starting in October 2023, importers of certain goods into the European Union are required to report quarterly on the direct and indirect emissions embedded in each product.

The requirements related to these standards and related regulations will have a cascading effect, affecting exporters and their suppliers, including SMEs from other regions, and posing notable challenges for developing economies. This challenge urgently requires international coordination, including enhanced interoperability and consistency among international and regional standards.

d. Interoperability

With the shift from voluntary disclosure initiatives towards mandatory reporting requirements, there has been a renewed impetus to examine the consistency and interoperability of the sustainability reporting landscape. As new requirements are introduced, businesses operating across jurisdictions may face inconsistent disclosure obligations, leading to greater workloads and potential inconsistencies in the information reported from one jurisdiction to another. Similarly, investors operating internationally may face an additional challenge when comparing the disclosures of companies they are assessing.

Overall, the newly developed requirements can be classified by their focus on single materiality or double materiality. Single materiality (sometimes referred to as “investor materiality” or “financial materiality”) is primarily intended to inform a general investor audience and thus focuses on the impact of sustainability on an entity’s prospects and financial performance. Examples of such requirements include the ISSB standards and the climate rule of the United States Securities and Exchange Commission. Other requirements, such as the European Sustainability Reporting Standards and the proposed requirements in China, take a double materiality (also known as “impact materiality”) approach, covering both the impact of sustainability on the entity and the impact of the entity on sustainability. The GRI standards focus specifically on double materiality.

To minimize potential inconsistencies and issues with interoperability, standard-setters have been working to align their standards more closely. Notable examples are the efforts by the European Financial Reporting Advisory Group, which develops the European Sustainability Reporting Standards, in achieving a “high level of alignment” with the GRI standards and the ISSB IFRS S2 standard on climate change.

The IFRS Foundation and GRI have also published a summary of interoperability

Inconsistent disclosure obligations across jurisdictions creates more work for reporting entities



Markets
that require
sustainability
reporting: 38
and growing.
**SDG 12.6
on track**

considerations for GHG emissions, to support more efficient reporting for companies that use both the ISSB standards and the GRI standards. This resource was developed under the two organizations' collaboration agreement, to coordinate their sustainability-related work programs and standard-setting activities.

As jurisdictions continue their implementation of sustainability disclosure regimes, international investors and others continue to highlight the importance of consistent requirements. Where existing requirements are in place or well under way, some have proposed that international standards should be given equivalence to local requirements, especially in the case of foreign entities, to avoid potential conflicts within the requirements and allow for more streamlined global sustainability reporting. Such equivalence has been achieved in financial reporting, where for example foreign private issuers listed on a United States exchange are permitted to prepare their financial statements according to IFRS accounting standards as an alternative to the Generally Accepted Accounting Principles standards more commonly used by United States companies.

e. Stock exchanges promoting adoption and implementation

As the interface between market regulators, issuers (both bond and equity), investors and standard-setters, stock exchanges are playing an important practical role in promoting the implementation and adoption of sustainability reporting standards and new sustainable finance products (figure III.15). In 2023, the number of exchanges with ESG-themed bond segments increased, continuing a sharp rise in these segments

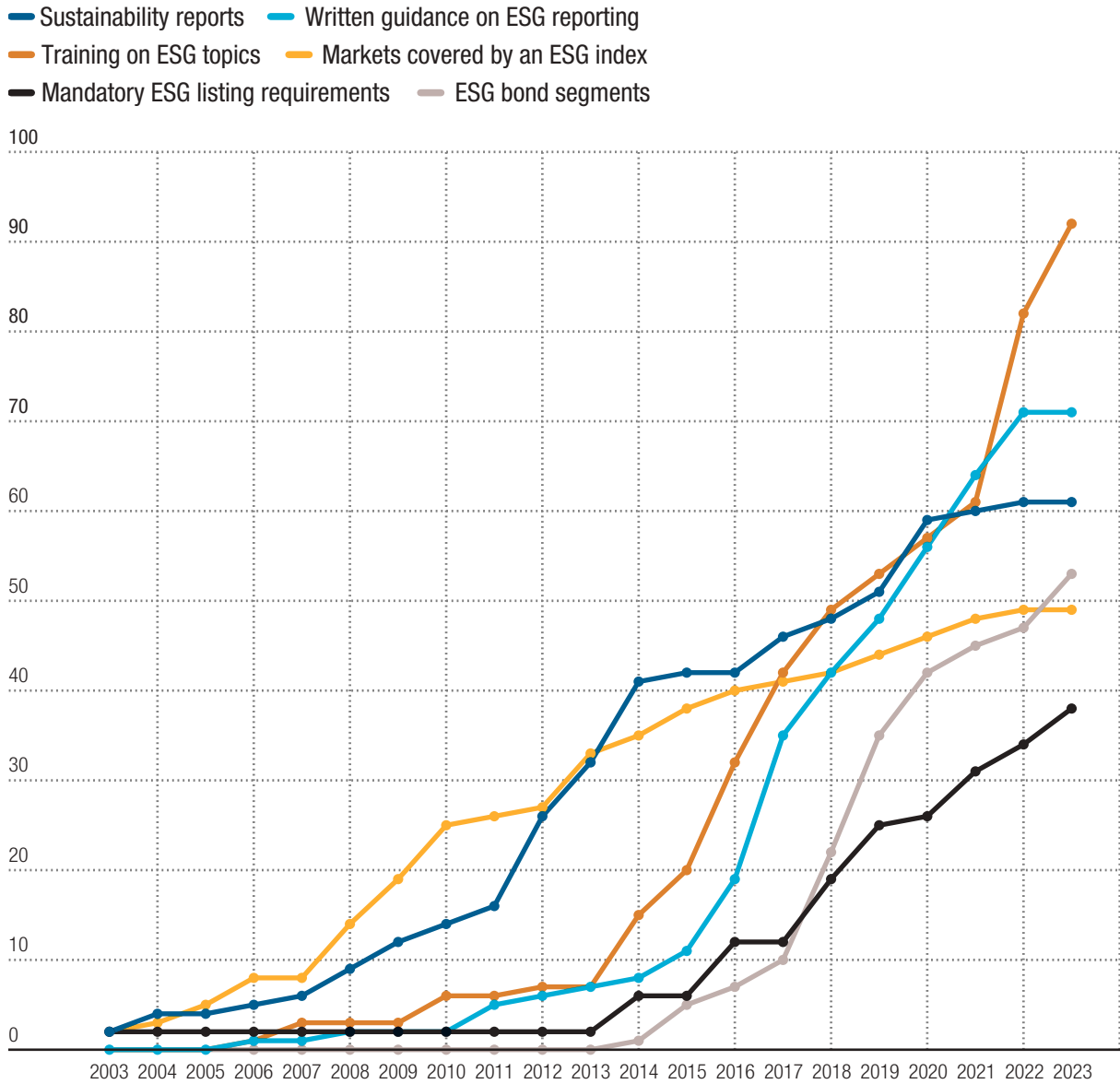
since 2017 and for the first time exceeding the number of markets covered by an ESG equity index. For many years, sustainable finance focused primarily on equity markets, but this has changed in recent years as sustainability-themed products also emerged in the bond market, derivatives markets and elsewhere. The past year also saw a continued upward trend in mandatory listing requirements related to sustainability reporting, with 38 markets having such rules, up from close to zero just a decade ago. The standardization and regulation of sustainability reporting is also creating greater demand for market education on this topic, as a core mandate of exchanges is to educate market participants on compliance issues and transparency and reporting. The past year saw a continued sharp upward trend in the number of exchanges providing such training.

As of the close of 2023, about 59 per cent (71) of all exchanges offered written guidance to issuers on sustainability reporting, a more than tenfold increase from a decade earlier. This written guidance, often voluntary, plays a critical role in preparing market participants for mandatory rules that typically follow. The trend lines over the past decade show a strong relationship between exchange guidance issuance and mandatory listing rules. In light of these ongoing trends, the objective of Sustainable Development Goal 12.6 concerning sustainability reporting is on track to be attained by 2030. The market is gravitating towards a more concentrated set of standards. Exchanges are actively endorsing global ESG reporting frameworks. The GRI standards remain the most frequently cited, followed by the four component standards of the ISSB (those of CDSB, IIRC, SASB and TCFD).



Figure III.15
Stock exchanges continue to play an important role in promoting sustainability standards and products

(Number of exchanges with standard or product)



Source: UNCTAD, Sustainable Stock Exchanges database.

Abbreviation: ESG = environmental, social and governance.

2. Policymaking at national and regional levels

a. Overview

The rapid expansion in the sustainable finance market has brought about the parallel growth of national sustainable finance measures. National and regional governments are increasingly creating policies and regulatory frameworks to leverage capital markets to achieve their net-zero goals. The UNCTAD Global Sustainable Finance Observatory monitors sustainable finance regulations and policy measures in 35 economies (countries and economic groupings). They include the members of the Group of 20, the largest developing economies outside the Group

of 20 and selected financial centres. Together these economies represent more than 90 per cent of global GDP and the world's largest capital markets.

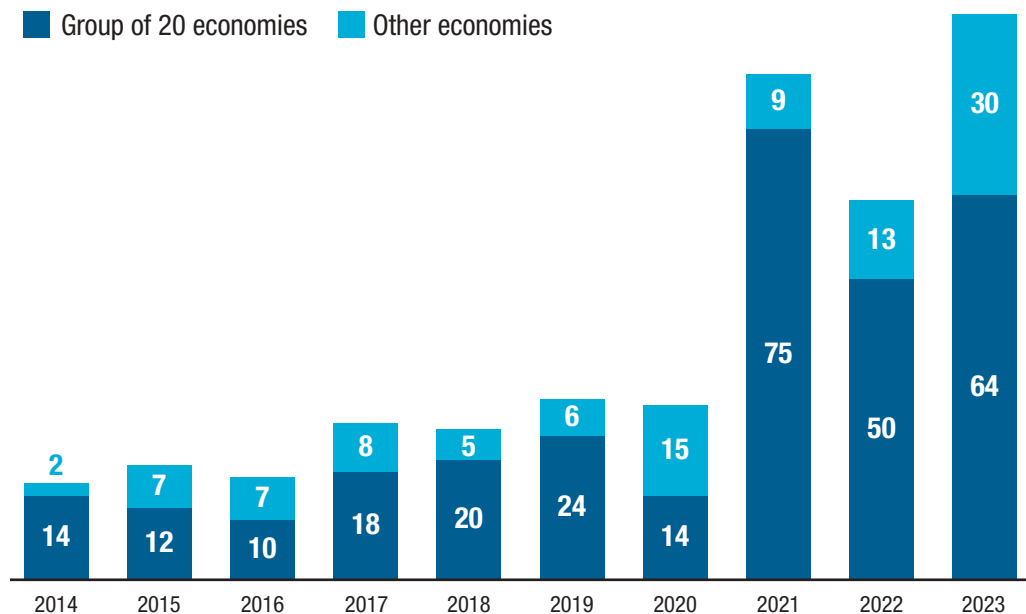
In 2023, these economies introduced a total of 94 sustainable finance policies and regulations. This brings the cumulative number of sustainable finance measures since 2014 to 516, with nearly 60 per cent of them introduced in the past five years, partly in response to the rapid expansion of the sustainable finance market and product availability (figure III.16). Meanwhile, at least 69 sustainable finance measures are in development.



Figure III.16

Record level of new sustainable finance policy measures and regulations adopted in selected economies in 2023

(Number of measures adopted by year)



Source: Global Sustainable Finance Observatory (GSFO.org), based on UNCTAD, PRI and World Bank data.

Notes: Encompasses seven key policy areas for sustainable finance: national strategy, national framework and guidelines, taxonomy, product standards, sustainability disclosure, sector-specific regulations and carbon pricing. Other economies are Switzerland; 13 developing economies (Bangladesh, Chile, Colombia, Egypt, Kenya, Malaysia, Nigeria, the Philippines, Singapore, Thailand, the United Arab Emirates and Viet Nam, as well as Hong Kong, China); and ASEAN. Relevant measures of the European Union included in Group of 20 economies.

^a Number updated to include incentive-related measures.



The most popular policy area is sustainability disclosure, accounting for 37 per cent of all measures (figure III.17). This highlights the priorities of improving market clarity and credibility and addressing greenwashing concerns. Sector-specific measures, which covered sustainable banking, insurance, asset management and others, constituted 23 per cent of total measures, and national strategies and frameworks another 17 per cent. Although specific measures targeting products such as sustainable bonds and funds, carbon pricing and taxonomy represent a smaller portion of the policy pool, policymaking in these areas has been notably dynamic in recent years, with a significant number

of measures currently in development.

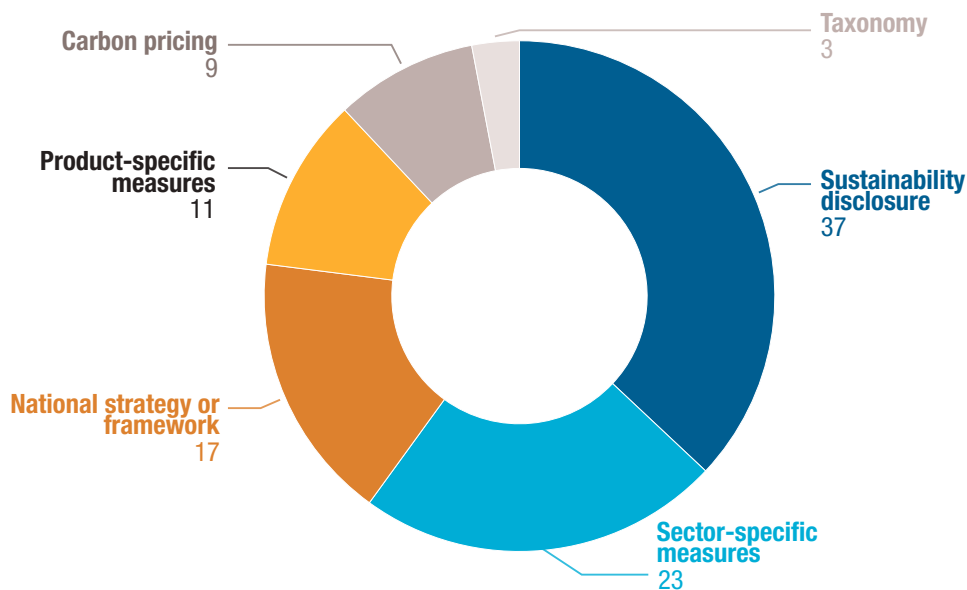
Thematically, most of the policy measures introduced in the last five years have focused on climate change and the green transition; however, social sustainability and inclusive development have started to attract more attention. Examples include the development in the European Union of a social taxonomy, the inclusion of economic activities targeting social sustainable development in the South Africa taxonomy and policy measures adopted by Bangladesh and China and by the Association of Southeast Asian Nations (ASEAN) to support the development of SMEs.



Figure III.17

Sustainability disclosure measures remain the most common policy category

Sustainable finance policy measures by category, 2014–2023
(Percentage)



Source: Global Sustainable Finance Observatory (GSFO.org).



b. Regional developments

In 2023, the 35 economies or country groupings tracked by the Global Sustainable Finance Observatory adopted substantive measures across six key policy areas: national strategy or framework, taxonomy, sustainability disclosure, sector-specific measures, product-specific measures and carbon pricing. Policymaking was most active in national strategies and frameworks, sustainability disclosure, and sector- or product-specific measures focusing on green bonds, sustainable banking and investment (table III.3).

The European Union established a comprehensive sustainable finance regulatory framework with the CSRD, which entered into force in January 2023. Together with the Taxonomy Regulation and the SFDR, these regulations lay the foundation of an integrated policy framework governing sustainable finance in the European Union. To further strengthen the framework, the European Union is conducting a comprehensive review of the SFDR, the taxonomy and related technical standards, aiming to improve their usability and effectiveness and to ensure consistency among different pillars of the framework. It also announced a new

package of measures to further strengthen its sustainable finance regime, which includes expanding the taxonomy to cover additional activities contributing to climate as well as non-climate environmental objectives, such as water and marine resources protection, circular economy transition, pollution prevention and control, and biodiversity and ecosystem restoration. The measures also bring more transparency and integrity to the market by introducing rules on the ESG rating and provide guidance to support transition finance.

In the United States, at the federal level, measures were adopted to promote climate disclosure and sustainable finance; however, at the State level, the backlash against sustainable investment strategies continues: 17 States have passed legislation prohibiting fund managers from considering ESG factors in their investment decisions or prohibiting States from contracting with asset managers that exclude certain industries, such as fossil fuels, from their portfolios (Malone et al., 2023).

A sharpening focus on policy effectiveness has also led to policy consolidation in other developed economies. Australia, Japan, Switzerland and the United Kingdom are reviewing legislation related to sustainable



Table III.3
Measures in six policy areas adopted by monitored economies, 2023

Policy area	Economy
National strategy or framework	Argentina, Brazil, China, France, India, Japan, Mexico, Switzerland, Türkiye, United Arab Emirates, ASEAN
Taxonomy	Mexico
Sustainability disclosure	Brazil, China, France, Germany, India, Republic of Korea, United Kingdom, United States, European Union
Sector-specific measures	Argentina, Australia, Brazil, China, India, Indonesia, Italy, Mexico, Switzerland, European Union
Product-specific measures	Argentina, Australia, Brazil, China, Republic of Korea, European Union
Carbon pricing	Australia, Canada, European Union

Source: UNCTAD GSFO Sustainable Finance Regulations Platform.

Note: Sector-specific measures cover sustainable banking, insurance, investment and credit ratings; product-specific measures cover sustainable funds and bonds. Measures in development are not included.



finance, with a focus on sustainability disclosure and the development of sustainable finance taxonomies.

Developing economies are becoming increasingly active in sustainable finance policymaking. They accounted for 60 per cent of new policy measures in 2023 – a record high. This surge demonstrates their systemic efforts to leverage sustainable finance for sustainable development. They are actively developing national strategies and frameworks for sustainable finance. In 2023, seven of them (Argentina, Brazil, China, India, Mexico, Türkiye and the United Arab Emirates), together with ASEAN member States, rolled out national strategies or frameworks on sustainable finance. Most of these national strategies were informed by the overall national development agenda, aligning with national objectives under the 2030 Agenda for Sustainable Development and the Paris Agreement. Such strategies help establish policy objectives, priorities and key areas for actions to provide guidance and stimulate national efforts to support the growth of sustainable finance.

This trend underscores a growing commitment among countries to adopt

a systematic approach to policymaking related to sustainable finance.

Another important development concerns the increase in sector- or product-specific measures, focusing on sustainable banking, sustainable insurance and green bonds. For example, in 2023, Brazil and Chile adopted national frameworks for sustainable bonds; the Philippines released guidelines on the issuance of “blue” or ESG bonds; and Bangladesh, China, India, Singapore and Thailand released policies to support the banking industry in integrating sustainable development considerations into operations, covering sustainable deposits, sustainable loans and green credits (see table III.3).

Except for the largest States, developing countries in general continue to face challenges in leveraging sustainable finance for development owing to a lack of human resources and knowledge, weak market infrastructure, and the fragmentation and inconsistency in international standards (UNCTAD, 2024c). The persistently low level of sustainable investment in many developing economies poses another challenge to their adoption of sustainable finance policies.

Larger developing economies are active in sustainable finance policymaking, but **smaller economies face multiple challenges**

* * *

Some of the findings in this chapter are positive and give hope for a future financial system that is sensitive to sustainability criteria and measures of performance that go beyond financial return. Other findings are less positive, including the continued prevalence of greenwashing, a backlash against sustainable investment in some jurisdictions and foot-dragging by some important categories of investors that are reluctant to report on sustainability risks.

Overall, the analysis in this chapter shows that the sustainable finance market continues to expand and offers further potential for financing sustainable growth, including in developing countries. It shows that a majority of the top 100 PPFs and

SWFs, with patient capital, understand the threat of sustainability risks to their business model. Finally, it reveals the positive trend in sustainable finance policymaking, as governments have made more efforts to leverage the potential of sustainable finance, including through better harmonization of international standards to achieve comparable, high-quality reporting criteria.

Going forward, policymakers, regulators and other stakeholders will have to address three challenges:

First is spillover effects resulting from national and regional standard-setting and regulation, which have implications for companies around the world. These effects primarily occur through global supply and



investment chains, where large companies and financial institutions increasingly require their suppliers or investee companies to report on their sustainability.

Second is integrating sustainable finance frameworks into national sustainable development strategies. Most such strategies have been informed by the overall national development agenda, aligning with national objectives under the 2030 Agenda for Sustainable Development and the Paris Agreement. Such strategies help establish policy objectives, priorities and key areas for actions to provide guidance and stimulate national efforts in supporting the growth of sustainable finance.

Third is ensuring that sustainable finance policymaking becomes more impact oriented, focusing on policy effectiveness. Prioritizing the impact and effectiveness of sustainable finance measures is essential, given the concerns about a rising backlash against sustainable investment.

Addressing the issue will require improving the credibility of sustainable finance and combatting the persistent challenge of greenwashing, in particular through enhanced disclosure aligned with leading international standards, and the clear definition of sustainability concerning economic activities and sustainable financial products. Meanwhile, delivering visible impact would also be important, particularly for developing economies that have not yet benefited from increased sustainable investment flows to the real economy.

The signals sent through capital markets can influence, direct and ultimately shape a future economy that is environmentally sustainable, socially equitable and fairly governed. Addressing policy challenges and implementation issues, including policy harmonization and spillover effects, will be essential for realizing any benefits from sustainable finance for the 2030 Agenda for Sustainable Development.



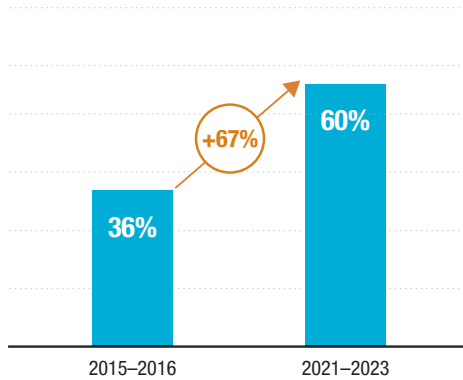


Chapter IV

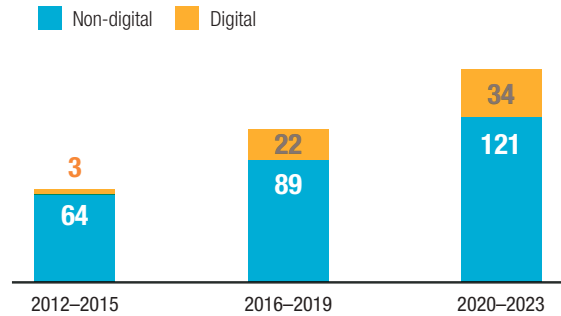
Investment facilitation and digital government



➤ More investment agreements encourage digitalization



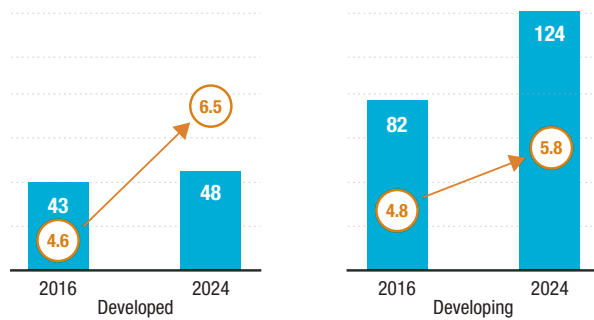
➤ Investment facilitation policy measures are increasingly digital



➤ Investment facilitation portals are growing in number and quality

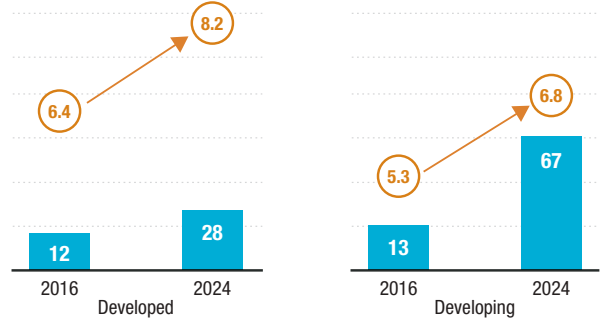
Information portals

■ Number ○ Quality (1-10)



Single windows

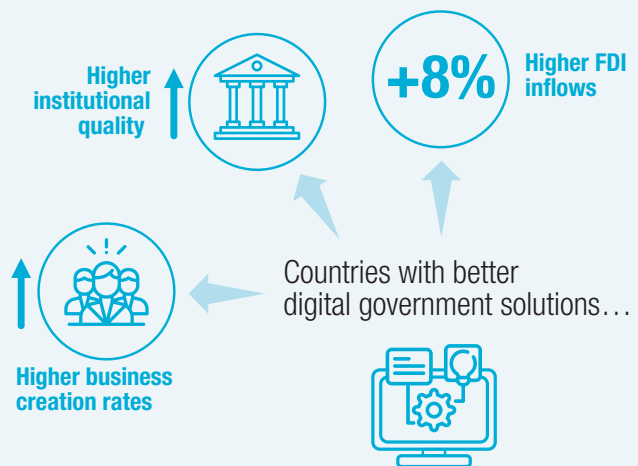
■ Number ○ Quality (1-10)



➤ Top three business services provided online



➤ Digitalization has broad benefits



A. Introduction

Business and investment facilitation have become central to efforts to develop the private sector and attract foreign direct investment (FDI) in developing countries. Facilitation aims to make it easier for domestic firms and international investors to establish and operate their businesses. Core elements include providing information, making rules and regulations transparent, and streamlining administrative procedures. Because these elements are based on both information and procedures, digitalization is central to their effective implementation. They have thus led to a wave of digital government initiatives, including information portals and online single windows.

Investment facilitation encompasses policies, measures and practices aimed at minimizing or eliminating obstacles faced by investors in a country (UNCTAD, 2016). Key elements include enhancing transparency and access to information for investors, streamlining administrative procedures, ensuring the predictability of the policy environment and promoting the accountability and efficiency of government officials. Facilitation can also include initiatives focused on preventing or resolving investment disputes. Distinct from investment promotion, which is focused on marketing a location as an investment destination, investment facilitation involves a government-wide approach, engaging multiple agencies and levels.

Business and investment facilitation are closely intertwined. Business facilitation aims to create a favourable environment for all firms – large and small, foreign and domestic – to start, operate and grow their operations. Investment facilitation adds mechanisms and initiatives aimed at easing processes specific to foreign investors, such as foreign investment approvals or the admission of foreign personnel. Facilitation efforts can extend into other policy areas. Trade facilitation,

for example, complements business and investment facilitation by reducing complexities in cross-border commerce.

Business and investment facilitation can play a pivotal role not just in attracting investment but also in supporting attainment of the Sustainable Development Goals. By creating a more transparent and accessible business environment, they can encourage small firms to move from the informal to the formal sector, a vital step in enhancing domestic revenue mobilization. By removing barriers to investment and providing equal opportunities for all, business and investment facilitation can also play a role in promoting more inclusive economic growth, enhancing the access of women, young people and rural populations to economic activity.

The UNCTAD Division on Investment and Enterprise has been instrumental in supporting progress on investment facilitation. Since 1999, its Investment Policy Reviews have provided comprehensive advice to nearly 60 countries and regions on a wide array of investment facilitation policies. The Division offers advisory services on investment facilitation to investment promotion agencies (IPAs) and special economic zones (SEZs). Its digital



government platforms, including information portals and single windows for business, investment and trade facilitation, have been deployed in more than 60 countries. UNCTAD guides on digital investment provide investors with essential information to evaluate investment opportunities in specific countries and regions (box IV.1).

UNCTAD has been a catalyst for international debate on investment facilitation. In 2016, the Global Action Menu on Investment Facilitation outlined the main elements of investment facilitation (box IV.2). Since its publication, an international agreement on investment facilitation for development has been

negotiated, facilitation has become a mainstay in regional and bilateral trade and investment agreements, and national implementation efforts have proliferated. By 2023, more than a quarter of investment policy measures worldwide centred on facilitation mechanisms (chapter II). Together with the Action Menu, UNCTAD launched the Global Enterprise Registration (GER) index, an objective rating of countries' provision of digital information and services for businesses and investors. It was used as a baseline for the state of play on these instruments during the early stages of discussions on the IFD agreement, which was finalized by



Box IV.1

UNCTAD: Tools and technical assistance for digital business and investment facilitation

UNCTAD offers a series of tools and participatory methodologies for documenting and simplifying procedures and for implementing online platforms. Applied sequentially, they form an integrated programme for the modernization of public administration.

Document and publish procedures: the eRegulations information portal

The eRegulations system offers an affordable, turnkey solution for governments aiming to simplify administrative procedures and to make them transparent. Designed from the user's perspective, it breaks down each procedure step by step, providing essential information for each. This includes contact details (entity, office, responsible person), expected outcomes, required documents, costs, duration, legal justifications and options for lodging complaints. Importantly, creating and maintaining the eRegulations portal requires no programming skills, making it accessible for government staff who lack technical backgrounds. The system's versatility allows its use for any administrative process, including company registration, tax payments, licensing activities, construction permits and import–export operations. Currently, eRegulations portals are operational in more than 50 countries.

Simplify procedures: 10 principles to simplify administrative procedures

Once administrative procedures are clearly defined, they become easier to simplify. This can be achieved by comparing existing practices with legal requirements and reducing interactions and document demands to only what is necessary and sufficient. The “10 principles to simplify administrative procedures” from UNCTAD guide Governments in reducing procedural steps and requirements, often by more than 50 per cent, without necessitating changes to existing laws.

Digitalize procedures: the eRegistrations system

eRegistrations is a no-code development platform that allows the creation of online services without programming skills. It can be easily adapted and configured to any administrative process and may apply to procedures such as company registration, construction permits, export licences or transfers of property titles. eRegistrations is suited both to operations involving only one administration (such as the business registry) and to simultaneous operations at multiple administrations (such as registering a company at the tax office, with the municipal council, with social security, at the labour department and at the business registry). It can thus operate as an online single window. It can be installed at any level of government.

Monitoring progress: regional digital investment facilitation monitors

UNCTAD has developed online tools to support the monitoring of progress on digital business and investment facilitation within the context of regional economic integration organizations. The tools are based on the GER.co methodology, which assesses the coverage, quality and user-friendliness of information portals and online single windows for establishing a business. Examples include the digital investment facilitation monitor of the Association of Southeast Asian Nations (ASEAN) (<https://asean.investmentfacilitation.org>) and, most recently, the Southern African Customs Union monitor (<https://sacu.investmentfacilitation.org>).

Source: UNCTAD. See also <https://digitalgovernment.world/> and <https://businessfacilitation.org>.





Box IV.2

The UNCTAD Global Action Menu for Investment Facilitation

UNCTAD published its Global Action Menu for Investment Facilitation in 2016. It was debated among investment stakeholders at the World Investment Forum 2016 and subsequently endorsed by the Trade and Development Board, the governing body of UNCTAD.

The Menu lists 10 action lines, each with a series of options for policymakers:

1. Promote accessibility and transparency in investment policies, and regulations and procedures relevant to investors.
2. Enhance predictability and consistency in the application of investment policies.
3. Improve the efficiency of investment administrative procedures.
4. Build constructive stakeholder relationships in investment policy practice.
5. Designate a lead agency, focal point or investment facilitator.
6. Establish monitoring and review mechanisms for investment facilitation.
7. Enhance international cooperation on investment facilitation.
8. Strengthen investment facilitation efforts in developing-country partners.
9. Enhance proactive investment project development in developing-country partners through capacity-building.
10. Complement investment facilitation by enhancing international cooperation for investment promotion for development through provisions in international investment agreements.

Source: UNCTAD (2016).

some 120 members of the World Trade Organization (WTO) in February 2024.

At the regional level, UNCTAD assisted the members of ASEAN in reviewing the implementation of the ASEAN Investment Facilitation Framework (AIFF) in 2022 (box IV.3). It was also part of the task force assisting African countries during the negotiations of the Protocol on Investment to the African Continental Free Trade Area (AfCFTA), which includes a chapter on investment facilitation.

At the bilateral level, UNCTAD has been advocating for the introduction of proactive investment promotion and facilitation provisions for sustainable investment in international investment agreements (IIAs), based on the Investment Policy Framework for Sustainable Development (UNCTAD, 2015). UNCTAD recently developed a set of policy options to enable governments to transform their IIAs into tools to channel investment towards sustainable development (UNCTAD, 2023a). It is working with the Group of 20 Trade and Investment Working Group under the Brazilian Presidency

on mapping investment facilitation and sustainable development provisions in the IIAs of members of the Group.

Notwithstanding the diverse positions in debates on investment facilitation at the international level, the need for robust investment facilitation practices at the national level is universally acknowledged. Policymakers have firmly shifted their focus to the most effective implementation strategies and tools. Because investment facilitation is about enhancing transparency and providing information to investors and about making administrative procedures for businesses easier to complete, digitalization is at the heart of most facilitation initiatives.

The use of digital government tools for investment facilitation has several important benefits. Because of the economies of scale and scope in the establishment of digital platforms, they tend to improve not only foreign investment procedures but also general business establishment procedures (e.g. business registration tax, social security and operating licences), thereby reducing administrative hurdles not only for foreign investors but also for domestic





Box IV.3

ASEAN: regional cooperation on digital investment facilitation

In 2021, the ASEAN countries adopted the ASEAN Investment Facilitation Framework (AIFF), a significant step in regional investment cooperation. This framework aims to enhance investment attraction across member States by increasing transparency, streamlining administrative procedures, promoting policy alignment and building the capacity of investment-related agencies.

The ASEAN region has long been proactive in adopting strategies and policy measures to support investment. These efforts have intensified in recent years, accelerating during the pandemic, with an increase from 6 new investment facilitation measures in 2019 to 28 in 2020. These included the introduction of online facilities, e-application systems and streamlined administrative processes, reflecting a strong regional commitment to digitalizing and simplifying investment procedures.

Notable initiatives include the Philippines and Malaysia implementing fast-track “green” lanes and simplified processes to ease investment. Member countries have also developed investment portals and digital platforms for e-payment and acceptance of electronic documents and certificates, further enhancing the investment landscape.

Overall, investment facilitation efforts in ASEAN are characterized by a dynamic policy environment and innovative approaches to attract and streamline investment, emphasizing digitalization and institutional strengthening. The AIFF acts as a strategic blueprint to guide efficient and integrated investment facilitation across the region, including through the creation of a digital investment facilitation monitor. Progress on AIFF implementation was assessed in the ASEAN Investment Report 2022 (produced with the support of UNCTAD).

Source: UNCTAD; ASEAN Secretariat and UNCTAD (2022). See also <https://asean.investmentfacilitation.org>.

firms, including micro, small and medium-sized enterprises (MSMEs). Moreover, the implementation of digital government can positively affect the business climate in ways that go beyond the immediate scope of business and investment facilitation and the reduction of red tape. It has the potential to tackle the root causes of low investment attractiveness in many developing countries by mitigating weaknesses in governance and institutions more broadly.

For that reason, the focus of this chapter is on investment facilitation and digital government. The aim is to take stock of progress in the implementation of digital business and investment facilitation worldwide; to look at the challenges, opportunities and policy priorities for its effective implementation; and to examine how it connects with wider digital government strategies to promote good governance and institutional robustness; to create a more transparent, efficient and investor-friendly environment; and

to accelerate economic development.

Section B provides an overview of progress in digital investment facilitation worldwide, with a focus on information portals and online single windows, including through an update on the UNCTAD GER survey on the spread and quality of digital services for business in all Member States of the United Nations. Section C examines the growing importance of investment facilitation and its digital component in national investment policies and IIAs. Section D evaluates the impact of digital business and investment facilitation on investment attraction, business creation, and institutional governance and transparency. Section E looks at lessons learned about the implementation of digital business and investment facilitation, identifying challenges and opportunities, and exploring wider implications for the development of digital government. Section F summarizes policy implications and recommendations spanning investment policy and digital government development.



B. Progress on digital investment facilitation worldwide

Administrative procedures for businesses and investors are often the first government services to be digitalized. Information portals and online single windows covering mandatory procedures for the establishment of a business have spread rapidly and are now available in most countries. Their quality and level of sophistication varies. Some portals in the least developed countries (LDCs) rival those in developed countries, showing that digital business and investment facilitation can provide leapfrogging opportunities. However, gaps remain, as evidenced by missing coverage, portal closures, problems in the maintenance of information and “single window dressing”.

It is challenging to assess the state of progress in the implementation of investment facilitation – in general, not just digital – around the world in a systematic manner. Early World Bank research and the World Bank Doing Business indicators were among the more comprehensive efforts before investment facilitation was clearly defined. Investment Policy Reviews by both UNCTAD and the Organisation for Economic Co-operation and Development include many elements of investment facilitation assessments. The lack of updated systematic information across countries was one of the reasons for the development of a self-assessment tool to support the implementation of the

IFD agreement.¹ The WTO Secretariat has developed a standardized self-assessment guide to help countries with such assessments (WTO, 2023).

The number of investment facilitation measures implemented worldwide is on the rise (chapter II), and with the use of digital technologies and platforms, these measures are evolving. This section mostly discusses progress in the development of information portals for businesses and investors, which are platforms that explain the administrative steps required to establish and operate a business, and online single windows, which are transactional portals that allow users to complete multiple procedures administered by multiple government agencies online.

1. The wider digital government context

While systematic research on the application of business and investment facilitation practices is scarce, information is available to assess the state of progress on digital services for business as part of broader

development of digital government. The United Nations Department of Economic and Social Affairs (UN DESA) conducts a biennial eGovernment Survey that provides an assessment of the digital government

¹ UNCTAD contributed to the development of the self-assessment tool, with inputs on sections dealing with transparency and streamlining of administrative procedures, as well as single windows and technical cooperation.



landscape across 193 Member States. The survey uses the eGovernment Development Index (EGDI) to rank countries, shedding light on online services and specific eGovernment components that benefit businesses. In its latest edition, the report examines these online services: business registration, business licence application, business tax filing and payment, land title registration application, environmental permit application, and access to and modification of a business's own data.

The 2022 survey findings unequivocally underscore the pivotal role of business facilitation as one of the foremost priorities in digital government (figure IV.1). Of the 20 administrative procedures that are most commonly available as online government services, half relate to business establishment and operation (others include services to citizens such as provision of birth certificates or residency documentation, and government administrative functions such as public sector vacancy announcements or public procurement). The two most common procedures – ranked first and second by some distance – are business registration and business licensing.

Business and investment facilitation are clearly important entry points for the development of digital government.

The survey highlights a global trend in the use of online services, especially related to the registration of new businesses. According to the survey, the number of countries offering this online service, either as an information portal or within a single window – a transactional portal where (part of) the service can be conducted online – has grown from 162 in 2020 to 176 in 2022. Similarly, there has been notable growth in other online services, such as applications for business licences (from 151 to 167) and options for payment of value added tax (from 130 to 141).

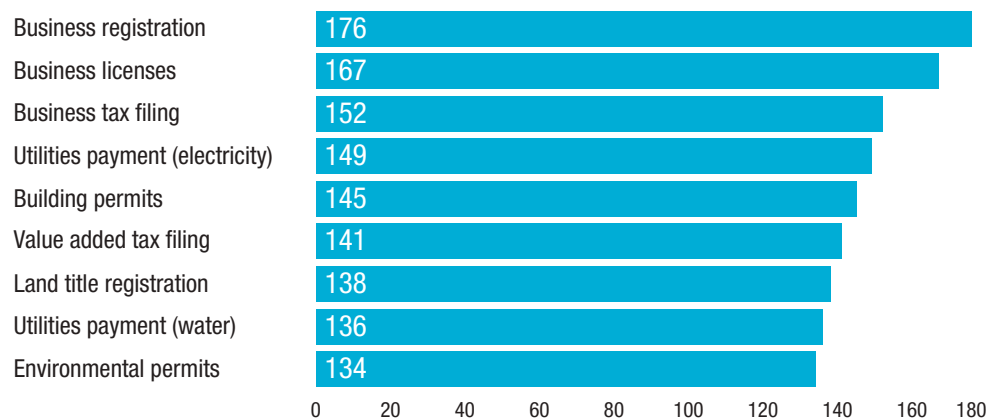
The EGDI survey primarily assesses the presence of some form of eGovernment service (more than its substance or comprehensiveness) and does not focus solely on business and investment facilitation services. EGDI ratings are highly correlated with levels of development. Europe and North America lead in eGovernment development, with an average EGDI value exceeding 0.80 out of 1, followed by Asia (0.65), Latin America (0.64), Oceania



Figure IV.1

Business services are usually the starting point for digital government

Digital government services available to businesses, 2022
(Number of countries with service)



Source: UNCTAD. Elaborated from the questionnaire of the 2022 Online Services Index (most recent survey year), a component of the United Nations Department of Economic and Social Affairs eGovernment Development Index.

Note: Includes information portals and online single windows.



(0.51) and Africa (0.41). Despite significant progress in Africa, the EGDI average for the continent remains low, highlighting the persistence of a digital divide.

The new Business Ready (B-READY) index of the World Bank Group, intended to replace its well-known Ease of Doing Business rankings, also places significant

weight on the provision of digital government services, including single windows and information portals. The UN DESA and World Bank initiatives reflect a global trend: countries are increasingly leveraging digital technologies to streamline information provision and administrative procedures to enhance their efforts to facilitate investment.

2. The spread and quality of business portals

UNCTAD survey data (based on the GER methodology; box IV.4) confirm many of the findings of the EGDI. In contrast to the EGDI, the GER survey focuses specifically on business and investment facilitation portals. It distinguishes between types (information portals and single windows), and it assesses their content and quality. These differences

explain several discrepancies between the two surveys. Nevertheless, the data show a clear trend in the development of digital tools to streamline business registration processes and other procedures (figure IV.2). The growth trajectory is evident, with the utilization of information portals for business and investment processes in



Box IV.4

The UNCTAD Global Enterprise Registration survey

To comprehensively evaluate the landscape of digital business and investment facilitation, UNCTAD introduced the Global Enterprise Registration (GER.co) online rating system and associated index in 2016. In its inaugural version, the platform was developed in collaboration with the Kauffman Foundation's Global Entrepreneurship Network and the United States Department of State.

GER.co assesses information portals, gauging their transparency regarding mandatory procedures for the establishment of a business. These typically include business registration, tax and social security enrolment and operating licence procurement, and – in the case of foreign investors – investment approval. GER.co also evaluates online single windows, measuring their effectiveness in enabling businesses and investors to complete mandatory procedures online.

The assessment uses a 10-point scale, calculated on the basis of objective criteria, thus ensuring a standardized and transparent evaluation process. The highest-rated information portals provide comprehensive information about each step of an administrative procedure, what documents are required, how much the procedure costs, how long the process takes, which laws apply and how to appeal a negative decision. The highest-rated online single windows enable firms to complete a single form, submit a unified set of documents and make a single payment covering multiple procedures administered by multiple agencies. In return, investors receive digitally verifiable certificates.

GER.co provides an interactive interface, allowing stakeholders in each country to submit revised ratings. This feature ensures that the platform remains current and reflects the evolving digital landscape in different countries.

For this *World Investment Report*, UNCTAD reviewed the GER ratings of United Nations Member States in 2016, 2021 and 2024. The information portals or single windows evaluated may have changed across the three assessments as older sites were replaced or new government agencies created. Given the overlapping mandates of government agencies in investment promotion and business registration, multiple sites may be available for evaluation in a single country. In each such case, for this analysis UNCTAD retained the information portal or single window with the best score. In countries with federal systems or where business registration is administered by a subnational entity, UNCTAD evaluated the situation in the main commercial city. Since GER.co focuses on business registration, evaluations were made separately of the extent to which the sites benefit foreign investors and registrations for special economic zones.

Source: UNCTAD. See also <https://www.genglobal.org/ger>.



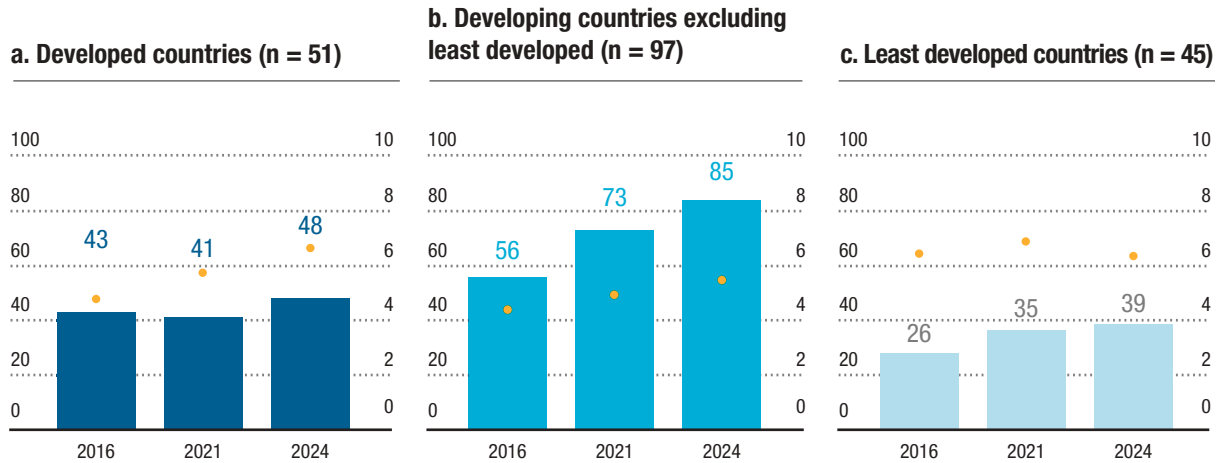


Figure IV.2

Information portals are now present in most countries and their quality is improving

Information portals for business registration

■ Number (left axes) ● Quality (right axes)



Source: UNCTAD, GER.co survey.

Notes: Includes only Member States of the United Nations. GER.co rates quality on the basis of 10 objective criteria (box IV.4). The last assessment for GER.co was undertaken between February and April 2024.

developing countries increasing from 82 economies in 2016, when the UNCTAD Global Action Menu for Investment Facilitation was launched, to 124 today. The number of developing economies with online single windows has risen from a modest 13 to 67 (figure IV.3).

The observed increase in the number of portals is the result of growing policy attention to investment facilitation since 2016 as well as a push following the COVID-19 pandemic, which accelerated the implementation of digital business facilitation measures in many countries. Several developing countries responded by streamlining business establishment procedures, adopting online application systems, reinforcing one-stop centres, expediting operating licence approvals and providing additional support to investors. Digital tools also became important for administering support services for small businesses.

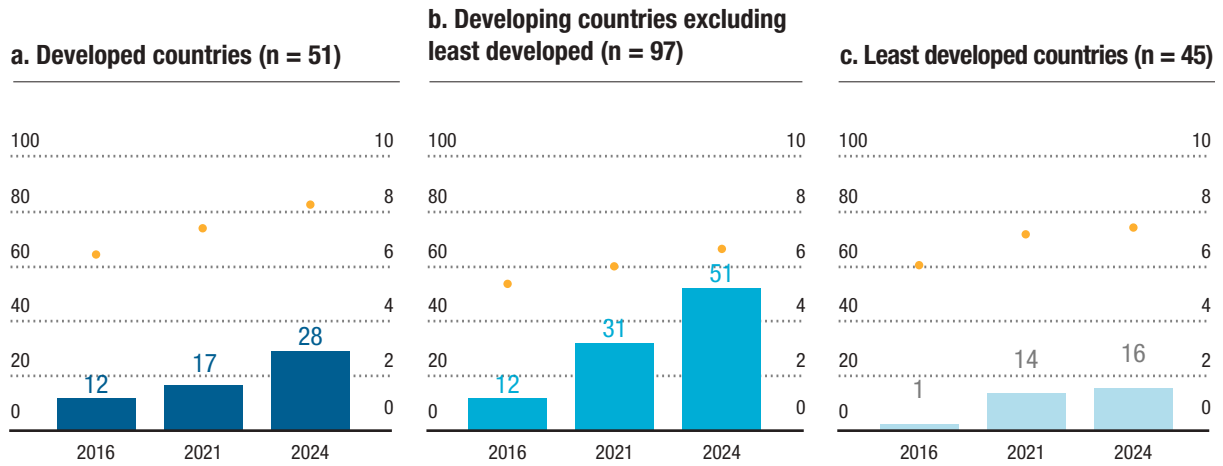
The quality of both information portals and single windows has also generally increased, in terms of their comprehensiveness and coverage of mandatory procedures, accessibility and user-friendliness. A slight decline in the average rating of information portals in LDCs can be explained by the addition to the sample of new countries with relatively basic portals. For developing countries as a group, the average rating has gone up significantly despite the increase in the number of portals.

Although information portals in developed countries improved over the observation period, their ratings still barely exceed those in developing countries. This may be because developed-country governments are generally considered to have greater regulatory transparency and more sophisticated public services, reducing their incentive to develop comprehensive online portals. There may also be a displacement effect: where comprehensive online single



Figure IV.3
There is still room for growth in online single windows
Online single windows for business registration

■ ■ ■ Number (left axes) ● Quality (right axes)



Source: UNCTAD, GER.co survey.

Notes: Includes only Member States of the United Nations. GER.co rates quality on the basis of 10 objective criteria (box IV.4). The last assessment for GER.co was undertaken between February and April 2024.

windows are introduced but separate information portals remain operational, the value of such portals is reduced.

For online single windows, which can be more technologically complex and require greater integration and coordination between government agencies, the ratings for developed countries remain higher than those for developing countries. Yet ratings among developing countries vary significantly, with some clear outliers. Several developing countries, among them some LDCs, feature among the countries with the world's best information portals and single windows, illustrating that there is a leapfrogging opportunity. This effect is especially strong for online single windows, as countries with relatively few legacy systems may have an advantage in building online services.

Crucially, many of the developing countries that lead in the adoption of these digital tools have received technical assistance, including from UNCTAD. This underscores the importance of international cooperation

in facilitating the digital transformation of business and investment processes, ensuring that developing countries can harness the full potential of these tools to drive economic growth and attract investment. Appropriately, the IFD agreement includes provisions that promote international cooperation and technical assistance to developing countries (box IV.5). Such cooperation can also take place at regional levels, supporting regional integration efforts.

Whereas almost all LDCs now have information portals that detail mandatory business registration and investor procedures, only one third have introduced online single windows, as compared with more than half of the other developing countries. LDCs face considerable challenges in consolidating relevant administrative procedures into a unified platform. Key difficulties include costs, gaps in skills and know-how, greater divergence in the way regulations are translated into administrative procedures across agencies and subnational bodies, and frictions in



Box IV.5

Investment Facilitation for Development agreement: Digitalization aspects

The Investment Facilitation for Development (IFD) agreement encourages the use of digitalization expressly through commitments related to the creation of single information portals for transparency; the acceptance of electronic applications, documents and payments for streamlining; and the establishment of local supplier databases to facilitate investment. In addition to such digital government tools, digitalization can also ensure the effective implementation of other IFD commitments. These include avoiding multiple applications, establishing focal points for informational purposes and providing investors with the opportunity to comment on proposed measures.

Investment facilitation commitments can be resource intensive. Under the IFD agreement, developing and least developed countries may designate provisions for which implementation is conditional upon the receipt of technical assistance and capacity-building. Donor-country signatories commit to facilitate the provision of technical assistance for the implementation of the IFD agreement. Both donor and recipient countries can direct such support towards digitalization.

Source: UNCTAD, based on the text of the IFD agreement.

coordination among the agencies involved in facilitating businesses and investment.

These difficulties are also evident from other findings of the survey. In 2024, seven economies discontinued online single windows that had been rated in the previous assessments.² Ten discontinued information portals, and nine of these were developing economies. The cessation of these single windows and information portals could be the result of resource constraints, changes in ownership and responsibility for sites between ministries or agencies, changes in regulations prompting the need for updates or issues with information maintenance. A significant number of portals refer to dated legislation or procedures or offer relatively old forms. Both information portals and online single windows need clear ownership and resources for continuous updates and improvements.

Another phenomenon found during the survey is that of “single window dressing”, where significant communication efforts appear to have been made to market a portal to investors or the public, but upon

close inspection key procedures either are not accessible, refer to physical processes that cannot be conducted online or present other technical barriers that diminish the value of the portal. Such limitations are often revealed only when testing the process through the creation of a dummy company.

As observed earlier, business registration is usually the first step in and the basis for wider digitalization programmes. The GER survey results indicate that tax services, social security enrolment and operating licence acquisition are the most common additional services included in online single windows for business and investment facilitation. Together, these services constitute the core mandatory procedures for business establishment. Other, complementary services often provided online on the same platform include the reservation of company names (part of business registration procedures), processes to obtain digital identities or signatures, registrations for statistical purposes and connections with chambers of commerce (figure IV.4).

² Discontinued online single windows were found in Eswatini, Ghana, Serbia, Somalia, South Sudan, Uganda and Zambia. Discontinued information portals were found in Azerbaijan, the Republic of Congo, Costa Rica, Eritrea, the Islamic Republic of Iran, Mali, Micronesia, the Russian Federation, Tajikistan and Zimbabwe.

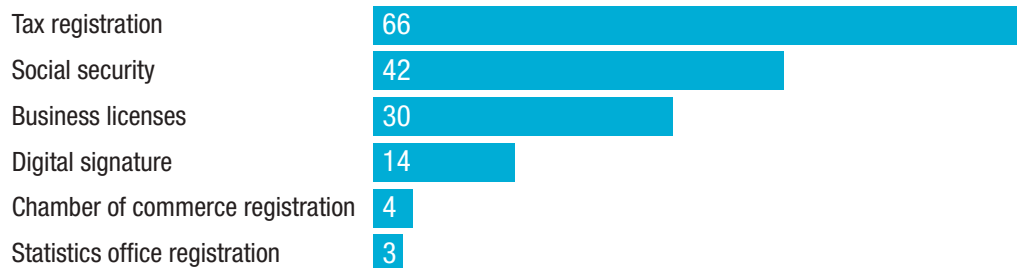




Figure IV.4

Online single windows offer various services in addition to business registration

Additional services provided by online single windows, 2024
(Percentage)



Source: UNCTAD, GER.co survey.

Notes: Includes only Member States of the United Nations. The last assessment for GER.co was undertaken between February and April 2024.

3. Foreign investor-specific online procedures

The distinction between business facilitation and investment facilitation through digital government platforms depends on the degree to which countries require foreign investors to complete additional or distinct administrative procedures to establish their operations. Several scenarios can be distinguished (table IV.1).

In most countries, foreign investors follow the same procedures as domestic investors to establish a business. This is the case for three quarters of the 141 countries with an investment law recorded in the UNCTAD Investment Laws Navigator.³ The same information portals and single windows created for domestic firms therefore also serve foreign investors. This can be especially beneficial for SME foreign investors and entrepreneurs from neighbouring countries (box IV.6). Some countries (16 per cent of those with an investment law) require foreign companies to seek government approval to invest. This authorization, typically referred to as an investment licence or permit, is usually delivered after an evaluation process that considers the investor's business plan in

light of host-country criteria that can range from economic development objectives to national security considerations. This is the case for several small island developing States (SIDS) (e.g. Cook Islands, Kiribati, Maldives, Niue, Papua New Guinea and Solomon Islands), as well as countries in the Middle East (e.g. Iran, Oman, Qatar, Saudi Arabia and the United Arab Emirates) and in Africa (e.g. Ethiopia, Namibia and Somalia). In these cases, digital government solutions need to provide additional services for foreign investors, either through dedicated portals or through separate procedures on the same platform. In other cases, government approval is required for investment in specific sectors only. Where the list of sectors is limited to activities considered sensitive from a national security perspective, as in most developed countries, such approval processes are referred to as FDI screening (UNCTAD, 2023c). In some countries (e.g. China, India, Nepal and Thailand), the approval requirement can extend to a broad range of sectors and aim to protect domestic industries or address other public interest concerns. In this scenario, foreign investors

³ Available on the Investment Policy Hub, at <https://investmentpolicy.unctad.org/investment-laws>.





Table IV.1

Digital government solutions for foreign investment facilitation are shaped by legislative scenarios

Foreign investor-specific requirements and implications for digital investment facilitation

Scenario	Description	Common business facilitation practices	Example countries
No distinction	Foreign and domestic investors follow the same business establishment procedures	General-purpose business facilitation portals	Most countries
Foreign investment license/permit	All foreign investors are required to follow an approval procedure	General-purpose business facilitation portals with dedicated digital procedures	Papua New Guinea Solomon Islands
		Separate foreign investment facilitation portals, digital procedures	Ethiopia Saudi Arabia Somalia
		Separate foreign investment facilitation portals, non-digital procedures	Lesotho Maldives
Sector-specific FDI approval	Most foreign investors follow domestic procedures but approval is required in specific sectors based on national security (screening) or other public interest concerns		France
		Separate foreign investment facilitation portals, digital procedures	Germany India Nepal
			Belgium
		Separate foreign investment facilitation portals, non-digital procedures	Canada Thailand United States
Foreign investor registry	Foreign investors are included in a dedicated registry, often as a prerequisite to obtain the advantages of the investment law (e.g. incentives)	Separate foreign investment facilitation portals, digital procedures	Bhutan Dominican Republic
		Separate foreign investment facilitation portals, non-digital procedures	Chile Colombia Peru

Source: UNCTAD.

can use business facilitation portals, but with some restrictions or additional requirements in sectors of concern.

A small share of countries (11 per cent of countries with an investment law) require foreign investors to register their companies in a dedicated registry, either as an alternative or in addition to registering them as domestic businesses. Registration is typically done at the IPA or investment

authority or at the central bank. The purpose of the registration is often to collect statistics on FDI (e.g. in the Plurinational State of Bolivia, Cabo Verde, Colombia, the Dominican Republic and Georgia), or to enable investors to access the benefits of the investment law, including incentives (e.g. in Chile, Nicaragua, Peru and the Bolivarian Republic of Venezuela). The dedicated registry can either be separate





Box IV.6

Burundi: Fueling business creation and regional integration through digital investment facilitation

In November 2022, the Burundi Development Agency introduced a digital platform designed to simplify the process of starting a business in the country (EasyBusiness.bi). Developed using the eRegistrations platform of UNCTAD and supported by the World Bank through the Local Development Project for Employment, the platform offers a comprehensive online service for business registration across the country, eliminating the need for entrepreneurs to travel to the capital.

The platform has reduced the registration requirements by 70 per cent, which has had a profound effect on the number of businesses being established. Since its launch, registrations have increased by 59 per cent, including a notable rise in participation from foreign individuals in limited liability companies. More than half of these foreign partners are from neighbouring countries, and more than 70 per cent from the region. The introduction of the platform has not only facilitated local business creation but also attracted international interest, fostering economic growth and development in Burundi.

Source: UNCTAD. See also <https://easybusiness.bi>.

from a general business registration portal or be connected to or integrated in it.

Some countries (17 per cent) impose investment registration requirements on both foreign and domestic investors. The purpose is often to benefit from the provisions of the investment law – which usually applies to both foreign and domestic investment – including eligibility for incentives (e.g. in Cambodia, Chad, Kenya, Malawi, the Philippines and Uganda). Access to the treatment and protection guarantees of the law can be a crucial consideration for investors in their decision to establish and operate in a country, making this registration equivalent to an investment permit. In Angola, for instance, to benefit from the provisions of the Private Investment Law, both domestic and foreign businesses that invest more than \$1 million must obtain an investment licence. The provisions include the ability to access land concessions, secure fiscal incentives, transfer funds abroad and obtain other necessary permits. Complex procedures specific to foreign investors usually prompt the establishment of dedicated information portals or online single windows, distinct from those for domestic investors.

These different scenarios are reflected in the accessibility to foreign investors of online single windows (figure IV.5). For such investors, portals in developing countries, and especially in LDCs, have comparatively more dedicated services or additional forms or procedures. Most investment laws are adopted in developing countries, whereas developed countries tend to rely instead on general commercial law for business establishment procedures. Nonetheless, accessibility to foreign investors is not actually better in developed countries. Many developed-country single windows prevent foreign investors from carrying out procedures online through requirements such as electronic identities or certified email addresses that can be obtained only through government offices that require residency or physical presence in the country. These requirements often stem from anti-money-laundering legislation or general efforts to curb illicit financial activities. Such legitimate regulatory obstacles to the complete digitalization of business establishment processes are an important reason for the continued relevance of information portals in addition to online single windows.

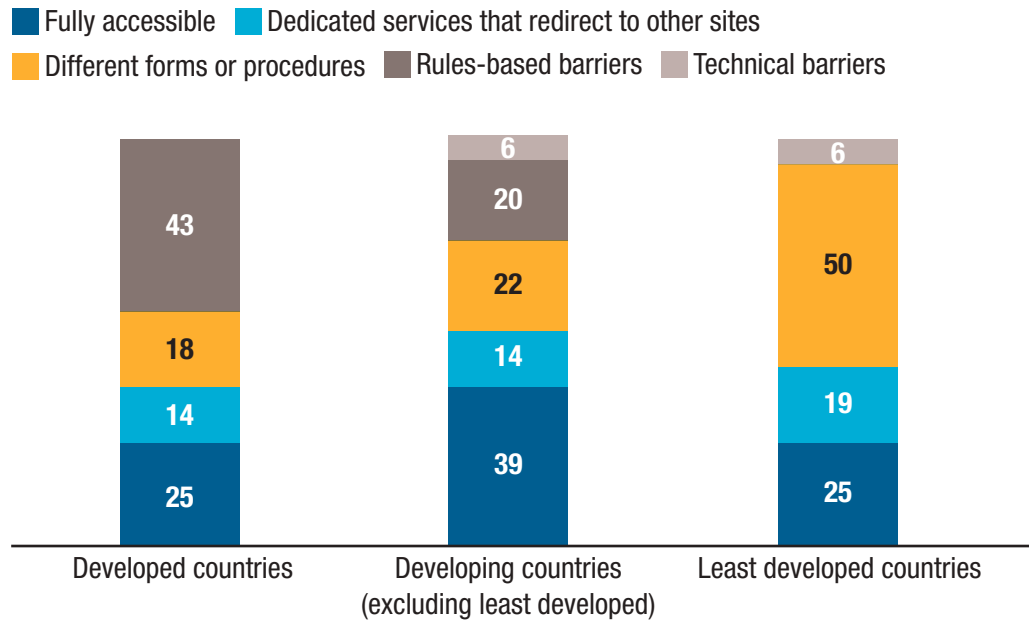




Figure IV.5

Single windows in developing countries are often more accessible to foreign investors than those in developed countries

Accessibility to foreigners of online single windows, 2024
(Percentage)



Source: UNCTAD, GER.co survey.

Notes: Rules-based barriers pose requirements that are not immediately accessible or available to foreigners (e.g. certified e-identities or work permits). Technical barriers are challenges in accessing the platform at the time of research (e.g. website inaccessible).

4. Portal ownership and the role of IPAs

Both information portals and online single windows for business and investment facilitation can be managed by different government entities, depending on their scope. In countries surveyed by the GER, over 40 per cent of both types are administered by line ministries, often for economic affairs or for trade and investment (figure IV.6). Investment authorities and IPAs also frequently manage information portals, including for general-purpose business facilitation (not just foreign investor procedures). Transactional online single windows are more commonly managed by business registries and developed as part of the process of automating such registries.

The lower involvement of IPAs in the management of online single windows

is understandable, as they are not direct owners of the resulting registries. Nonetheless, many IPAs do play a role in the development of online services for investors in their country. Only about one quarter of respondents in the annual UNCTAD IPA survey reported having no involvement of any kind in the development of an online single window for business and investment facilitation (figure IV.7). The rest reported various levels of engagement, ranging from advocacy to advisory roles to participation in government-wide task forces.

The result of this active engagement is that IPAs have a generally positive perception of the share of mandatory administrative processes that can be completed online, a perception that contrasts to some degree

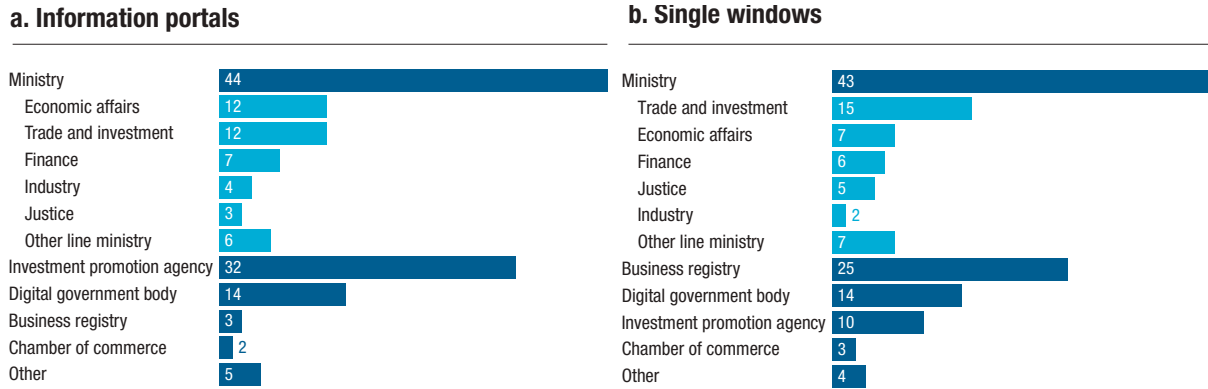




Figure IV.6

Portals are generally managed by government ministries, IPAs and business registries

Ownership of information portals and digital single windows, 2024
(Percentage)



Source: UNCTAD, GER.co survey.

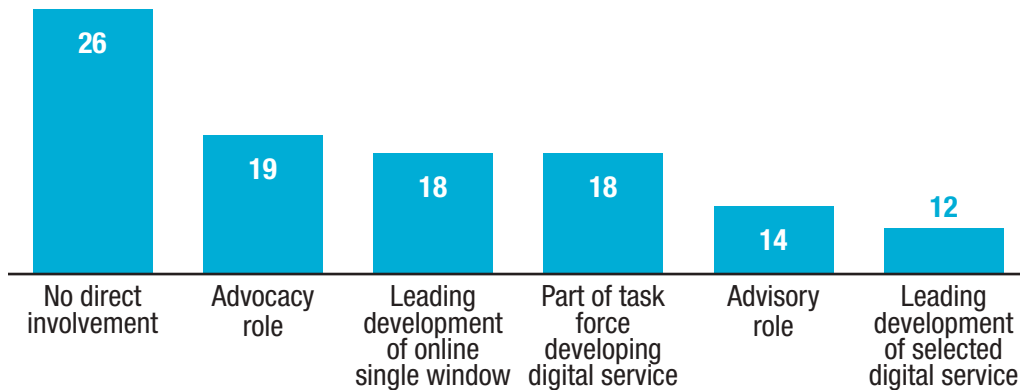
Abbreviation: IPA = investment promotion agency.



Figure IV.7

Only about one quarter of IPAs have no involvement in developing online single windows

Role of IPAs in development of online single windows, 2024
(Percentage of survey respondents)



Source: UNCTAD, 2024–2026 World Investment Prospects Survey.

Notes: The survey, conducted in April 2024, collected 96 responses from national and subnational IPAs. Percentages may not sum to 100 due to rounding.

Abbreviation: IPA = investment promotion agency.

with the results of the GER survey. Some 70 per cent of IPAs report that most mandatory procedures for business establishment – including registration, tax and social security

enrolment, and operating licence acquisition – can be conducted online in their country, whereas the GER survey of transactional portals shows lower shares for social



security enrolment and operating licence acquisition. Either IPAs have lower visibility of requirements that may be sector specific or not immediately urgent in the establishment phase, or these services are provided mostly through separate online systems not connected to an online single window.

There is scope for further engagement by IPAs in the development of digital government (see, for example, the proactive role that the Kenyan IPA Keninvest is

taking in this regard (box IV.7)). The digital transformation of IPAs is ongoing (UNCTAD, 2023b). They often provide other types of digital investment promotion and facilitation tools, in combination with or separate from information portals that deal purely with administrative procedures. Tools that connect well with typical investment facilitation practices include investor feedback and grievance communication, online databases to support searches for local suppliers, and incentives calculators.



Box IV.7

Kenya: Connecting digital tools for investment promotion and facilitation

Despite significant advances in digital government services in Kenya, notably through the eCitizen platform, new businesses and investors still encounter multiple, disjointed registration processes and authorizations, including for licences and permits needed to operate in regulated sectors and counties.

Although some applications can be completed online, the lack of integration among systems adds significant barriers for investors and entrepreneurs. There is a pressing need for enhanced facilitation to elevate investment levels sufficiently to address interconnected economic, health, security and climate challenges.

The Kenya Investment Authority (Keninvest) offers one-stop, in-person services such as assistance with foreign taxpayer registration, electrical grid connection and work permits. However, its services do not extend to crucial permits and licences at the county, sectoral or environmental levels. In addition, it lacks the capability to comprehensively register investment projects online, collect data or provide effective investor aftercare services, which are essential for monitoring and supporting successful investment outcomes.

The Kenya Investment Single Window project, being developed by UNCTAD, aims to tackle these issues. It will introduce an online system to streamline the investment process in the country and enhance the Government's capacity to attract and monitor investments effectively.

The system will connect with existing government databases such as the eCitizen portal, the Kenya Revenue Authority's iTax system and county government portals. This integration will enhance the functionality of existing platforms, making it easier for businesses to navigate the regulatory environment.

Source: UNCTAD. See also <https://eregulations.invest.go.ke>.



C. Facilitation in national and international investment policies

Investment facilitation plays an increasingly prominent role in both national and international investment policies. Facilitation measures are now the largest category of national investment policy measures, and especially important in developing countries. More recent national policy measures refer explicitly to digital government tools. Most modern IIAs and instruments also include facilitation provisions and act as catalysts for the use of digital government solutions.

1. National policies

Investment facilitation measures have become a key component of the global investment policy landscape, constituting between a quarter and a third of the investment policy measures more favourable to investors that countries adopted over the last decade, and nearly two fifths of such measures in 2023 (chapter II).⁴ The total number of investment facilitation measures introduced each year has more than doubled since the early 2000s, growing by 150 per cent in developing countries and 82 per cent in developed countries from 2012–2015 to 2020–2023 (figure IV.8).⁵ Streamlining initiatives emerged as the predominant type of investment facilitation measure over the past decade (53 per cent), followed by facilitation services (31 per cent) and transparency initiatives (16 per cent). This trend was similar across developing and developed regions.

During the second half of the 2010s, digital tools emerged in investment policy measures. Digital investment facilitation services, absent from the measures adopted between 2012 and 2015, constituted 15 per cent of all investment facilitation service initiatives in 2020–2023. Between the two periods, the share of digital streamlining measures grew from less than 10 to 25 per cent and the share of digital transparency measures grew from 0 to almost 30 per cent (figure IV.9).

Transparency measures related to investment included primarily the consolidation of investment-related provisions (for instance, in Fiji and Uzbekistan), the issuance of guidelines on investment legislation (notably in China and India) and the establishment of online investment portals (as seen in Oman and

⁴ For more details regarding the definition of investment-related policy measures and their classification into less and more favourable to investors, see chapter II, box II.2.

⁵ The facilitation measures included in this analysis relate to FDI and primarily encompass policy measures enacted through national legislation. They comprise 333 measures implemented across 99 countries, including 23 developed and 76 developing countries, over the past 12 years.

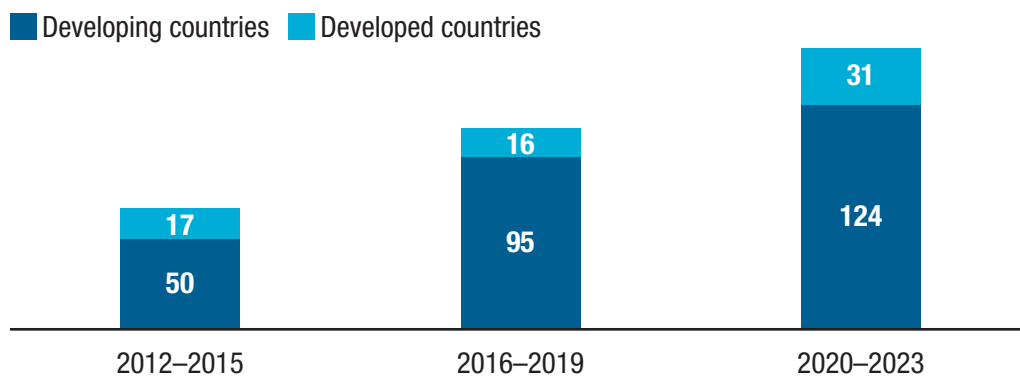




Figure IV.8

Facilitation measures are increasingly prevalent in national investment policies

Facilitation measures by economic grouping and period of adoption (Number)



Source: UNCTAD, Investment Policy Monitor database, accessed 15 April 2024.

Uruguay). In addition, the recent expansion of investment screening regimes (chapter II) – by itself not among the measures that are favourable to investors – has prompted several developed countries (including Australia, France, the Kingdom of the Netherlands and the United Kingdom), to clarify their investment review frameworks by publishing guidelines.

Streamlining initiatives span a wide array of measures designed to simplify and modernize investment policies and administrative procedures. Non-digital measures include the simplification of business registration (e.g. in Mauritius, Romania and Viet Nam), licensing procedures (e.g. in Jordan, Mozambique, Peru and the Philippines) and screening mechanisms (e.g. in Canada and New Zealand). They also include the creation of physical one-stop shops (e.g. in Algeria, Mongolia and South Africa).

Digital initiatives represented a quarter of streamlining efforts. The largest category was the establishment of digital one-stop shops (10 per cent) or online single windows. Other digital streamlining initiatives encompass the digitalization of various investment-related processes (e.g. the introduction of online applications, forms,

certificates and payment facilities). As in the case of transparency measures, several new digital initiatives aim to simplify investment screening processes by introducing portals designed for this purpose (e.g. in France and Germany).

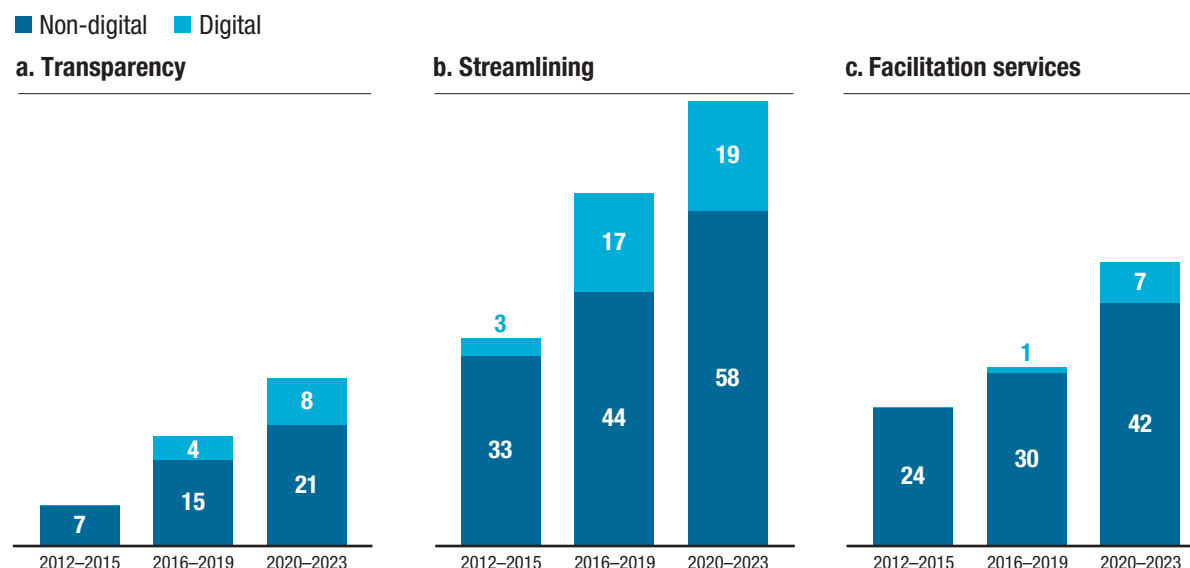
Facilitation services provide tailored support from IPAs, SEZs or other entities designed to aid investors in establishing or expanding their operations within a country. During the last decade, measures in this category were evenly split between services related to SEZs and those offered by IPAs or governmental agencies. The latter included services such as alternative dispute resolution mechanisms, visa facilitation, linkage programmes and aftercare services.

Digital tools are increasingly utilized in delivering investment facilitation services. This trend strengthened after the COVID-19 pandemic, which saw an expansion in the offering of digital investment facilitation and aftercare services by IPAs, with a sharper focus on promoting linkages between foreign companies and the local economy (UNCTAD, 2020b). Oman, for instance, recently launched an online platform to connect local companies with global investors. In Cambodia, the online supplier database aims not only to link foreign and



Figure IV.9
Digital government tools are increasingly common in investment facilitation measures

Measures by type and period of adoption
(Number)



Source: UNCTAD, Investment Policy Monitor database, accessed 15 April 2024.

domestic firms, but also to generate a “sustainable investment cycle” by rewarding and motivating sustainable operations. Traditional approaches to resolving investor grievances are increasingly incorporating digital solutions. The Investment Ombudsman model of the Republic of Korea serves as a prime example (box IV.8).

Facilitation provisions are increasingly common not only in investment policy measures and initiatives, as discussed earlier, but also in investment laws. Of 141 such laws currently in force, as recorded by UNCTAD in the Investment Laws Navigator, 64 (45 per cent) include clauses on investment facilitation. These clauses have become more common in laws enacted after the early 2000s (figure IV.10). There are some regional differences; 63 per cent of investment laws in Africa incorporate investment facilitation provisions, but only 20 per cent do so in Latin America and the Caribbean.

As in the case of policy measures, investment facilitation provisions in investment laws relate to streamlining, services and transparency (figure IV.11). Transparency provisions are present in 19 investment laws currently in force. They typically commit the State to publishing all laws, rules and regulations concerning investment. Only two such laws emphasize the digital accessibility of such information, and one mandates its publication on the official Government website. Another law requires the online publication of supplementary information relevant for investors, such as socioeconomic data on the country.

Streamlining provisions largely involve the establishment of one-stop shops for investors (in 33 of 36 investment laws with streamlining provisions). Most of these one-stop shops serve all investors, but some are tailored specifically to foreign or strategic investors. Only five laws establish



Box IV.8

Republic of Korea: Digital solutions improve investment grievance settlement

The Republic of Korea pioneered the institutionalization of an ombudsman mechanism for resolving foreign investment-related grievances. The Office of the Foreign Investment Ombudsman (OFIO), introduced in 1999, acts as a grievance resolution centre and advocacy body for foreign investors. Its digital portal offers a real-time grievance management system, enabling foreign companies to report issues and monitor case progress online. The portal also allows virtual meetings with experts, who then coordinate solutions with relevant ministries or organizations.

The digitalization of OFIO services has accelerated the exchange of information with public entities, which is critical for resolving foreign investors' grievances. From 2018 to 2022, OFIO settled 1,746 grievances, contributing to an increase in decisions to reinvest and a better business environment. This support resulted in \$1.73 billion in reinvestment in 2022 alone. These results have led several countries, including Brazil, Kazakhstan and the Russian Federation, to adopt similar investment ombudsman mechanisms.

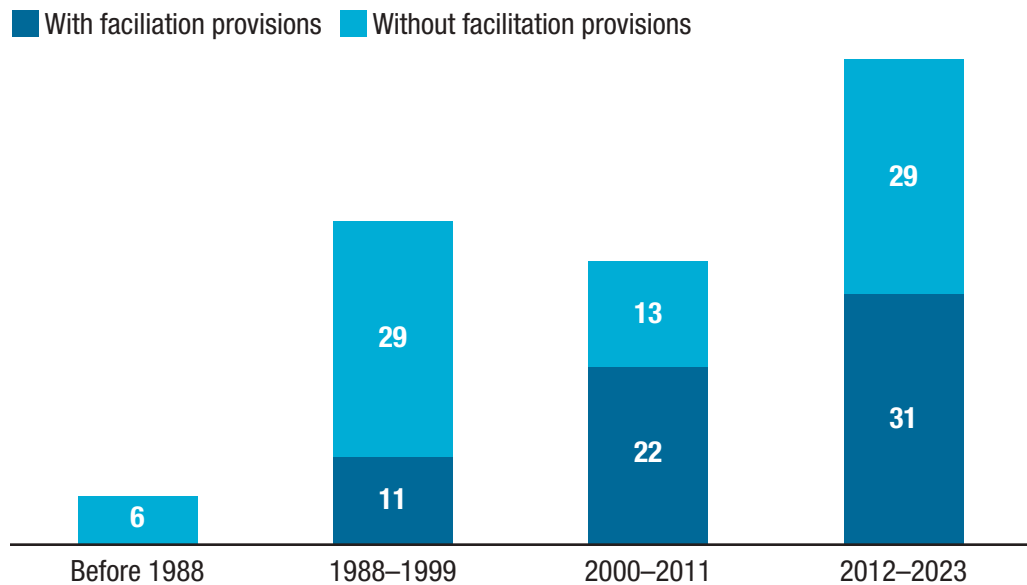
Source: UNCTAD, based on information from the Office of the Foreign Investment Ombudsman and the Korea Trade-Investment Promotion Agency.



Figure IV.10

Recent investment laws frequently include facilitation provisions

Laws by period of adoption
(Number)



Source: UNCTAD, Investment Laws Navigator database, accessed 14 April 2024.



Figure IV.11
Streamlining and facilitation services are more common than transparency provisions in investment laws

Laws with specific investment facilitation measures, 2023
(Number)



Source: UNCTAD, Investment Laws Navigator database, accessed 14 April 2024.

digital one-stop shops. Additional provisions to streamline investor processes include simplifying administrative procedures, promoting digitalization and establishing maximum timelines for government processes related to investment.

Facilitation services provisions in investment laws encompass alternative dispute resolution (22 laws), including mediation,

conciliation and dedicated mechanisms for resolving investment-related grievances, such as investment ombudsmen. They also include investor support services by IPAs or other agencies (12 laws). These services comprise counselling, administrative assistance for permits and licensing, visa facilitation for investors and skilled workers, and assistance in access to land and utilities.

2. International investment agreements

New-generation IIAs increasingly embrace proactive investment facilitation features. Yet, much more is needed to direct facilitation commitments in IIAs towards sustainable investment and to ensure that treaty provisions translate into practical interventions.

Recent IIAs increasingly contain provisions aimed at improving the regulatory environment in host countries, encouraging stakeholder engagement, setting up regular cooperation mechanisms between the contracting parties and facilitating investment for sustainable development (figure IV.12). Prominent examples of these provisions appear in treaties and instruments concluded at the plurilateral, regional and bilateral levels.

The plurilateral Investment Facilitation for Development (IFD) agreement strongly emphasizes transparency and streamlining of administrative procedures and contains elements to support sustainable development, responsible business conduct

and international cooperation. At the regional level, the Protocol on Investment (2023) to the AfCFTA, as well as the Association of Southeast Asian Nations (ASEAN) Investment Facilitation Framework (2021) and the Intra-MERCOSUR Cooperation and Facilitation Investment Protocol (2017), contain proactive commitments to sustainable investment, digitalization and cooperation. At the bilateral level various models promote investment facilitation, including the Cooperation and Facilitation Investment Agreements concluded by Brazil, the Angola–European Union Sustainable Investment Facilitation Agreement (SIFA) (2023) or the framework agreements such as the Australia–Singapore Green Economy Agreement (2022).

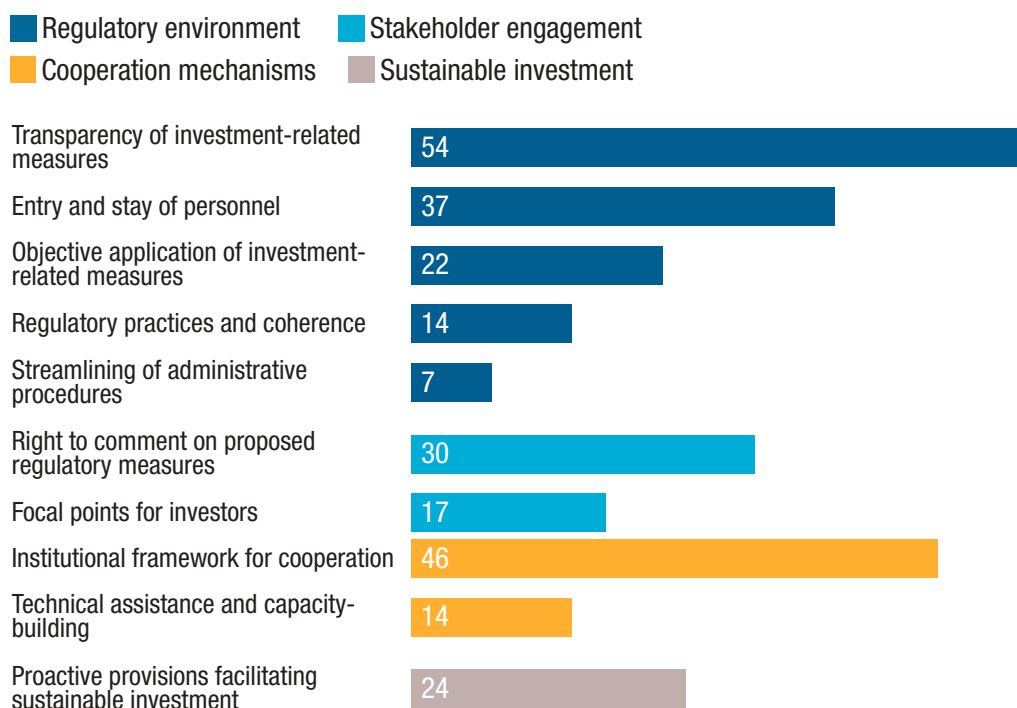
Digitalization, expressly encouraged in several recent IIAs, can serve as a tool for effectively implementing IIA facilitation commitments. It is the natural implementation mechanism for transparency commitments, the most common facilitation feature in recent IIAs.



Figure IV.12

Recent IIAs include a wide range of facilitation commitments

Share of IIAs signed during 2015–2023, by investment facilitation feature (Percentage)



Selected features of IIAs

Transparency of investment-related measures. Commitment to publish investment-related measures and/or measures that affect the application of the IIA, including online.	Right to comment on proposed regulatory measures. Commitment to provide investors the opportunity to comment on proposed measures.
Entry and stay of personnel. Commitment to streamline and/or render more transparent procedures for granting entry and stay of investors, including sympathetic consideration commitments.	Focal points for investors. Commitment to establish institutions available to investors with information, aftercare, dispute avoidance and/or broader functions.
Objective application of investment-related measures. Commitment to objective and predictable application, independence of administering authorities and/or maintenance of appeal and review mechanisms.	Institutional framework for cooperation. Establishment of a cooperation mechanism under the IIA, including for contracting parties' institutions responsible for investment.
Streamlining of administrative procedures. Commitment to eliminate redundant bureaucratic steps and clarify the administrative process, including through digitalization and eGovernment tools.	Technical assistance and capacity-building. Reference to technical assistance and/or capacity-building activities in the IIA.
Regulatory practices and coherence. Encouragement of good rule-making practices (e.g. regulatory impact assessment, periodic review) and/or inter-agency coordination.	Proactive provisions facilitating sustainable investment. Commitment to proactive measures aimed at promoting and facilitating investment linked to the Sustainable Development Goals (e.g. environment, health, climate action).

Source: UNCTAD.

Note: Based on 235 IIAs, 148 BITs and 87 TIPs concluded in the period 2015–2023 for which texts are available.

Abbreviations: BIT = bilateral investment treaty, IIA = international investment agreement, TIP = treaty with investment provision.



It can also operationalize IIA commitments to streamline investment administrative procedures and improve stakeholder engagement. Recent treaties increasingly encourage digitalization or include commitments regarding online information provision or single windows (figure IV.13).

Over half of all IIAs signed since 2015 contain a commitment to publish investment-related measures. Such transparency provisions are among the earliest investment facilitation commitments to appear in IIAs, and the share of IIAs that contain them has grown steadily. IIAs commonly extend this commitment to proposed measures and at times include a detailed indicative list of measures to publish. These can cover regulations directed specifically at investors, such as incentive schemes, as well as measures

or laws that are likely to affect investments indirectly, such as regulations concerning corporate governance, insolvency, property or taxation. Examples of such detailed provisions can be found in the Angola–European Union SIFA, the IFD agreement, the Türkiye–United Arab Emirates Comprehensive Economic Partnership Agreement (CEPA) (2023) and the ASEAN Investment Facilitation Framework, among others. These treaties illustrate the catalytic role that international agreements can play in the adoption of facilitation measures and digital government tools – an effect already observed with the WTO Trade Facilitation Agreement (box IV.9).

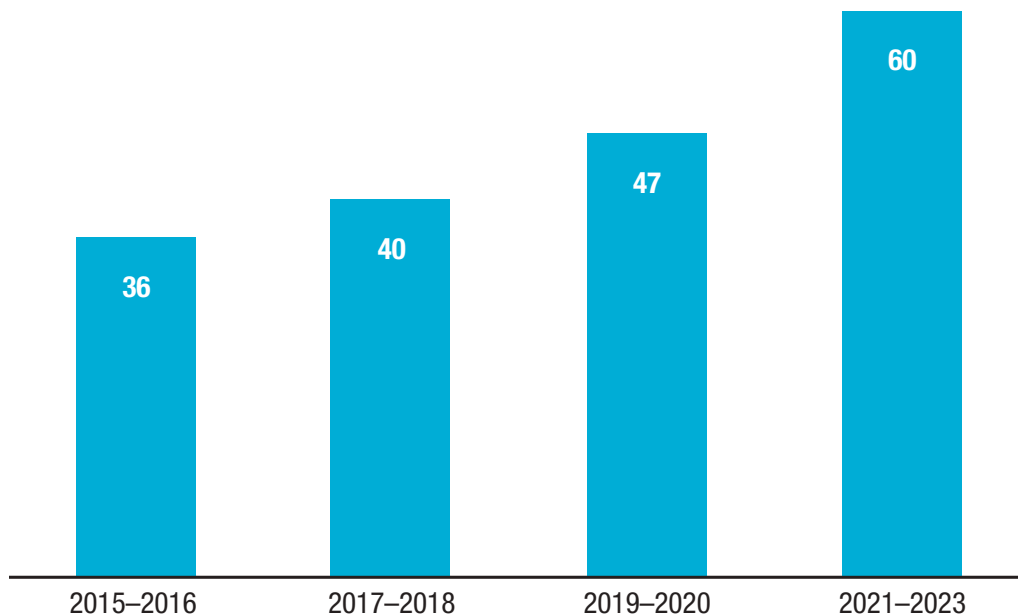
Digital government tools are the most effective way to operationalize transparency commitments. About half of IIAs with transparency provisions signed in the



Figure IV.13

IIAs increasingly encourage digitalization

Facilitation provisions in IIAs that refer to digital tools
(Percentage)



Source: UNCTAD.

Note: Based on 131 IIAs, 70 BITs and 61 TIPs concluded in 2015–2023 that contain at least one facilitation provision. Data based in part on International Economic Law Clinic (2024).

Abbreviations: BIT = bilateral investment treaty, IIA = international investment agreement, TIP = treaty with investment provision.





Box IV.9 Information portals for trade

Transparency in import, export and transit procedures is essential for businesses to ensure predictability in cross-border trade. Despite progress in trade facilitation, many companies – particularly micro, small, and medium-sized enterprises (MSMEs) – still find it challenging to complete trade formalities and documentation. The challenge often arises from a lack of transparency, cumbersome and redundant procedures, and uncoordinated legal frameworks, causing businesses to spend excessive time and resources to comply with trade and customs procedures.

The WTO Trade Facilitation Agreement includes transparency provisions that require members to make certain information available online, such as detailed descriptions of import, export and transit procedures; required forms and documents; and contact information for enquiry points. Although the Agreement does not specify that this information be centralized, it is most effective when presented on a user-centric website that offers comprehensive, step-by-step guides to trade-related procedures.

Building on extensive experience in developing digital solutions for business and investment procedures, UNCTAD has created a model Trade Information Portal. This online tool aims to enhance transparency and assist traders by simplifying the completion of international trade procedures. Launched first in Kenya in 2017, the portal has proven effective. Traders have seen reductions in time and costs to access information about clearance procedures. By 2022, the National Trade Facilitation Committee of Kenya had simplified numerous procedures through the portal, eliminating steps and required documents and moving several processes online.

The UNCTAD Trade Information Portal model, which is based on the eRegulations technology, emphasizes presenting information from the user's perspective and providing step-by-step guidance for all import, export and transit procedures. To date, this approach has been implemented in 28 countries, significantly aiding traders by simplifying and demystifying the required legal and procedural steps.

Source: UNCTAD. See also <https://digitalgovernment.world/trade-information-portals>.

past five years contain a commitment to online publication, and several expressly encourage the contracting parties to create a digital information portal. For example, under the Angola–European Union SIFA, each contracting party commits to make a wide range of information available to investors by electronic means and, where practicable, through a single portal.

A key national policy component that recent IIAs have begun to incorporate is the simplification and streamlining of investment-related administrative procedures. These provisions usually aim to eliminate redundant bureaucratic steps and to clarify the administrative process for investment-related application procedures. They often require a reasonable time frame and cost for licence applications, encourage countries to consolidate the application process under a single agency and establish

certain procedural commitments for the application process. Recent examples include the Angola–European Union SIFA, the China–Ecuador FTA (2023), the IFD agreement, the Türkiye–United Arab Emirates CEPA and the ASEAN IFF.

More recently, treaty partners have also begun to commit to streamlining procedures in the energy sector to support energy transition efforts or to facilitate investment in the energy transition (see the AfCFTA Investment Protocol and the European Union–New Zealand FTA) (UNCTAD, 2023d). Another provision that can benefit from digitalization is the streamlining of procedures for the entry and stay of investors and key personnel (see, for example, the Regional Comprehensive Economic Partnership Agreement (2020) and the Israel–Republic of Korea FTA (2021)).



Digital government solutions can help eliminate redundant bureaucratic steps and streamline the administrative process. The AIFF (2021) offers a regional example in which parties endeavour to establish and maintain single online digital platforms for investor applications. Similarly, at the bilateral level, the Türkiye–United Arab Emirates CEPA contains a commitment to work towards the “the highest possible level of digitalization of procedures related to investments”. Parties also refer to measures that have proven to be effective, such as one-stop shops, single portal submissions or commitments to accept the submission of electronic applications, documents and payments (see the AfCFTA Protocol on Investment and the Angola–European Union SIFA, among others).

Used strategically, digitalization can not only improve the overall investment climate but also contribute to operationalizing IIA provisions aimed at facilitating sustainable investment. For example, to render tangible recent IIA commitments to facilitate investment in renewable energy, parties may prioritize the digitalization of licencing processes related to construction of energy installations or laying of cables, disbursement of renewable energy incentives or connections to electricity grids (UNCTAD, 2023c).

About 30 per cent of IIAs signed since 2015 include a commitment to offer investors and

relevant other stakeholders the opportunity to comment on proposed investment-related measures (see for example the Australia–United Kingdom FTA (2021)). Some 17 per cent also require the creation of focal points for investors, with informational or grievance functions. Examples include the Cooperation and Facilitation Investment Agreements of Brazil, the intra-MERCOSUR Protocol on Investment Facilitation and the Regional Comprehensive Economic Partnership Agreement (2020). Some recent IIAs also encourage the establishment of local supplier databases (see the Angola–European Union SIFA and the IFD agreement, which are by default digital) (box IV.2).

The use of digital tools can improve the efficiency of all these commitments, as well as their accessibility, including for underrepresented economic actors and civil society. The work of focal points can be optimized by, for example, a first-response automated chat assistant for simple information requests and a mechanism to direct grievances to relevant officers, which allows an overall higher number of inquiries to be processed. Similarly, maintaining an online portal for investor and civil society comments on proposed investment-related measures can allow a broader range of stakeholders to access it and improve the efficiency of collecting, processing and disaggregating comments.



D. The impact of investment facilitation and digital government

Digital investment facilitation has positive effects on governance and institutions, business creation and investment attraction. It can support the promotion of sustainable investment, although facilitation measures are difficult to target. Much of the sustainable development impact occurs through business facilitation, which contributes to the formalization of local firms, domestic resource mobilization and higher rates of inclusivity and participation in the MSME sector.

Systematic research on the impact of investment facilitation on FDI is both scarce and difficult to conduct because of the limited data available on investment facilitation measures, the interlinked nature of investment facilitation measures with other policies and the interdependencies of effects with other factors that affect FDI flows.

The lack of conclusive evidence and of a definitive estimate of impact has not stopped policymakers from pursuing investment facilitation efforts in international initiatives and national policy measures. It is generally accepted that investment facilitation is an important component of a conducive business environment, long identified as one of the three key factors influencing FDI, together with economic and policy determinants (UNCTAD, 1998; Alfaro et al., 2008).

Facilitation efforts affect several dimensions of the business environment, including the ease of doing business and the quality of investment institutions, which directly influence the establishment and operations of foreign investors. They further affect institutional factors such as levels of corruption, rule of law and quality of governance, which indirectly

contribute to improving the attractiveness of a location for foreign investment.

The advantage of investment facilitation is that it often does not require changes in policies or legislation. Most investment facilitation practices, from information provision to transparency and streamlining, are about how rules and regulations are communicated and applied and how easy they are to comply with, rather than their substance. Therefore, unlike other FDI determinants, investment facilitation measures often require less policy space (such as for policy determinants) and do not rely on economic conditions (such as for economic determinants).

The relevant literature on FDI determinants substantially supports the attractiveness of investment facilitation measures as policy tools for increasing FDI. Empirical studies have reached broad consensus on the fact that countries with better business environments are more likely to attract higher FDI flows. The impact of investment facilitation measures – as measured through their effect on the business environment – is likely to be economically sizeable. An early simulation by UNCTAD – used to underpin its Global Action Menu for Investment



Facilitation (UNCTAD, 2016) and based on a World Bank study analysing the relationship between FDI and the number of procedures to start a foreign business – suggests that aligning developing countries to the median level of administrative complexity (i.e. reducing procedural complexity in countries above the median) would be associated with an average increase in aggregate FDI stock of 20 per cent. Older studies corroborate the finding (Jayasuriya, 2011; Anderson and Gonzalez, 2013).

Investment facilitation measures can also contribute to inclusive and sustainable development. Because of their relatively low cost (compared with, for example, subsidies, incentives or the construction of SEZs), they are expected to disproportionately benefit smaller and resource-poor economies, and in general those that have few other levers to attract FDI. The positive effect of facilitation practices on governance and institutions would benefit countries with weaknesses in these areas relatively more. Furthermore, investment facilitation measures will support FDI in manufacturing and services more than in extractives (FDI that is mostly resource-seeking and less sensitive to other determinants), thereby contributing to economic diversification. Finally, facilitation measures will have a greater impact on FDI by SMEs, which tend to be disproportionately hindered by administrative hurdles.

Promoting sustainable development through investment facilitation is not automatic, despite the prominence of sustainable development objectives in international agreements and instruments, including the recent IFD agreement. Targeting investment in sectors that contribute more to sustainable development, or investors with more sustainable operations, can be done through typical investment promotion measures such as incentives, which can be applied selectively and made conditional on specific criteria. It is more difficult to envisage providing information or transparency selectively. The logic and the economies of scale of typical investment facilitation

measures would normally dictate that they are applied across the board. The main lever that governments can use to support sustainable development through investment facilitation is to sequence the implementation of sector-specific streamlining measures, prioritizing relevant sectors (e.g. operating licences in the health sector or planning permits in the renewable energy sector).

Digital government solutions for business and investment facilitation, for the most part, just reinforce the effects of such efforts. First and foremost, they tend to focus implementation efforts on the aspects of investment facilitation that are likely to have the greatest direct impact on investment attraction and business creation. Common provisions in investment facilitation policies or treaties include elements such as investor focal points, dispute prevention mechanisms and stakeholder engagement. While these are important benefits for investors and they have the potential to improve governance, institutions and the investment climate in the long run, none are as immediately and continuously relevant to businesses and investors as accurate information, transparency of rules and regulations, and streamlined, efficient and effective administrative procedures – all of which feature prominently in every objective assessment of the relative attractiveness of business and investment climates across countries.

Improvements in government digitalization more broadly, including in areas beyond business and investment facilitation, can also positively influence the investment climate in a country (Al-Sadiq, 2021). Research has shown a positive correlation between digital government services and FDI inflows, stemming from streamlined procedures, improved information access, heightened government efficiency, reduced corruption and cost-saving mechanisms made possible through the consolidation of services on a single platform (Operti and Volpe Martincus, 2023).

Countries that rank in the top quartile of the EGDI receive more than 10 times the



average inward FDI flows per capita as those in the bottom quartile (UNCTAD, 2024a). The same ratio holds for gross fixed capital formation. This is, of course, largely explained by the fact that the EGDI rankings correlate closely with GDP per capita and the development status of economies, with mainly higher-middle-income developing countries in the top quartile, and LDCs typically in the lower quartiles.

Similar but more nuanced results derive from correlating investment, business creation and institutional quality with the UNCTAD GER ratings, which are less obviously aligned with development levels and allow for LDCs to leapfrog higher-income countries in the quality of their information portals and online single windows. On average, GER ratings still fully align with institutional quality (as measured by the World Bank's Governance Index; figure IV.14), but the differences between the top three quartiles become marginal, with significant variance within the top quartiles. Those quartiles combine more advanced developing economies with

some LDCs that have created – often with technical support, including from UNCTAD – high-quality online single windows.

The same analysis of business creation rates also shows a positive correlation between the presence and quality of information portals and single windows for business and investment facilitation and the establishment of new firms (figure IV.15). Average rates of business creation in the top three quartiles are again very similar, and the rate in the top quartile is slightly below that in the second quartile, as a result of a combination of lower rates in some LDCs and in several higher-income, already more mature, developing economies.

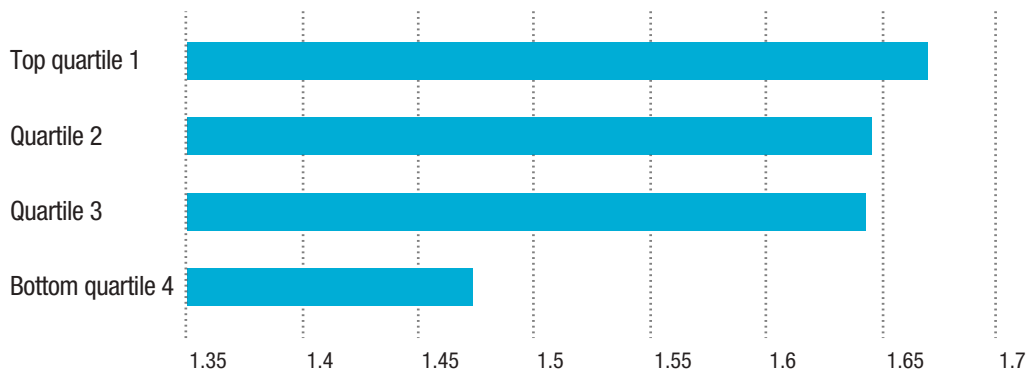
Comparing GER ratings with FDI attraction rates makes the influence of several leapfrogging LDCs in the top quartile even more pronounced than for business creation rates (figure IV.16). The low levels of FDI in these LDCs brings down FDI performance in the group of countries with the best digital government tools for business and investment facilitation by a significant margin. Evidently, high-quality



Figure IV.14

Digital investment facilitation is associated with higher institutional quality

Institutional quality index by GER quartiles, developing countries, 2022



Sources: UNCTAD, GER.co, and World Bank Governance Indices (2022).

Notes: Quartiles were constructed from the average score between information portals and single windows from GER.co data for 2024 (or latest available) in developing countries. The institutional quality index represents the average for indicators of government effectiveness, regulatory quality, rule of law, and control of corruption on a scale from -2 to 2. It assigns higher scores to countries with better institutional quality, according to ratings by non-governmental organizations and international organizations. For better representation, a linear transformation was applied to regulatory quality scores.

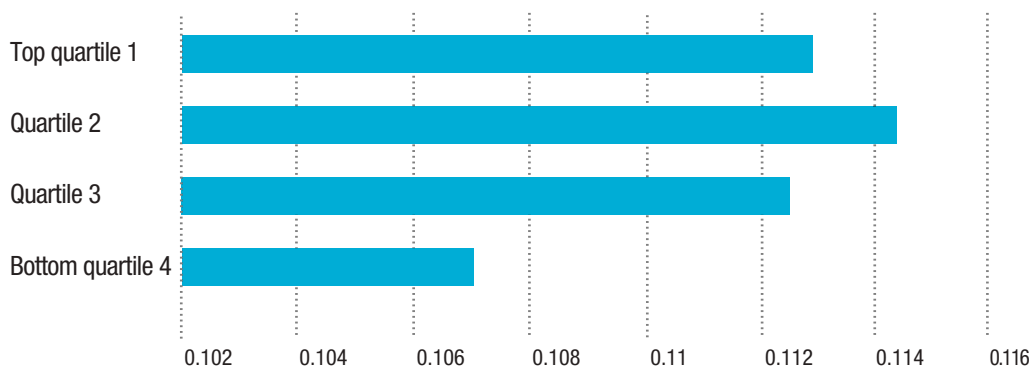




Figure IV.15

Digital investment facilitation is associated with higher rates of business creation

New business index by GER quartiles, developing economies, 2016–2022



Sources: UNCTAD (GER.co) for ratings and World Bank (Entrepreneurship Database, 2016–2022) for business creation.

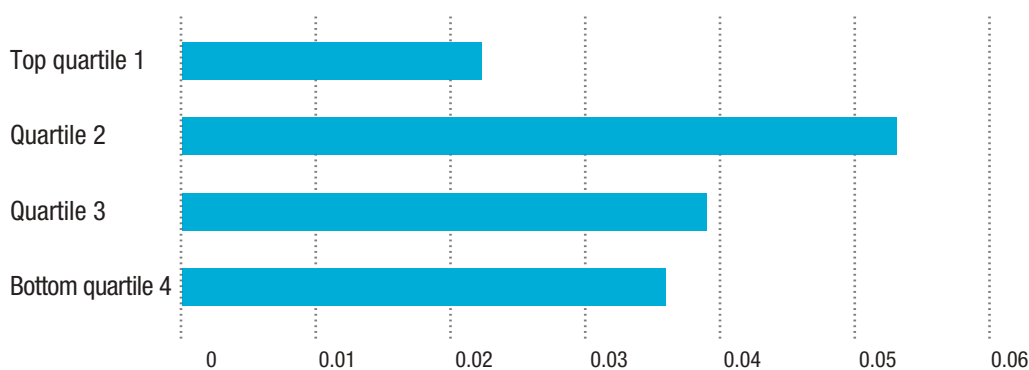
Notes: Quartiles were constructed from the average score between information portals and single windows from GER.co data for 2024 (or the latest available) in developing countries. The new business creation index is measured as the number of newly registered companies with limited liability over the total number of companies with limited liability in the same year (average, 2016–2022). In case of missing data for the total number of companies with limited liability, the observation from the year before plus the number of newly registered companies was used. One outlier (Mauritania) was removed from the first quartile.



Figure IV.16

Digital investment facilitation does not automatically lead to more FDI

Inward FDI as a percentage of GDP by GER quartiles, developing countries, average 2021–2023



Sources: UNCTAD for FDI inflows, UNCTADstat for GDP data, and GER.co for ratings.

Notes: FDI is the average of FDI flows between 2021 and 2023. GDP is the average between 2021 and 2022 (latest year available).

Abbreviations: FDI = foreign direct investment, GDP = gross domestic product.



information portals and online single windows in and by themselves do not lead to higher FDI inflows. Improvements in governance and institutions take time to affect investor perceptions, and other fundamental FDI determinants – ranging from macroeconomic and political stability to market size and income levels, labour costs and the quality of physical infrastructure – are ultimately more important.

The comparison of the correlations of GER data with business creation rates, on the one hand, and FDI attraction on the other can be considered a confirmation that the benefits of business and investment facilitation

are more significant for domestic firms than for international investors (box IV.10). The latter tend to have more resources for engaging local advisers to support compliance with regulatory requirements and to navigate administrative procedures. Domestic MSMEs and informal businesses stand to gain much more from streamlined procedures for business formalization – hence the insistence by UNCTAD on combining, as much as possible, digital government tools for business facilitation and investment facilitation, and synergizing programmes for private sector development and investment attraction.



Box IV.10

Impact assessments of digital government tools for business facilitation

Insights from post-implementation reviews of UNCTAD technical assistance programmes in business facilitation underscore that the ability to register a business online represents a critical step for business creation. It eliminates a significant barrier to formalization and alleviates the need for MSMEs to visit central government offices, thereby improving access, enhancing consistency in service delivery and reducing corruption risks.

Governments also reported the following benefits:

- Higher rates of formalization of local businesses, and creation of more businesses (local and foreign) overall
- Reduced time, costs, forms and documents required for creating and operating a business
- Positive effect on women, young people and rural populations, who previously faced greater obstacles with traditional paper-based and urban-based business registration procedures
- Increased tax, social security and other government revenues, with single windows paying for themselves in two to three years from additional fee generation alone
- Greater formal sector employment opportunities
- Better data on the business sector, enabling more targeted and inclusive policies, particularly if cross-referenced with tax and social security data
- A more client-friendly approach in government administration
- Enhanced trade and development, through the use of digital information portals for importers and exporters

Impact measurements of selected projects after the implementation of online single windows for business and investment facilitation show positive effects on the participation of women and young people in the economy.

Impact on women:

- In Benin, one third of business owners registering online are women.
- In Bhutan, 52 per cent of those applying to register their companies are women.
- In El Salvador, 56 per cent of business owners registering online are women.
- In Lesotho, before online registration was possible, women held 26 per cent of business permits. Afterward, that figure rose to 34 per cent.

Impact on young people:

- In Benin, registration by young people (age 18–30) increased 181 per cent in the first two years of operation.
- In Mali, registration by young people increased 263 per cent after implementation.

Source: UNCTAD.



The sustainable development impact of business and investment facilitation measures is also often more tangible through their effect on domestic businesses and MSMEs. The effect on formalization rates is significant, which contributes to domestic resource mobilization. There can also be positive effects on participation rates for women and vulnerable groups in the economy, and for rural populations, owing to easier access to information through remote access to government services.

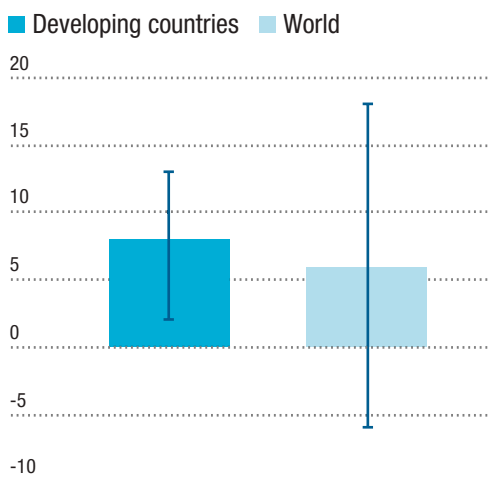
Finally, the analysis for this report empirically evaluated the influence of the quality of online business registration portals on FDI inflows in a cross-country data regression model. Each additional point in the GER score is associated with 8 per cent more FDI. The effect is stronger for developing than for developed countries, presumably because of higher marginal gains in governance and institutional quality.

These results are corroborated by other studies, which consistently find a positive correlation between a favourable business environment and FDI inflows. For instance, a unit increase in the (now defunct) Doing Business rankings leads to higher FDI inflows, by \$300 million (Jayasuriya, 2011); moving 1 percentage point closer to the frontier regulatory environment is associated with an increase in annual FDI of between \$250 million and \$500 million (Anderson and Gonzalez, 2013). More recent studies suggest that a reduction in procedural complexity in countries leads to higher FDI inflows of about 4 per cent within the first two years following the implementation of digital tools (e.g. World Bank, 2017). These findings highlight the importance of streamlined administrative processes in attracting investment.

Empirical analyses specifically focusing on digital government find that accessibility to government information and services online, as measured by the eGovernment Survey Index of UN DESA, is associated with about a 2 per cent increase in FDI per capita inflows, on average (e.g. Al-Sadiq, 2021). The positive relationship between online digital government tools and FDI is attributed to streamlined procedures, enhanced access to information, improved government efficiency, reduced corruption, and cost-saving mechanisms facilitated by service consolidation on unified platforms (Lögün, 2020; Máchová et al., 2018; Al-Sadiq, 2021).

Figure IV.17 Higher-quality digital investment facilitation is associated with more investment

Impact of gains in GER ratings on inflows, average 2021–2023 (Percentage)



Sources: UNCTAD for FDI inflows, UNCTADstat for GDP data and GER.co for ratings.

Notes: Depicts the marginal effects (semi-elasticities) of higher quality of information portals and single windows on FDI inflows. Vertical lines represent confidence intervals at the 90 per cent level. Predictions based on an ordinary least squares cross-country model, with robust standard errors. The independent variable is the average rating between information portals and single windows in 2024 (or latest available); controls include population (2021), GDP (2021) and development status.

E. From online business facilitation to digital government

The basic architecture of digital government solutions for businesses and investors is fundamentally the same across many types of services. Thus, expanding their scope to cover more services helps capture economies of scale and scope. Effective implementation requires accurate documentation and thorough simplification of procedures, and a focus on putting in place enabling legislation rather than reforming the laws underpinning the procedures. For developing countries, using digital business and investment facilitation to strengthen public administration more broadly is an important opportunity.

1. The basic architecture of digital government services

Investment operations encompass a range of administrative requirements, including company registration, obtaining various licences and permits (such as investment, business activity, environmental and building permits), property acquisition registration, compliance with social security, pension schemes and tax obligations at both national and local levels (UNCTAD, 2023e).

The administrative processes associated with these obligations all follow a similar pattern. Investors submit the necessary data, documents and payments to one or more administrative bodies. The application file is reviewed by the respective administrations. Upon approval, the data provided is recorded in a registry, and a formal certificate – whether called a licence, permit, registration, declaration or authorization – is issued.

The application file consistently comprises three fundamental elements: data (entered on a form), documents (such as proof of registration in other registries, identity cards and authorizations) and payment. The

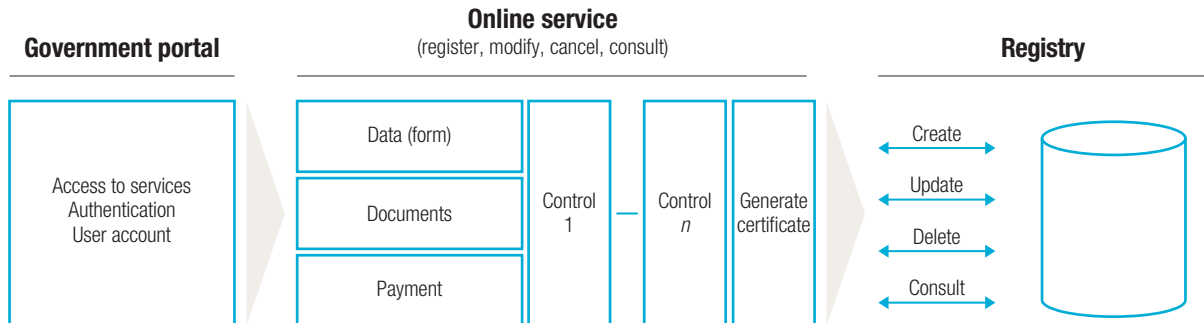
processing involves a varying number of operators within the authorizing entity that assess the file until it is either approved, rejected or returned for correction or requests for additional information. The registry where the information is stored can take various forms, ranging from a physical logbook to a spreadsheet or an online database. Building on this standard administrative pattern, the basic architecture of digital government services mirrors the sequence of steps through a series of online interactions (figure IV.18).

An online service is a succession of screens and actions through which the applicant can complete a form, upload the necessary documents, make a payment, and submit the application. Subsequently, one or more operators review the application file, deciding to either approve or reject it. Once approved, the applicant's data are transmitted to an online registry, and a digital registration certificate is issued.

Once the application – a platform or interface – has been put in place to manage



Figure IV.18
Basic architecture of digital government service



Source: UNCTAD.

interactions with users, the processing components that constitute the actual service have been developed, and a database or registry has been created to manage a particular service such as the registration of a company name, services can be added with essentially the same tools. A single service such as business registration will usually already comprise a “family” of services or multiple versions of itself for different types of legal entities, such as sole traders, limited liability companies, and branches or subsidiaries of foreign firms. But services can equally be extended to other areas, such as construction permits, operating licences or obtaining social security or tax registration numbers.

Digital government services are often developed through a series of evolutionary steps. Initially, each government agency tends to develop its own digital services independently, leading to a collection of uncoordinated processes. This fragmentation forces users to interact separately with each agency, inputting the same information multiple times. Such set-ups lead to discrepancies in user data across different registries, as updates in one are not reflected in others. If an agency requires verification of a permit from another, it typically requests a physical copy from the user.

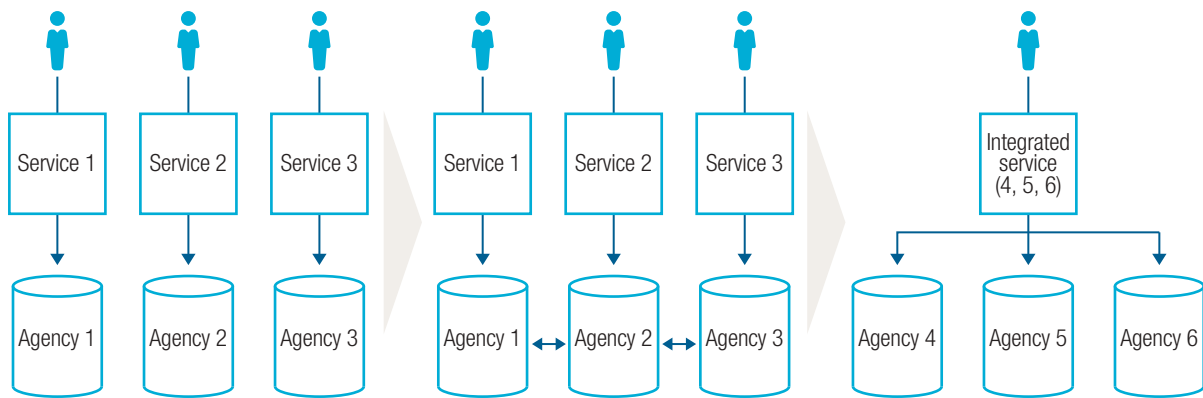
To improve efficiency, some systems allow agencies to share applicant data among themselves; an example is X-Road in Estonia.⁶ While this reduces redundancy – applicants do not need to provide the same information multiple times – it still requires them to initiate applications with each agency separately. This model enhances the user experience and ensures data quality but depends heavily on inter-agency cooperation, which can be a limiting factor.

An integrated services approach further consolidates the user experience by enabling applicants to interact simultaneously with multiple agencies through a single service. Applicants fill out one form, upload documents once and make a single payment, even as their applications are processed separately by each relevant agency. In this system, which ensures data consistency, agencies interact seamlessly and offer a unified service to the applicant, but they continue to operate independently.

A new approach that holds promise for the future is a fully user-centric model in which the applicant is placed at the centre of public administration (figure IV.19). All personal and official data, such as registrations and permits, are consolidated in an online “safebox” that is accessible to any government agency the user has dealings with. This fundamentally changes how data

⁶ See <https://e-estonia.com/solutions/x-road-interopability-services/x-road>.

Figure IV.19
Evolution of digital government services



Source: UNCTAD.

are managed, by eliminating the need for applicants to submit data or documents multiple times. Instead, applicants simply grant agencies access to their safebox, where all required information is stored and continually updated. Rather than issuing traditional certificates, agencies validate the data directly within the safebox, streamlining processes and ensuring that all information remains accurate and current. Several novel technologies are being developed to bring the user-centric model closer to reality, such as systems that allow users to manage access and usage permissions for

their data, and blockchain-enabled verifiable credentials to improve data security.

Looking at these advanced models and configurations is especially helpful for countries that are at the early stages of developing digital government, those that have relatively few legacy systems in place with limited sunk costs, and those where basic services in support of business entities of any size can make an immediate and sizeable difference in the quality of public administration and the ease of doing business.

2. Effective implementation

Facilitation is fundamentally about simplifying compliance. It ensures that administrative procedures are transparent, clearly understood and designed to require minimal effort from users. The adoption of good business and investment facilitation practices demands a significant shift in mindset within public agencies – from a traditional focus on control and enforcement, which primarily aims to prevent fraud and detect violations, to a supportive role that helps firms meet administrative requirements.

The initial step involves first acknowledging that administrative procedures pose challenges for firms – whether foreign or local, large or small – and then conducting an uncompromising analysis of the underlying causes. The root causes of administrative complexity are mostly not in the rules but in the way they are applied. Rules can be interpreted differently by different parts and levels of government. Procedures will vary across different agencies and local authorities. They evolve over time depending on the risk aversity and control mindset of

individual civil servants, or in reaction to occasional instances of malfunction or malfeasance. The design of procedures to implement rules often prioritizes form over substance, causing them, over time, to depart from the original intent of the rule.

It is therefore important to differentiate between administrative procedures – which include the interactions, forms, information and payments demanded by administrations to enforce laws – and the actual laws they aim to implement. Typically, administrative procedures are more complex than the laws they are based on, often incorporating unnecessary conditions and delays. Streamlining administrative procedures, in the vast majority of cases, does not necessitate changes to the law. It mostly represents a more efficient and effective application of the law.

From a practical perspective, the implementation of digital government services involves three main steps: (1) accurate documentation of the procedure that is to be brought online in its existing form; (2) design of the online service, including, where possible, the streamlining of the procedure; and (3) implementation of the online service.

Documentation of the procedure for which the digital government solution is being developed requires the involvement of administrative officers from the entities involved in the relevant registration or authorization processes. It does not require any technical expertise on information technology (IT) or online systems. Instead, it requires detailed knowledge of the step-by-step process that the user of the service needs to follow to obtain the desired certification. The result should be a breakdown of the steps, and for each step a detailed mapping including the entity with which each transaction takes place, the requirements for each transaction (e.g. information to provide, documents to submit, fees to pay), the possible scenarios that follow (e.g. further information or documents needed, referrals to other entities), the

results of the transaction (e.g. rejections, certifications), possible complaints or recourse procedures, and the legal basis for each transaction and administrative requirement. The latter element is needed to distinguish between the requirements and controls actually required by the law and those that have been added over time by implementing agencies, as well as to identify discretionary aspects of procedures.

The administrative officers responsible for providing the service will be familiar with individual procedures, yet they may be limited in their ability to oversee the complete process from the user's perspective. Very often, only after a detailed mapping of the process does it become clear that the process has many unnecessary complexities, redundancies and overlaps, such as the need to visit the same entities in different steps or the need to supply the same information or document multiple times. Officers may also not be trained in process documentation techniques; an important part of capacity-building programmes in this area is not about IT, but about process mapping and design.

Design of the online service is still not driven primarily by IT, although it is important to involve project managers who are used to translating rules and administrative requirements into “code” – logical instructions that cover every eventuality of the transactions involved (box IV.11).

A service is usually not designed to exactly mirror the physical procedure, because the inefficiencies identified during the documentation process can be reduced through a process of streamlining. Simplification means focusing on those requirements and controls that are required by the law, minimizing information and documentation required at each step, and regrouping or resequencing steps. Ultimately, the design of the online service involves creating a database by defining exactly what fields of data are required, designing the user form and document upload page, creating approval roles for administrative officers and integrating





Box IV.11

Bhutan: Empowering civil servants to design their own digital services

In 2021, the Government of Bhutan introduced a groundbreaking government-to-business digital portal specifically tailored for cottage and small industries, using the customizable digital platform of UNCTAD. This initiative targets firms valued at less than \$14,000, which represent 95 per cent of the country's economy.

The process is streamlined and user-friendly: entrepreneurs can complete a simple form on a mobile phones and receive all necessary registration documents instantly and free of charge. The impact was significant: in 2022, about 1 per cent of the population, or 5,500 people, used the service to register a business. This marked a threefold increase in the registration rate, with women making up 52 per cent of the new users. This surge reflected a significant transformation in public administration and set a benchmark for digital government worldwide.

The platform empowers civil servants who, after initial training, can independently customize the digital platform to add online services. These services now encompass a wide array that includes bus service permits, drone flying authorizations and industrial park leases. This approach helps civil servants empathize with users, enhancing their understanding of potential bottlenecks and frustrations in the process.

The Government plans to expand the platform over the next two years to include all permits, authorizations and procedures. The system could extend to encompass all government departments, allowing civil servants to shift their focus towards more strategic tasks by alleviating administrative burdens. This strategic development has boosted economic diversification and new businesses, tripling formal employment opportunities, demonstrating the impact of digital transformation on economic growth and public administration efficiency.

Source: UNCTAD. See also <https://unctad.org/news/bhutans-entrepreneurs-can-now-open-business-under-minute>.

online payment (often using a commercial provider of online payment services).

Implementation of the online service involves not only the installation of the technical elements of the system – through either physical servers or cloud-based providers – but various other aspects, including the management of the transition process, with each entity responsible for the relevant registrations or authorizations, the training of operators in charge of approvals or controls, and others who will assist the public or staff call centres, the testing of the system using real cases and focus groups, and a communication campaign. Institutional capacity-building, both on the service documentation and design process and, subsequently, on the operation of the system, is crucial to ensure continued service development and the gradual expansion of digital government to cover all services to business.

In this process, effective communication on the positive impact of digital investment facilitation is crucial to maximize buy-in from implementing agencies and to overcome resistance. In Benin, the tripling of business creation also tripled fee income, generating more jobs for government workers (box IV.12). In Lesotho, staff using a digital business licensing system reported greater satisfaction as their role shifted from processing forms to advising clients. In Bhutan, government staff involvement in developing new online services expanded their skills and responsibilities, providing additional motivation. Digital tools, by better capturing data on business creation, including user demographics, enable policymakers to understand the impact of investment facilitation, measure effects on communities and ensure inclusivity.





Box IV.12

Benin: Using digital government to promote sustainable impact and inclusivity

Since 2020, the Investment and Export Promotion Agency of Benin has used the digital government platform of UNCTAD to streamline the registration process for foreign and domestic companies. It allows businesses to handle all registration steps, including for tax and social security, from a mobile phone. Users fill in one form, scan and upload documents, and pay with a credit card or mobile money, reducing the time required from five days to just two hours.

The implementation of the digital platform (monentreprise.bj) nearly tripled the number of business registrations. Notably, a third of these new business owners are women, half are under age 30 and half are located in rural areas, indicating broad demographic reach. Interviews with users revealed that the system not only facilitates business creation but also helps in business formalization. Formalized businesses report greater ease in hiring qualified staff, accessing credit, obtaining insurance, receiving formal training and exporting to members of the West African Monetary Union. The revenue generated from the increased number of registrations has provided the Agency with additional funds. These funds have been used to expand staff, enhance outreach to entrepreneurs and invest further in improving the system, fostering a sustainable impact and inclusivity in the country's business environment.

Source: UNCTAD. See also <https://www.gouv.bj/article/512/lapiex-lance-montentreprise.bj>.

3. Connecting with wider digital government

The prevailing guidance on digital government implementation favours a centrally driven approach based on a national digital government strategy and supported by a digital government authority or unit. For example, the Recommendation of the Council on Digital Government Strategies of the OECD (2024) recommends the development of a digital government strategy aligned with other sectoral strategies; government-wide coordination mechanisms; development of digital skills, job profiles, technologies, contracts and inter-agency agreements; and review of legal and regulatory frameworks. A World Bank (2016) report, which notes that 30 per cent of digital government projects fail and that only 20 per cent are considered successful, explains that this imbalance is due not only to technical issues such as inadequate infrastructure, interoperability and cybersecurity risks, but also to policies, legal frameworks and institutional factors. The e-Government Survey of UN DESA (2022) measures factors such as the presence of legal and institutional frameworks as the basis for effective implementation. Technical assistance

and capacity-building by development agencies generally provide overarching assessments of digital government readiness and associated policy advice.

Several practical experiences illustrate how central steering can be important:

- Digital government strategies. Successful digital initiatives are often underpinned by a comprehensive strategy. Bhutan and Uruguay exemplify this approach, with their strategic frameworks for digitalization. Bhutan launched its eGovernment Master Plan in 2014, and Uruguay initiated its digital agenda with an eGovernment section in 2007, culminating in 2021 in the Plan de Gobierno Digital 2025.
- Digital government entity. The creation of institutions to manage and coordinate digital strategies can provide valuable steering. In Benin, the consolidation of digital strategy entities into the Agency for Information Systems and Digital in 2022 and in Uruguay the establishment of the Agency for Digital Government, Information Society and Knowledge in 2005 are notable examples.



- Legal and regulatory framework. The development of effective digital services can be accelerated by enabling legislation in such areas as personal data protection, digital payments, e-signatures and digital identities. The Digital Code (2018) of Benin and the National Digital Agenda of El Salvador are examples of comprehensive legal frameworks that support digital strategies, cybersecurity and regulatory needs in the digital domain.
- Stakeholder engagement and communication. Successful digital government initiatives require effective stakeholder engagement, communication strategies and initiatives to build trust to foster adoption. In Rwanda, the introduction of a law that ensures data protection, coupled with educational and awareness initiatives, has been credited by the Minister of Information and Communications Technology and Innovation for a 30 per cent increase in adoption of the e-Government platform.

Central steering and support for the roll-out of digital government are important and help push the necessary enabling legislation, budget support and broad-based stakeholder engagement, yet it can

also lead to complex, costly and lengthy implementation programmes. The basic architecture of online services and the tenets of effective implementation suggest that there is a complementary approach that can be used in parallel with or even in anticipation of major centralized efforts. This approach is particularly helpful for developing countries that are still in the early stages of government digitalization and that lack the significant resources required for centralized digitalization projects.

A bottom-up approach, starting from basic services for business – usually the first government services to be digitalized – and gradually expanding to adjacent policy areas, has several benefits. It can begin in one or very few public sector entities, does not necessarily depend on major legislative interventions, is relatively low cost and adds immediate value to users and revenue-generating potential for government. Such a bottom-up approach can be an integral part of a wider digital government strategy, as a “sandbox” approach in which new digitalization initiatives are rolled out for a clearly delimited administrative process before expanding to broader applications. It allows agencies or subnational entities with higher levels of capacity or a higher state of readiness to race ahead (box IV.13).



Box IV.13

Togo: Digital investment facilitation by subnational authorities: special economic zones

In Togo, digital transformation has significantly enhanced FDI attraction efforts. Launched in 2022, the first phase of the country's investment portal (investirautogo.tg) offers a comprehensive online information service. Managed by the Investment Promotion and Free Zone Agency, the portal provides detailed guidance on administrative procedures to start and operate a business. It covers nearly 40 procedures and outlines more than 150 formalities. It also provides contact points for investors who need assistance. It was used by 13,000 investors in 2023. The portal is part of a collaboration between the United Nations Development Programme and UNCTAD, begun at the Government's request and coordinated with the Togo Digital Agency.

The second phase, planned for launch in 2024, is a digital investment window for the Port of Lomé SEZ. It will facilitate the digitalization of processes such as authorization requests, employee exemption from social charges and vehicle registration. Expansion into the SEZ underscores the comprehensive involvement of national institutions in investment facilitation, extending beyond the traditional scope of IPAs.

Source: UNCTAD. See also <https://investirautogo.tg>.



Implementing agencies can very often achieve much independently of Government-wide efforts or major legislative reform programmes. A balance must be found between the need for overarching strategies and institutions and practical implementation requirements.

As noted earlier, digitizing administrative procedures mostly does not require significant changes in laws. This does not mean that no legislative action is needed to support the development of digital government. However, the emphasis should be on enabling legislation rather than on substantive laws underpinning the administrative procedures. And while comprehensive legal frameworks govern personal data protection, digital payments, e-signatures and digital identities, basic reforms of mundane bureaucratic requirements enabling, for example, the acceptance of electronic copies of documents, are often sufficient to allow agencies to proceed with the implementation of digital services.

Similarly, while the whole-of-government approach that is usually advocated should be the ultimate goal for the roll-out of digital government, it has clear drawbacks for the pace of development of individual services. Different institutions tend to operate at different speeds and find themselves at different stages of readiness. Centrally steered programmes that aim to bring along all public institutions and agencies can miss out on opportunities to develop individual services more quickly with a limited number of first-mover entities (ITU and UNDP, 2023).

The bottom-up approach defines a limited initial project scope and digitalizes one process at a time without necessarily waiting for lengthy, government-wide reviews of strategy, legality or IT that risk being divorced from the reality faced by front-line agencies and service staff. It helps minimize resistance and builds momentum for broader digital

transformation at a relatively low monetary and political cost. It is an approach that learns from the failures of approaches in many countries by encouraging agencies with innovative mindsets to take the first steps, with others joining as the advantages of digitalization become clear.

There is significant scope to expand the array of services on digital government platforms once the core business and investment facilitation services (registration, tax, social security and operating licences) are covered. Using the online single window platform developed by UNCTAD, El Salvador has added services for the filing of accounts, to support MSMEs not only in the process of becoming formal but also in the effort to stay formal (which requires filing periodic accounts and paying taxes) (box IV.14). Mali is developing a system to speed up approval processes for new pharmaceutical products to streamline the market for essential medicines (box IV.15). And Colombia is piloting an emissions registry to allow firms to calculate and report emissions in compliance with local legislation developed to meet commitments under the Paris Agreement (box IV.16). Adding services in such specific areas or for sector-specific procedures can thus help strengthen the sustainable development impact of digital business and investment facilitation efforts.

Digital government solutions obviously also extend to trade, as observed earlier. The ASYCUDA programme of UNCTAD has a long track record of implementing online single windows for clearance of foreign trade procedures (box IV.17). Similar effects of economies of scale and scope can be observed in trade portals, which aim to incorporate as many relevant procedures as possible. However, compared with business and investment facilitation portals, trade portals are more difficult to envisage as a basis for wider digital government expansion because of the narrower scope of services and institutions they involve.





Box IV.14

El Salvador: Expanding the scope of digital services for business: supporting MSME formalization

In 2018, UNCTAD and the Government of El Salvador launched a digital single window for MSMEs (miempresagob.gob.sv), allowing them to register online with simplified procedures. An important objective was to reduce informality. Entrepreneurs can register simultaneously with the ministries of finance, labour and commerce, and the municipality. This automates what were previously 12 separate registrations. The system also integrates an online accounting tool that supports the filing of annual accounts and can generate six-month tax and social security filings as well as 11 annual filings. The purpose of these supporting tools is to help businesses become formal and remain formal – which requires periodic filings.

Many MSMEs are subsistence enterprises or sole traders, in the informal sector. Registrations at the National Commission for Micro and Small Businesses increased significantly in 2020 and afterward, especially in the most fragile categories. This translated to a steep rise in the numbers of entrepreneurs (+74 per cent) and MSMEs (+63 per cent) registered for social security in 2021. More than half of these companies were women owned. Their access to enterprise loans and safety nets critically contributed to the resilience of the private sector in the pandemic.

Source: UNCTAD. See also <https://miempresagob.gob.sv>.



Box IV.15

Mali: Expanding the scope of digital services for business: pharmaceutical approval processes

In November 2023, Mali launched a pioneering online pharmaceutical registry, developed in collaboration with UNCTAD, the Ministry of Health of Mali and the country's National Pharmaceutical Association. This initiative was spurred by the urgent need for pandemic preparedness underscored by the COVID-19 crisis and aims to address major health challenges for the country's predominantly young population.

The digital registry is designed to enhance the efficiency of the marketing authorization process and ensure the safety and quality of medicines. It will improve transparency and traceability, optimize resource use, support the growth of the local pharmaceutical industry and combat counterfeiting. According to the United Nations Office on Drugs and Crime (2023), up to half of the pharmaceuticals in Mali are counterfeit or improperly distributed, emphasizing the need for this system.

The online registry will enable pharmaceutical importers, producers and distributors, along with the Government, to address supply chain delays and fraud more effectively. This improvement in transparency and accessibility is expected to streamline the distribution of medicines and vaccinations. Currently, the approval process for importing, distributing or producing medicines is hindered by bureaucratic delays, often taking up to 18 months owing to reliance on paper documentation and the requirement for a salaried representative's physical presence. The new system will reduce the approval time to three months.

At present, the system allows online registration of pharmaceutical stakeholders and helps medical authorities monitor the entry, production and distribution of products. It also aids in the identification of obsolete and unauthorized items and provides data on the locations of products and the needs for them across various medical facilities. Although still in its pilot phase, digitalization of this registry holds promise for replication and scaling in other developing countries, potentially transforming health care delivery and management.

Source: UNCTAD. See also <https://unctad.org/news/magic-malis-digital-pharmaceutical-registry>.



 **Box IV.16**

Colombia: Expanding the scope of digital services for business: reporting carbon emissions

In 2023, the Colombian Ministry of Environment, in collaboration with UNCTAD, initiated the development of a digital platform that will allow businesses to report their carbon emissions annually and obtain necessary certifications, supporting the country's commitment to the Paris Agreement objectives.

The registry is set to launch in the latter half of 2024, after final adjustments to the prototype, which was presented at the World Investment Forum of UNCTAD in October 2023. It integrates a user-friendly emissions calculator and complies with the standards of the Intergovernmental Panel on Climate Change, ensuring that it is both comprehensive and accessible for companies that are required to report their emissions. It is designed to prepare Colombia for upcoming global carbon pricing and tax measures, including the Carbon Border Adjustment Mechanism of the European Union.

The platform will be expanded with online services for environmental impact assessment certificates, in an aim to streamline the application and review process, which is often criticized for its inefficiency and lack of transparency. These assessments are crucial for many sectors in Colombia, in particular construction. In addition, a digital registry for green business certificates is being considered. This system would enable companies to evaluate their environmental practices against regional standards and qualify for "green business" status, which provides benefit from various incentives. These digital innovations not only position Colombia as a leader in environmental digitalization but also serve as potential models for other countries with similar environmental and climate legislation.

Source: UNCTAD. See also <https://unctad.org/news/un-digital-government-awards-celebrate-excellence-online-public-services>.

 **Box IV.17**

ASYCUDA: Online single windows for trade

Since 2012, the ASYCUDA (Automated System for Customs Data) Programme of UNCTAD has partnered with governments and international organizations to design, develop and implement an integrated platform for international trade. It allows all stakeholders to process clearance of trade procedures, including by submitting permit and licence applications online, while also improving information sharing between partner government agencies and traders – aligning with Recommendation 33 of the United Nations Economic Commission for Europe on single windows and trade facilitation. Electronic single windows for trade are one of the most effective measures to enhance trade facilitation in a country, underscored by their inclusion in the WTO Trade Facilitation Agreement.

By digitally connecting partner government agencies, an ASYCUDA single window simplifies trade, reduces clearance times and trade costs, ensures transparent and uniform application of duties and taxes, maximizes government revenue, helps combat corruption and ensures compliance with standards for public health and safety. ASYCUDA-based electronic single windows are active or being implemented in 13 countries (Barbados, Burundi, the Comoros, Jamaica, Kazakhstan, Rwanda, Saint Vincent and the Grenadines, Sao Tome and Principe, Timor-Leste, Turkmenistan, Uganda, Vanuatu and Zimbabwe).

In 2023 UNCTAD published *Roadmap for Building a Trade Single Window*, which shares experience, expertise and recommendations in a blueprint for designing and implementing tailored, single windows that comply with national, regional and international requirements. It is being used as a source by the World Customs Organization as it updates its Single Window Compendium.

Sources: UNCTAD and UNCTAD (2023b). See also <https://asycuda.org/en/#> and https://unece.org/sites/default/files/2023-10/Rec33_ECE-TRADE-352-Rev1E.pdf.



F. Conclusions and policy implications

Governance and institutional weaknesses have consistently featured in research and investor surveys as key challenges to the attraction of investment in sustainable development. Digital government contributes to good governance and stronger institutions. Online tools for business and investment facilitation have proven to be a good starting point for the broader implementation of digital government. Digital facilitation of business and investment is thus a key step in developing broader digital government services and, indirectly, a key pillar of the promotion of investment in sustainable development.

Investment facilitation is top of mind for policymakers worldwide. Investment policy measures of national governments aimed at facilitating the establishment and operations of foreign investors have rapidly increased in number since the launch of the UNCTAD Action Menu in 2016 – they now make up 40 per cent of measures favourable to investors. Recent agreements at the bilateral, regional and international levels more often include provisions on facilitation, and the recently finalized IFD agreement may provide further impetus for action by national policymakers and treaty negotiators.

As discussed in this chapter, international agreements can be catalysts not only for investment facilitation but also for digital tools for that purpose. In its support to discussions on international policy instruments, UNCTAD has consistently emphasized the need to focus the implementation of investment facilitation in developing countries on measures with the highest rate of return. While investment facilitation provisions can cover many issues, including dispute prevention, focal points and collaborative initiatives, the most cost-effective and impactful ones revolve around information provision,

transparency of rules and regulations, and streamlining of administrative procedures through digital government tools. That is because they are important all the time (not just on an occasional or project basis), they benefit all firms (large and small, foreign and local) and they can cover all necessary processes for business establishment and operation (not just procedures specific to foreign investment).

Developing countries can be at an advantage in establishing digital government tools for business and investment facilitation. They have fewer legacy systems to integrate and can adopt the latest solutions. A smaller number of institutions and decision-makers can also support faster implementation. The evidence in this chapter confirms that there is a leapfrogging opportunity; some of the lowest-income countries have created online facilitation platforms that can compete with the best. However, the development of most of these platforms has required technical assistance and support. Importantly, the IFD agreement and other international cooperation agreements on investment aim to accelerate support to developing countries for the implementation of investment facilitation mechanisms. Such

Digital investment facilitation measures are valuable **all the time, for all firms, in all processes**



support should focus in large part on the development of digital government solutions.

Governments should adopt a comprehensive approach to digital investment facilitation, avoiding dedicated processes solely for investment authorization. Investors are not helped by smooth investment approval processes if subsequent procedures to establish their business operations remain inefficient. Governments should progressively incorporate all or most procedures and services required by both foreign and local businesses, such as business registration, tax and social security registration, licensing and other essential services. This approach enables Governments to harness the full potential of digitalization and to capture economies of scale and scope from the implementation of digital platforms.

But there is no reason to stop at the core mandatory procedures for business establishment. Countless other administrative procedures affecting business operations may be sector specific or motivated by policy concerns ranging from the environment, to health and safety, to labour and social issues. The digital government tools that are central to effective and efficient implementation of business and investment facilitation initiatives can serve as a foundation for broader digital government adoption, making them a significant step towards modernizing governance and administrative processes.

As noted in this chapter, digital investment tools strengthen governance, enhance transparency and lead to more efficient administration. Their application more generally across government can further improve the attractiveness of countries to both foreign and local investors. The return on investment to governments from setting up a digital platform for investment facilitation is maximized when more procedures are covered. Once a digital business registry is established and firms have a verifiable online identity, governments can relatively easily extend online services

to licences (sectoral, import-export), permits (construction, environmental), taxes (registration, filing, payment), social security (employer-employee registration, filing and payment), land transactions, health and safety certifications, sector-specific procedures such as pharmaceutical approval processes, and carbon registries. In that way, digital business and investment facilitation becomes a stepping stone to wider digital government.

The digital government platform of UNCTAD includes a suite of tools and technical assistance products aimed at supporting developing countries in meeting their investment facilitation commitments.

They include information portals, online single windows and regional investment facilitation monitors specifically tailored for business and investment facilitation. Acknowledged by the Donor Committee for Enterprise Development as exemplars of good practice, these tools have garnered widespread attention, being accessed 6.2 million times in 2023.

The digital single windows developed by UNCTAD can also be extended to other areas of government. From a technical point of view, their cloud-based approach means there is no need for systems integration: new databases can be designed within the same system and application programming interfaces can connect to existing registries. New online services can be created, with civil servants progressively training their colleagues in other agencies to use the system or accessing training at the Digital Government Academy of UNCTAD and the United Nations Institute for Training and Research.

At the request of various Governments, UNCTAD has already started developing digital single windows that go beyond business creation to support business operations, with a specific focus on the Sustainable Development Goals. This effort includes tools to facilitate the licensing of the import, distribution and local production of pharmaceuticals (using

Digital business and investment facilitation tools are **a stepping stone to wider digital government**



Digital business and investment facilitation can **support inclusive and sustainable development**

standards of the World Health Organization), the registration and calculation of carbon emissions to assess nationally determined contributions and to certify carbon credits and debits (following the methodology of the Intergovernmental Panel on Climate Change), tax and social security filings, and the digitalization of extended producer responsibility.

This focus on processes relevant for the Sustainable Development Goals shows how digital business and investment facilitation can be deployed specifically to support sustainable development. Cases discussed in this chapter provide ample evidence of the impact of digital business and investment facilitation on sustainable development and inclusiveness, in particular through rates of participation in the economy of women, youth and rural communities. Even in countries with a significant digital divide, solutions have been found to ensure that population groups with limited access to the Internet or lacking digital skills have reaped the benefits

of digitalization, e.g. through terminals in business registries and municipalities and through dedicated support.

Building on digital business facilitation towards wider implementation of digital government will have an even bigger impact on sustainable development and on investment in the Sustainable Development Goals. There is strong evidence that good governance, transparent rules and regulations, and efficient administrative procedures have a positive impact on FDI. Surveys of investors and IPAs consistently show that governance and institutional weaknesses are at the heart of challenges in attracting investment for sustainable development. By supporting the development of wider digital government applications, technical assistance for business and investment facilitation, including capacity-building initiatives based on international investment policy instruments, has the potential to tackle some of the root causes of the gap in investment for the Sustainable Development Goals.

* * *

UNCTAD has acted as a catalyst for progress on investment facilitation at the national and international levels. It has actively supported individual countries, regional groups and the international community through policy advice, policy guidance and knowledge resources. An important focus of the organization is now on implementation – through technical assistance to Member States on digital investment facilitation. The digital tools

for business and investment facilitation included in the UNCTAD digital government platform are operational in more than 60 countries (and the same tools are used for trade information portals). Looking ahead, UNCTAD will continue to support developing countries and – in collaboration with other international organizations – look for opportunities to maximize the development benefits of digital government solutions by widening their scope of application.



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Annex table 1

FDI flows, by region and economy, 2018–2023

(Millions of dollars)

Region/economy	FDI inflows						FDI outflows					
	2018	2019	2020	2021	2022	2023	2018	2019	2020	2021	2022	2023
World*	1 376 139	1 729 239	984 578	1 621 808	1 355 749	1 331 813	1 010 629	1 444 809	779 507	1 881 922	1 574 724	1 550 584
Developed economies	674 750	1 024 750	337 595	731 843	426 198	464 397	633 813	1 045 960	396 035	1 376 095	1 023 157	1 059 323
Europe	320 294	660 687	158 933	178 748	-105 878	16 493	535 714	648 344	-17 470	705 714	216 770	327 855
European Union	305 556	627 336	154 889	266 502	-84 831	58 645	340 138	644 799	102 670	619 677	169 790	182 746
Austria	5 390	4 905	-9 983	17 092	9 326	4 466	5 612	12 486	7 284	25 243	7 523	9 594
Belgium	27 137	11 861	3 133	9 905	11 551	23 019	43 581	6 111	5 420	30 095	20 311	12 072
Bulgaria	1 143	1 835	3 397	1 794	2 771	3 913	249	449	246	318	561	598
Croatia	1 199	402	146	4 486	3 590	2 749	206	-118	35	926	-254	1 178
Cyprus	-413	52 330	-24 451	7 388	5 732	3 447	-6 941	51 415	-32 965	3 278	-905	-1 833
Czechia	11 010	10 108	9 411	9 051	9 248	7 785	8 663	4 128	2 990	7 734	5 675	7 052
Denmark	-2 497	27 029	1 372	7 095	7 750	8 760	-3 971	36 425	9 660	26 138	5 868	15 129
Estonia	1 426	3 053	3 541	105	1 009	4 577	-46	1 868	292	-770	842	1 506
Finland	-2 172	13 456	-1 579	13 290	5 795	-1 676 ^b	11 455	4 865	5 856	9 156	13 275	1 372 ^b
France	34 671	20 426	13 174	34 109	75 979	42 032	95 621	51 459	23 676	55 087	52 776	72 356
Germany	72 022	52 684	69 954	51 218	27 411	36 698	97 117	151 078	38 700	147 604	145 528	101 254
Greece	3 973	5 019	3 213	6 328	8 451	5 430	477	642	549	1 109	3 198	3 952
Hungary	6 460	4 143	6 842	8 041	9 320	6 016	3 364	3 155	4 436	4 141	4 123	3 299
Ireland	-12 017	149 433	102 519	-3 933	-25 058	-9 165	5 154	32 083	-11 400	56 146	9 395	-6 595
Italy	37 682	22 720	-18 576	-2 952	32 177	18 219	31 542	24 362	2 929	26 415	16 543	13 014
Latvia	960	926	1 004	3 303	1 404	1 212	207	-104	255	2 324	115	582
Lithuania	972	1 441	416	2 860	2 214	1 868	699	382	-46	1 323	367	758
Luxembourg	-83 336	163 718	9 839	25 123	-359 331	-62 808	21 857	176 767	148 012	52 174	-294 199	-23 679
Malta	4 024	3 778	3 921	28 662	19 916	20 900 ^c	7 401	6 960	7 235	24 676	24 625	20 860 ^c
Netherlands	102 134	15 940	-81 651	-70 238	-80 438	-168 450	-44 152	31 023	-173 903	92 375	38 227	-142 185
Poland	15 996	13 510	15 195	29 235	31 470	28 685	891	1 854	851	3 168	6 325	10 403
Portugal	7 181	12 251	7 683	9 615	9 778	7 220	1 375	4 010	2 526	1 468	2 686	3 556
Romania	6 219	5 791	3 432	10 574	10 572	7 130	379	363	53	141	1 297	40
Slovakia	1 675	2 511	-2 404	1 821	2 902	180	322	43	348	297	433	89
Slovenia	1 384	1 463	220	1 846	2 039	1 103	281	610	519	1 356	683	540
Spain	58 063	17 842	14 239	38 318	44 885	35 914	37 944	26 196	33 539	17 260	42 900	30 335
Sweden	5 269	8 761	20 880	22 364	44 706	29 418	20 852	16 286	25 576	30 494	61 873	47 498
Other Europe	14 738	33 352	4 044	-87 754	-21 047	-42 152	195 576	3 545	-120 141	86 037	46 980	145 109
Albania	1 290	1 288	1 008	1 234	1 434	1 630	83	128	88	63	181	265
Belarus	1 421	1 293	1 398	1 238	1 603	2 060	50	16	88	-71	173	23
Bosnia and Herzegovina	581	458	480	683	775	946	2	35	73	46	50	48
Iceland	-381	-225	-928	518	859	977	76	479	-427	3	-118	-181
Republic of Moldova	313	523	150	404	591	428	38	43	-2	33	50	12
Montenegro	490	416	532	699	877	526	109	75	-5	11	53	63
North Macedonia	725	446	230	556	785	667	12	40	53	98	96	101
Norway	1 044	17 023	-7 990	3 825	9 644	7 960	11 181	14 436	9 930	12 842	13 085	8 153
Russian Federation	13 228	32 076	10 410	38 639	-15 205	8 364	35 820	22 024	6 778	64 072	11 510	29 110
Serbia	4 091	4 270	3 469	4 590	4 598	4 870	363	294	112	264	41	308
Switzerland	-100 954	-84 436	-49 570	-76 785	-43 248	13 507	64 955	-46 659	-41 041	-76 161	-74 020	104 954
Ukraine	4 732	6 017	-36	7 320	557	4 247	-127	842	22	-198	344	42
United Kingdom	87 837	53 918	44 397	-71 174	14 912	-89 247	82 961	11 717	-95 877	84 918	95 352	2 007
North America	240 896	280 474	118 890	449 818	378 527	361 271	-99 358	112 548	268 132	383 404	449 398	493 899
Canada	37 662	50 544	25 594	60 382	46 175	50 324	58 049	77 492	43 667	104 878	83 012	89 583
United States	203 234	229 930	93 296	389 436	332 352	310 947	-157 407	35 056	224 465	278 526	366 386	404 316
Other developed economies	113 561	83 589	59 773	103 277	153 549	86 632	197 456	285 068	145 374	286 977	356 989	237 568
Australia	67 569	38 536	14 162	23 855	63 366	29 874	7 825	8 719	5 607	3 100	118 050	9 822
Israel	21 515	17 363	20 969	18 950	23 031	16 422	6 087	8 690	4 579	10 369	10 246	9 970
Japan	9 963	13 755	11 768	34 294	34 194	21 433	144 982	232 627	99 708	208 985	162 126	184 022
Republic of Korea	12 183	9 634	8 765	22 060	25 045	15 178	38 220	35 239	34 832	66 001	65 799	34 541
New Zealand	2 236	4 296	3 997	4 117	7 903	3 568	377	-169	658	-1 451	746	-808
Bermuda	95	5	112	2	10	156 ^c	-35	-38	-11	-27	21	21 ^c
Developing economies*	701 389	704 489	646 983	889 965	929 551	867 417	376 816	398 849	383 471	505 827	551 567	491 261
Africa	43 772	46 975	41 048	82 196	54 465	52 633	7 899	5 122	2 465	5 144	9 232	61
North Africa	15 407	13 550	9 797	9 509	15 323	13 461	2 269	1 727	356	994	1 171	1 185
Algeria	1 475	1 382	1 140	870	255	1 216	854	31	15	-52	85	84
Egypt	8 141	9 010	5 852	5 122	11 400	9 841	324	405	327	367	342	390
Libya	..	..	..	..	..	..	276	377	-487	-55 ^c	50 ^c	-164 ^c
Morocco	3 559	1 720	1 419	2 266	2 260	1 095	782	893	458	644	641	836
South Sudan	60	-232	18 ^c	68 ^c	122 ^c	-6 ^c	..	..	..	..	..	..
Sudan	1 136	825	717	523	574	548 ^c	..	..	..	..	..	..
Tunisia	1 036	845	652	660	714	768	34	22	43	35	53	40





Annex table 1

FDI flows, by region and economy, 2018–2023

(Continued)

Region/economy	FDI inflows						FDI outflows					
	2018	2019	2020	2021	2022	2023	2018	2019	2020	2021	2022	2023
Other Africa	28 366	33 425	31 251	72 687	39 142	39 171	5 629	3 395	2 109	4 150	8 061	-1 124
West Africa	8 126	11 976	10 023	13 626	13 065	12 962	1 105	1 269	2 116	2 469	3 249	755
Benin	194	218	174	346	376	434	10	27	22	43	47	49
Burkina Faso	268	163	-102	-80	670	85	68	16	-7	-43	24	5
Cabo Verde	103	123	68	91	93	118	-9	-16	-4	1	-3	-7
Côte d'Ivoire	620	936	713	1 377	1 599	1 753	145	120	1	285	168	215
Gambia	52	71	190	249	236	208	0.5	-2	-3	-3	2	-1 ^c
Ghana	2 989	3 880	1 876	2 613	1 511	1 354	81	588	542	199	38	56
Guinea	353	43	174	201	650	893 ^c	-0.3	1	2	-3	0.1 ^c	0.1 ^c
Guinea-Bissau	21	72	21	19	33	24	-0.4	0.4	0.3	1	1	0.3
Liberia	129	87	738	536	960	745 ^c	84 ^c	102 ^c	80 ^c	91 ^c	91 ^c	87 ^c
Mali	467	721	537	640	716	698	0.3	1	1	56	44	23
Mauritania	773	887	931	1 064	1 419	873 ^c	..	..	6 ^c	5 ^c	3 ^c	0.1 ^c
Niger	466	717	361	595	966	966	39	32	15	39	9	40
Nigeria	775	2 305	2 385	3 313	895	1 873	566	285	1 473	1 818	2 811	256
Senegal	848	1 065	1 846	2 588	2 929	2 641	53	71	99	52	70	91
Sierra Leone	250	342	173	212	186	263 ^c	..	..	..	..	..	..
Togo	-183	346	-59	-136	-173	34	70	43	-112	-71	-54	-60
Central Africa	8 822	9 254	8 917	6 607	7 083	5 875	79	422	279	498	490	151
Burundi	7	30	21	22	25	29 ^f	..	1	1	1	2	2 ^c
Cameroon	765	1 025	675	964	926	799 ^f	108	126	84	55	27	-109 ^f
Central African Republic	18 ^c	26 ^c	2 ^c	5 ^c	24 ^c	39 ^f	..	..	..	..	..	..
Chad	461 ^c	567 ^c	558 ^c	705 ^c	614 ^c	913 ^c	..	..	..	..	..	..
Congo	4 315 ^c	3 366 ^c	4 016 ^c	532 ^c	532 ^c	626 ^b	14 ^c	23 ^c	27 ^c	25 ^c	25 ^c	26 ^c
Democratic Republic of the Congo	1 617	1 488	1 647	1 870	1 846	1 635 ^c	209	134	149	192	436	235 ^c
Equatorial Guinea	-144	821	-9	562	1 388	142 ^c	..	..	..	..	..	..
Gabon	1 379 ^f	1 553 ^c	1 717 ^c	1 529 ^c	1 105 ^c	1 151 ^c	-63 ^c	-34 ^c	..	..	..	..
Rwanda	382	354	260	399	496	523	18	5	..	..	..	..
Sao Tome and Principe	23	24	32	19	127	18	2	1	1	-0.04	0.2	-4
East Africa	7 918	7 681	7 439	10 082	11 543	11 226	248	174	1 508	2 082	1 709	721
Comoros	6	4	4	4	4	5 ^c	..	..	..	..	..	..
Djibouti	170	175	158	168	191	137	..	..	..	..	..	..
Eritrea	61 ^c	-61 ^c	-30 ^c	-31 ^c	-32 ^c	2 ^c	..	..	..	..	..	..
Ethiopia	3 360	2 549	2 381	4 260	3 670	3 263	..	..	..	..	..	..
Kenya	1 139	1 098	1 510	1 406	1 597	1 504 ^c	11	11	1 297	1 840	1 502	588 ^c
Madagascar	353	474	358	358	468	415 ^c	118	102	119	114	142	119 ^c
Mauritius	461	444	225	253	580	760	98	58	16	86	37	16
Seychelles	-66	30	165	225	212	238	20	4	75	42	28	-2
Somalia	408	447	534	601	636	677	..	..	..	..	..	..
Uganda	1 055	1 303	1 191	1 648	2 953	2 886	0.3	0.3	0.3	0.3	0.4	0.4
United Republic of Tanzania	972	1 217	944	1 190	1 265	1 339 ^f	..	..	..	..	..	..
Southern Africa	3 499	4 514	4 871	42 373	7 450	9 109	4 196	1 529	-1 793	-899	2 614	-2 751
Angola	-6 456	-4 098	-1 866	-4 355	-6 599	-2 086	6	-2 349	91	-1 057	41	33
Botswana	286	94	32	-319	708	198 ^c	82	-20	-68	-33	10	-38 ^c
Eswatini	36	130	36	117	15	29	-11	22	-13	60	-17	-22
Lesotho	41	35	28	-12	-8	-26	..	..	..	..	..	..
Malawi	77	55	252	129	243	208 ^c	-102	23	-154	28	37	32 ^c
Mozambique	2 703	2 212	3 035	5 102	2 458	2 509	-25	-31	153	194	564	174
Namibia	209	-179	-146	851	1 072	2 345	98	9	52	18	12	-310
South Africa	5 450 ^b	5 125 ^b	3 062 ^b	40 215 ^b	9 231 ^b	5 233 ^b	4 076 ^b	3 147 ^b	-1 951 ^b	139 ^b	2 162 ^b	-2 811 ^b
Zambia	408	860	245	394	-65	108	45	696	64	-280	-253	160
Zimbabwe	745	280	194	250	395	588	27	32	33	32	58	31
Asia	501 858	497 788	513 069	666 542	677 829	621 144	359 770	346 416	382 427	457 597	470 637	440 419
East and South-East Asia	400 933	397 183	404 822	542 477	538 249	512 531	300 620	292 723	335 063	380 875	369 413	367 047
East Asia	254 455	232 335	285 512	334 030	315 115	286 214	243 603	203 040	267 099	289 912	286 073	278 533
China	138 306	141 225	149 342	180 957	189 132	163 253	143 037	136 908	153 710	178 819	163 120	147 850
Democratic People's Republic of Korea	2 ^c	30 ^c	6 ^c	18 ^c	10 ^c	13 ^c	..	..	..	..	..	..
Mongolia	2 174	2 443	1 719	2 173	2 504	2 248	37	127	26	113	76	76
Hong Kong, China	104 246	73 714	134 710	140 186	109 685	112 676	82 201	53 202	100 715	96 428	106 226	104 286
Macao, China	2 613	6 683	-6 319	5 280	3 625	2 324 ^c	270	1 041	1 148	3 211	1 062	1 607 ^c
Taiwan Province of China	7 114 ^b	8 240 ^b	6 053 ^b	5 416 ^b	10 158 ^b	5 700 ^b	18 058 ^b	11 763 ^b	11 500 ^b	11 341 ^b	15 589 ^b	24 714 ^b
South-East Asia	146 479	164 848	119 310	208 447	223 134	226 317	57 017	89 683	67 964	90 962	83 339	88 514
Brunei Darussalam	517	375	577	205	-292	-51	..	..	..	..	..	..





Annex table 1

FDI flows, by region and economy, 2018–2023

(Continued)

Region/economy	FDI inflows						FDI outflows					
	2018	2019	2020	2021	2022	2023	2018	2019	2020	2021	2022	2023
Cambodia	3 213	3 663	3 625	3 483	3 579	3 959	124	102	127	92	151	151
Indonesia	20 563	23 883	18 591	21 131	25 390	21 628	8 053	3 352	4 448	3 845	7 323	7 070
Lao People's Democratic Republic	1 358	756	968	1 072	636	1 668 ^a	..	..	..	..	0.01	..
Malaysia	7 618	7 813	3 160	12 173	16 940	8 653	5 114	6 231	2 419	4 676	13 322	7 643
Myanmar	2 892	2 509	1 907	2 067	1 239	1 520	..	..	..	..	..	..
Philippines	9 949 ^b	8 671 ^b	6 822 ^b	11 983 ^b	5 939 ^d	6 210 ^d	4 116 ^b	3 351 ^b	3 562 ^b	2 251 ^b	308 ^d	1 251 ^d
Singapore	73 115	97 533	74 857	126 674	141 118	159 670	23 926 ^b	67 776 ^b	39 793 ^b	61 368 ^b	52 230 ^b	62 997 ^b
Thailand	11 705	3 765	-6 284	14 417	11 082	4 548	15 085	8 410	17 260	18 398	7 365	10 369
Timor-Leste	48	-239	-713	-419	-395	13	..	-3 ^c	-26 ^c	-26 ^c	-34 ^c	-17 ^c
Viet Nam	15 500	16 120	15 800 ^b	15 660 ^b	17 900 ^b	18 500 ^b	598	465	380 ^b	358 ^b	2 674 ^b	-950 ^b
South Asia	52 262	59 090	71 050	52 683	57 519	35 974	11 630	13 275	11 206	17 716	15 942	13 524
Afghanistan	119 ^b	23 ^b	13 ^b	21 ^b	..	..	39 ^b	26 ^b	37 ^b	31 ^b	..	..
Bangladesh	3 613	2 874	2 564	2 896	3 480	3 004	23	28	12	92	53	30
Bhutan	6	3	1	1	15	18	..	..	..	..	..	..
India	42 156	50 558	64 072	44 763	49 380	28 163	11 447	13 144	11 109	17 253	14 618	13 341
Iran (Islamic Republic of)	2 373	1 508	1 342	1 425	1 500 ^c	1 422 ^c	75	85 ^c	78 ^c	82 ^c	100 ^c	87 ^c
Maldives	576 ^b	961 ^b	441 ^b	643 ^b	732 ^b	762 ^b	..	..	..	..	..	..
Nepal	67	185	126	196	65	74	..	..	..	..	..	..
Pakistan	1 737	2 234	2 057	2 147	1 462	1 818	-21	-85	-45	242	1 157	32
Sri Lanka	1 614 ^b	743 ^b	434 ^b	592 ^b	884 ^b	712 ^b	68 ^b	77 ^b	15 ^b	17 ^b	15 ^b	34 ^b
West Asia	42 030	33 293	30 659	64 156	71 857	65 220	48 431	42 944	38 280	57 503	87 255	58 883
Armenia	267	100	59	366	998	443	7	-133	-27	25	50	54
Azerbaijan	1 403	1 504	507	-1 708	-4 474	253	1 761	2 432	825	77	172	1 875
Bahrain	1 654	1 548	1 021	1 779	2 760	6 840	111	-197	-205	64	1 948	1 113
Georgia	1 352	1 354	595	1 253	2 098	1 595	340	282	23	322	332	53
Iraq	-4 885	-3 508	-2 859	-2 637	-2 088	-5 273 ^c	188	194	147	135	238	279 ^c
Jordan	955	730	760	622	1 251	843	-8	43	26	16	-16	64
Kuwait	204	351	240	567	758	2 113	3 715	-2 696	7 932	4 666	24 613	11 189
Lebanon	2 658	1 905	1 607	600	527	655	631	345	29	-1 339	66	73
Oman	5 602	1 938	1 914	8 793	5 480	4 745 ^c	130	-588	-840	1 178	944	165 ^c
Qatar	-2 186	-2 813	-2 434	-1 093	76	-474	3 523	4 450	2 730	160	2 384	-191
Saudi Arabia	12 141 ^b	3 079 ^b	1 621 ^b	23 112 ^b	28 055 ^b	12 319 ^b	19 252	14 553	5 411	24 674	26 962	16 071
Syrian Arab Republic	..	..	..	..	..	..	..	..	..	..	..	..
Türkiye	12 511	9 469	7 663	11 481	13 447	10 439	3 666	2 973	3 233	5 037	4 716	5 774
United Arab Emirates	10 385	17 875	19 884	20 667	22 737	30 688	15 079	21 226	18 937	22 546	24 833	22 328
Yemen	-282 ^c	-371 ^c	..	..	..	..	4 ^c	3 ^c	..	..	..	..
State of Palestine	252	132	80	353	233	35 ^c	31	56	59	-58	13	36 ^c
Central Asia	6 633	8 223	6 539	7 226	10 205	7 420	-911	-2 526	-2 122	1 504	-1 974	966
Kazakhstan	3 898	3 284	3 670	3 353	6 541	3 223	-1 095	-2 620	-2 206	1 452	-1 535	913
Kyrgyzstan	144	404	-402	226	55	490	100	67	2	2	-455	2
Tajikistan	360 ^b	364 ^b	107 ^b	84 ^b	174 ^b	141 ^b	82 ^b	23 ^b	70 ^b	48 ^b	12 ^b	40 ^b
Turkmenistan	1 607 ^c	1 854 ^c	1 436 ^c	1 287 ^c	936 ^c	1 378 ^c	..	..	..	..	..	..
Uzbekistan	625 ^b	2 316 ^b	1 728 ^b	2 275 ^b	2 498 ^b	2 187 ^b	2 ^b	3 ^b	11 ^b	3 ^b	4 ^b	12 ^b
Latin America and the Caribbean ^a	154 458	158 201	91 844	139 948	195 859	193 179	9 584	48 449	-504	41 313	69 131	50 077
South America	106 680	110 224	55 592	94 677	145 965	142 769	232	36 372	-2 703	41 362	52 109	40 789
Argentina	11 717	6 649	4 884	6 903	15 408	22 911	1 726	1 523	1 177	1 537	2 076	2 403
Bolivia (Plurinational State of)	302	-217	-1 129	584	6	294	-84	48	-111	91	-81	257
Brazil	59 824	65 386	28 322	50 651	73 352	65 897	-16 336	19 031	-13 415	20 450	32 100	29 920
Chile	13 031	14 403	11 292	12 627	16 882	21 027	6 934	11 169	6 242	12 024	11 852	5 567
Colombia	11 299 ^b	13 989 ^b	7 459 ^b	9 561 ^b	17 183 ^b	17 446 ^b	5 126 ^b	3 153 ^b	1 733 ^b	3 181 ^b	3 383 ^b	1 211 ^b
Ecuador	1 389	979	1 095	648	879	372	..	..	..	..	..	..
Guyana	1 231	1 695	2 086	4 468	4 393	7 198	..	17	14	15	5	7
Paraguay	175	334	149	185	725	241	..	..	..	..	..	..
Peru	6 761	6 362	-825	6 272	12 026	3 331	98	1 087	392	1 098	237	889
Suriname	119	-8	0.3	-124	3	-65	..	..	..	..	..	..
Uruguay	-11	2 018	756	1 937	3 456	3 429	718	627	-263	430	500	-812
Venezuela (Bolivarian Republic of)	844	-1 367	1 504	964	1 651	688 ^c	2 051	-159	1 488	2 319	2 089	1 434 ^c
Central America	45 062	44 032	32 346	42 638	46 350	46 662	9 065	11 709	2 193	-1 025	15 626	7 926
Belize	118	94	76	125	141	50	1	2	4	2	1	2
Costa Rica	2 487	2 812	1 763	3 231	3 164	3 921	53	117	118	85	104	88
El Salvador	826	636	24	386	171	760	-0.04	0.4	22	12	29	29
Guatemala	981	976	935	3 462	1 442	1 552	201	180	149	476	723	665
Honduras	961	498	419	739	920	1 076	66	3	46	226	183	208





Annex table 1

FDI flows, by region and economy, 2018–2023

(Concluded)

Region/economy	FDI inflows						FDI outflows					
	2018	2019	2020	2021	2022	2023	2018	2019	2020	2021	2022	2023
Mexico	34 101	34 617	28 211	31 829	36 312	36 058	8 489	10 755	1 720	-2 125	14 532	6 429
Nicaragua	838	503	747	1 220	1 294	1 230	75	59	40	15	19	31
Panama	4 751	3 895	172	1 646	2 906	2 015	180	592	94	285	34	474
Caribbean ^a	2 715	3 945	3 906	2 634	3 544	3 748	287	368	6	977	1 397	1 363
Antigua and Barbuda	193 ^b	118 ^b	62 ^b	296 ^b	326 ^b	327 ^b	-2 ^b	-15 ^b	1 ^b	-36 ^b	14 ^b	15 ^b
Barbados	242	215	262	239 ^c	200 ^c	225	9	28	8	18 ^c	15 ^c	8 ^c
Dominica	97 ^b	76 ^b	5 ^b	28 ^b	12 ^b	14 ^b	0.1 ^b	0.1 ^b	-0.4 ^b	2 ^b	-1 ^b	-1 ^b
Dominican Republic	2 535	3 021	2 560	3 197	4 099	4 390	209	-192	-99	153	-49	360
Grenada	226 ^b	263 ^b	160 ^b	189 ^b	172 ^b	181 ^b	36 ^b	49 ^b	-45 ^b	-19 ^b	19 ^b	21 ^b
Haiti	105	75	25	51	39	32 ^c	..	..	..	..	..	..
Jamaica	775	665	265	321	319	431 ^c	13	446	7	56	60	-6 ^c
Saint Kitts and Nevis	46 ^b	44 ^b	-0.5 ^b	25 ^b	47 ^b	36 ^b	56 ^b	23 ^b	8 ^b	-3 ^b	-3 ^b	-3 ^b
Saint Lucia	58 ^b	94 ^b	97 ^b	141 ^b	78 ^b	186 ^b	-19 ^b	64 ^b	-35 ^b	-34 ^b	-29 ^b	3 ^b
Saint Vincent and the Grenadines	28 ^b	58 ^b	57 ^b	169 ^b	68 ^b	79 ^b	15 ^b	10 ^b	3 ^b	-1 ^b	-3 ^b	-3 ^b
Trinidad and Tobago	-700	184	1 056	-935	-913	-1 105 ^c	65	114	98	768	1 385	1 008 ^c
Anguilla	216 ^b	163 ^b	69 ^b	87 ^b	102 ^b	147 ^b	43 ^b	14 ^b	2 ^b	-74 ^b	3 ^b	5 ^b
Aruba	110	-136	137	143	261	-178 ^c	5	-1	1	4	97	91 ^c
Bahamas (the)	947	611	897	1 052	1 255	1 459	117	148	157	66	226	419
British Virgin Islands	34 390 ^c	39 103 ^c	39 620 ^c	39 361 ^c	38 119 ^c	39 889 ^c	41 587 ^c	44 154 ^c	42 280 ^c	43 217 ^c	42 809 ^c	44 158 ^c
Cayman Islands	20 681 ^c	28 165 ^c	23 621 ^c	25 893 ^c	24 590 ^c	28 134 ^c	8 261 ^c	31 630 ^c	10 835 ^c	21 232 ^c	17 990 ^c	20 422 ^c
Curaçao	..	203	156	146	164	155 ^c	..	-11	7	3	11	10 ^c
Montserrat	3 ^b	1 ^b	3 ^b	2 ^b	5 ^b	7 ^b	..	..	..	..	..	..
Sint Maarten	-48	74	22	27	17	37 ^c	4	1	1	6	2	2 ^c
Oceania	1 301	1 525	1 021	1 279	1 398	461	-437	-1 138	-917	1 772	2 568	703
Cook Islands (the)	12 ^b	9 ^b	5 ^b	-2 ^b	4 ^b	6 ^c	0.3 ^b	0.3 ^b	0.3 ^b	0.3 ^b	0.3 ^b	0.3 ^b
Fiji	471	321	241	407	104	91	-4	-36	14	32	16	29
Kiribati	-1	-1	3	1	3	2 ^c	0.1	0.1	0.1	0.1	0.1	0.1 ^c
Marshall Islands (the)	10	4	3	0.5	3	2	..	..	..	..	..	..
Palau	51	45	43	31	72	48 ^c	..	..	..	..	..	..
Papua New Guinea	306 ^b	335 ^b	112 ^b	-11 ^b	458 ^b	-425 ^c	-578 ^b	-1 211 ^b	-990 ^b	1 691 ^b	2 484 ^b	596 ^c
Samoa	17	-4	4	9	5	-3	0.04	4	2	1	-0.1	..
Solomon Islands	25	33	9	28	44	25 ^c	9	4	3	5	2	8 ^c
Tonga	23	-6	4	4	7	24 ^c	1	1	1	-0.1	0.4	0.3 ^c
Tuvalu	0.3 ^c	0.3 ^c	0.1 ^c	0.2 ^c	0.2 ^c	0.2 ^c	..	..	..	..	..	..
Vanuatu	37	53	41	43	11	9 ^c	1	1	1	0.2	1	4 ^c
French Polynesia	6	13	-16	-26	-9 ^c	-6 ^c	38	21	-3	13	6 ^c	15 ^c
New Caledonia	345	723	572	794	696 ^c	687 ^c	96	76	55	30	57 ^c	51 ^c
Memorandum												
Least developed countries (LDCs) ^e	21 656	22 494	23 996	28 694	26 668	31 299	793	-966	681	-393	1 377	1 160
Landlocked developing countries (LLDCs) ^f	21 681	21 975	15 344	19 899	23 599	24 255	1 062	742	-1 408	2 049	-1 750	3 488
Small island developing States (SIDS) ^g	6 228	7 143	5 990	6 061	7 263	8 337	619	696	186	1 111	1 684	1 849

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

^a Excluding the financial centres in the Caribbean and special-purpose entities in reported countries.

^b Asset/liability basis.

^c Estimates.

^d Directional basis calculated from asset/liability basis.

^e Least developed countries include Afghanistan, Angola, Bangladesh, Benin, Burkina Faso, Burundi, Cambodia, the Central African Republic, Chad, the Comoros, the Democratic Republic of the Congo, Djibouti, Eritrea, Ethiopia, the Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, the Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nepal, the Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, South Sudan, the Sudan, Timor-Leste, Togo, Tuvalu, Uganda, the United Republic of Tanzania, Yemen and Zambia.

^f Landlocked developing countries include Afghanistan, Armenia, Azerbaijan, Bhutan, the Plurinational State of Bolivia, Botswana, Burkina Faso, Burundi, the Central African Republic, Chad, Eswatini, Ethiopia, Kazakhstan, Kyrgyzstan, the Lao People's Democratic Republic, Lesotho, Malawi, Mali, Mongolia, Nepal, the Niger, North Macedonia, Paraguay, the Republic of Moldova, Rwanda, South Sudan, Tajikistan, Turkmenistan, Uganda, Uzbekistan, Zambia and Zimbabwe.

^g Small island developing States include Antigua and Barbuda, Barbados, the Bahamas, Cabo Verde, the Comoros, Dominica, the Dominican Republic, Fiji, Grenada, Jamaica, Kiribati, Maldives, the Marshall Islands, Mauritius, the Federated States of Micronesia, Nauru, Palau, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Sao Tome and Principe, Seychelles, Solomon Islands, Timor-Leste, Tonga, Trinidad and Tobago, Tuvalu and Vanuatu.





Annex table 2

FDI stock, by region and economy, 2000, 2010, 2022 and 2023

(Millions of dollars)

Region/economy	FDI inward stock				FDI outward stock			
	2000	2010	2022	2023	2000	2010	2022	2023
World^a	7 377 201	19 842 937	44 375 102	49 130 846	7 408 709	20 440 527	40 569 644	44 380 560
Developed economies	5 860 038	13 778 925	29 591 913	33 434 653	6 740 421	17 537 053	31 177 995	34 404 485
Europe	2 491 244	8 371 974	16 110 676	17 266 928	3 193 644	10 218 616	17 537 359	18 572 060
European Union	1 882 785	5 902 599	11 672 194	12 453 733	1 967 112	6 952 372	13 530 528	14 499 617
Austria	31 165	160 615	206 490	226 276	24 821	181 638	253 986	273 210
Belgium	..	473 358	531 007	577 961	..	431 613	685 498	770 505
Bulgaria	2 704	44 970	57 475	61 945	67	2 583	3 590	4 317
Croatia	2 785	32 925	38 365	42 909	952	4 969	8 045	8 143
Cyprus	2 846	260 132	63 537	90 804	557	242 556	28 078	48 338
Czechia	21 644	128 504	206 338	216 595	738	14 923	60 806	69 222
Denmark	73 574	96 136	116 291	125 051 ^c	73 100	163 133	221 838	236 967 ^c
Estonia	2 645	15 551	34 289	40 490	259	5 545	12 289	14 204
Finland	24 273	86 698	82 980	149 649 ^b	52 109	137 663	139 076	210 121 ^b
France	184 215	630 710	947 200	1 012 705	365 871	1 172 994	1 544 549	1 635 680
Germany	470 938	955 881	1 091 561	1 128 259 ^c	483 946	1 364 565	2 077 987	2 179 240 ^c
Greece	14 113	35 026	50 578	61 593	6 094	42 623	16 698	21 324
Hungary	22 870	91 015	107 551	118 983	1 280	23 612	40 043	46 097
Ireland	127 089	285 575	1 369 156	1 410 084	27 925	340 114	1 200 117	1 336 414
Italy	122 533	328 058	458 915	493 530	169 957	491 208	558 626	584 031
Latvia	1 691	10 869	24 067	26 595	19	931	5 730	6 304
Lithuania	2 334	15 455	27 686	31 564	29	2 647	6 757	9 736
Luxembourg	..	172 257	1 155 656	1 183 734	..	187 027	1 594 807	1 679 068
Malta	2 263	129 770	491 467	725 715	193	60 596	477 251	695 859
Netherlands	243 733	588 077	2 775 591	2 678 218	305 461	968 105	3 395 399	3 386 269
Poland	33 477	187 602	268 019	335 540	268	16 407	29 658	38 212
Portugal	34 224	90 900	177 165	195 340	19 417	52 497	62 900	69 041
Romania	6 953	68 699	115 133	125 555	136	2 327	4 718	4 902
Slovakia	6 970	50 328	57 372	60 532	555	3 457	5 428	5 062
Slovenia	2 389	10 667	21 545	23 702	772	8 147	9 161	9 983
Spain	156 348	628 341	812 740	897 268	129 194	653 236	567 881	630 189
Sweden	93 791	324 478	384 021	413 135	123 618	377 258	519 611	527 177
Other Europe	608 459	2 469 375	4 438 482	4 813 195	1 226 532	3 266 244	4 006 832	4 072 444
Albania	247	3 255	11 104	13 985	..	154	995	1 389
Belarus	1 306	9 904	15 440	15 822	24	205	1 496	1 470
Bosnia and Herzegovina	450	6 709	9 515	10 667	..	211	736	814
Iceland	497	11 784	9 070	9 384	663	11 466	4 797	5 023
Republic of Moldova	449	2 897	4 933	5 531	23	90	425	448
Montenegro	..	4 231	5 494	6 066	..	..	190	271
North Macedonia	540	4 351	7 480	8 421	16	100	166	210
Norway	30 265	167 932	148 338	157 160	34 026	179 568	209 589	202 275
Russian Federation	29 738	464 228	359 982	278 812	19 211	336 355	299 131	258 240
Serbia	..	22 299	53 499	60 459	..	1 960	4 511	4 999
Switzerland	101 635	648 092	1 038 034	1 136 788	232 202	1 043 199	1 316 327	1 472 959
Ukraine	3 875	52 872	50 987	54 261	170	6 548	-867	-885
United Kingdom	439 458	1 068 187	2 718 892	3 048 932	940 197	1 686 260	2 168 530	2 124 191
North America	3 108 255	4 406 182	11 879 938	14 482 837	3 136 637	5 808 053	10 270 591	12 180 818
Canada	325 020	983 889	1 495 991	1 665 774	442 623	998 466	2 287 758	2 746 892
United States	2 783 235	3 422 293	10 383 947	12 817 063	2 694 014	4 809 587	7 982 833	9 433 926
Other developed economies	260 539	1 000 769	1 601 299	1 684 888	410 140	1 510 383	3 370 045	3 651 606
Australia	121 686	527 728	776 764	807 427	92 508	449 740	655 344	710 639
Israel	20 426	60 086	229 880	244 472	9 091	67 893	99 842	108 680
Japan	50 323	214 880	225 367	246 801 ^c	278 445	831 076	1 948 555	2 132 578 ^c
Korea, Republic of	43 738	135 500	272 328	284 146	21 497	144 032	647 568	682 023
New Zealand	24 101	59 738	94 319	99 128	8 491	16 717	18 608	17 536
Bermuda	265 ^c	2 837	2 642 ^c	2 915 ^c	108 ^c	925	129 ^c	151 ^c
Developing economies^a	1 517 163	6 064 012	14 783 189	15 696 192	668 288	2 903 474	9 391 648	9 976 074
Africa	153 062	620 046	1 045 624	1 036 252	39 815	137 363	296 153	248 821
North Africa	45 590	201 109	336 039	354 974	3 199	25 770	40 219	42 324
Algeria	3 379 ^c	19 545	35 643	36 860	205 ^c	1 505	2 810	2 894
Egypt	19 955	73 095	148 888	158 689	655	5 448	9 190	9 580
Libya	471 ^c	16 334	18 462 ^c	18 462 ^c	1 903 ^c	16 615	20 450 ^c	20 286 ^c
Morocco	8 842 ^c	45 082	63 278	69 297	402 ^c	1 914	7 066	8 076
Sudan	1 398	15 690	30 301 ^c	30 849 ^c	..	..	..	..
Tunisia	11 545	31 364	39 467	40 817 ^c	33	287	703	1 488 ^c
Other Africa	107 472	418 937	709 585	681 279	36 616	111 594	255 934	206 496
West Africa	33 010	106 590	210 529	210 814	6 381	18 090	31 165	31 268





Annex table 2

FDI stock, by region and economy, 2000, 2010, 2022 and 2023

(Continued)

Region/economy	FDI inward stock				FDI outward stock			
	2000	2010	2022	2023	2000	2010	2022	2023
Benin	213	604	3 154	3 711	11	21	376	440
Burkina Faso	28	354	2 998	3 193	0.4	8	377	396
Cabo Verde	192 ^c	1 367	2 346	2 572	..	2	94	106
Côte d'Ivoire	2 483	6 978	13 691	15 974	9	94	1 404	1 674
Gambia	216	323	1 176 ^c	1 384 ^c	..	..	..	..
Ghana	1 554 ^c	10 080	46 006	47 360	..	83	1 830	1 886 ^c
Guinea	263 ^c	486	5 252 ^c	6 145 ^c	12 ^c	144	97 ^c	97 ^c
Guinea-Bissau	38	63	326	362	..	5	11	12
Liberia	3 247 ^c	10 206	10 889 ^c	11 633 ^c	2 188	4 714	5 010 ^c	5 097 ^c
Mali	132	1 964	6 742	7 697	1	18	317	352
Mauritania	146 ^c	2 372 ^c	5 825 ^c	6 702 ^c	4 ^c	28 ^c	3 ^c	3 ^c
Niger	45	2 251	8 628	9 926	1	9	391	446
Nigeria	23 786	66 797	86 239	73 375	4 144	12 576	18 297	17 663
Senegal	295	1 699	13 184	16 358	22	263	991	1 120
Sierra Leone	284 ^c	482	2 688 ^c	2 951 ^c	..	..	..	..
Togo	87	565	1 385	1 469	-10	126	1 966	1 975
Central Africa	5 053	39 227	120 236	126 047	1 651	2 217	4 733	4 884
Burundi	47 ^c	13	255 ^c	283 ^c	2 ^c	2	8 ^c	9 ^c
Cameroon	917 ^c	3 099 ^c	6 484	7 283 ^c	1 252 ^c	971 ^c	734	625 ^c
Central African Republic	104	511	715 ^c	754 ^c	43	..	..	..
Chad	576 ^c	3 594 ^c	8 372 ^c	9 285 ^c	..	..	..	..
Congo	1 893 ^c	9 261 ^c	34 026 ^c	34 653 ^c	40 ^c	34 ^c	157 ^c	183 ^c
Democratic Republic of the Congo	617	9 368	30 995	32 629 ^c	34	229	3 677	3 913 ^c
Equatorial Guinea	1 060 ^c	9 413 ^c	19 069 ^c	19 211 ^c	..	..	..	..
Gabon	-227 ^c	3 287 ^c	16 591 ^c	17 742 ^c	280 ^c	946 ^c	79 ^c	79 ^c
Rwanda	55	422	3 237	3 697	..	13	74	74
Sao Tome and Principe	11 ^c	260 ^c	493	511 ^c	..	21 ^c	5 ^c	1 ^c
East Africa	7 202	37 754	99 466	110 318	387	1 474	3 261	3 993
Comoros	21 ^c	60 ^c	145 ^c	150 ^c	..	..	..	..
Djibouti	40	..	..	..	..	..	..	..
Eritrea	337 ^c	666 ^c	1 029 ^c	1 031 ^c	..	..	..	..
Ethiopia	941 ^c	4 206	35 281	38 544 ^c	..	..	..	..
Kenya	932 ^c	4 967	9 692	11 196 ^c	115 ^c	62	2 668	3 256 ^c
Madagascar	141	4 383	4 120	4 535 ^c	9 ^c	193	838	957 ^c
Mauritius	683	4 658	5 894 ^c	6 418 ^c	132	864	743 ^c	773 ^c
Seychelles	515	2 960	3 117	3 354	130	290	-1 162	-1 167
Somalia	4 ^c	566	4 923	5 600	..	..	..	..
Uganda	807	5 575	16 631	19 517	..	66	174	175
United Republic of Tanzania	2 781	9 712	18 634 ^c	19 973 ^c	..	..	..	..
Southern Africa	62 208	235 365	279 354	234 100	28 198	89 813	216 775	166 352
Angola	7 977	32 458	14 262	12 177	-8	1 870	5 259	5 292
Botswana	1 827	3 351	5 194	5 410 ^c	517	1 007	1 039	916 ^c
Eswatini	536	927	966	896	87	91	162	133
Lesotho	330	929	958	851	..	..	..	..
Malawi	358	963	1 484	1 692 ^c	-5	45	243	276 ^c
Mozambique	1 249	4 331	54 597	57 281	1	3	7	7
Namibia	1 276	3 595	7 747	9 136	45	722	1 034	697
South Africa	43 451	179 565 ^b	172 210 ^b	124 025 ^b	27 328	83 249 ^b	207 954 ^b	157 764 ^b
Zambia	3 966 ^c	7 433	15 384	15 492 ^c	..	2 531	311	471 ^c
Zimbabwe	1 238	1 815	6 553	7 141	234	297	766	796
Asia	1 023 690	3 878 998	11 052 894	11 674 477	575 247	2 348 138	8 269 297	8 793 808
East and South-East Asia	908 302	2 888 852	9 210 207	9 845 585	557 764	2 059 331	7 365 627	7 823 232
East Asia	650 700	1 738 193	5 704 180	5 976 425	473 708	1 455 117	5 239 530	5 503 294
China	193 348 ^c	586 882 ^c	3 496 380	3 659 633 ^c	27 768 ^c	317 211	2 754 810	2 939 100 ^c
Democratic People's Republic of Korea	77 ^c	236 ^c	949 ^c	963 ^c	..	..	..	..
Mongolia	182	8 445	28 521	30 697	..	2 616	907	1 024
Macao, China	2 801 ^c	13 603	45 737	47 955 ^c	..	550	13 278	14 856 ^c
Hong Kong, China	435 417	1 067 520	2 008 153	2 107 038	379 285	943 938	1 975 466	2 028 532
Taiwan Province of China	18 875	61 508 ^b	124 440 ^b	130 140 ^c	66 655	190 803 ^b	495 068 ^b	519 782 ^c
South-East Asia	257 603	1 150 659	3 506 027	3 869 160	84 056	604 214	2 126 097	2 319 939
Brunei Darussalam	3 868 ^c	4 140	6 798	6 753	..	..	..	..
Cambodia	1 580	9 026	44 537	48 420	193	331	1 321	1 473
Indonesia	25 060	160 735	264 034	285 690 ^c	6 940	6 672	104 886	111 954 ^c
Lao People's Democratic Republic	588 ^c	1 888 ^c	12 736 ^c	14 404 ^c	26 ^c	68 ^c	95 ^c	95 ^c
Malaysia	52 747	101 620	199 206	201 736	15 878	96 964	137 655	144 361
Myanmar	3 752 ^c	14 507	38 427	39 948	..	..	..	..





Annex table 2

FDI stock, by region and economy, 2000, 2010, 2022 and 2023

(Continued)

FDI inward stock

FDI outward stock

Region/economy	FDI inward stock				FDI outward stock			
	2000	2010	2022	2023	2000	2010	2022	2023
Philippines	13 762 ^c	25 896 ^b	109 622 ^d	118 985 ^d	1 032 ^c	6 710 ^b	63 560 ^d	68 272 ^d
Singapore	110 570	633 354 ^b	2 326 998 ^b	2 632 364 ^b	56 755	466 723 ^b	1 638 614 ^b	1 792 289 ^b
Thailand	30 944	142 334	292 205	290 870	3 232	24 418	165 398	187 893
Timor-Leste	..	155	993	1 018	..	94	24	7
Viet Nam	14 730 ^c	57 004 ^c	210 471 ^c	228 971 ^c	..	2 234 ^c	14 545 ^c	13 595 ^c
South Asia	30 743	269 143	643 371	675 576	2 761	100 441	231 859	245 241
Afghanistan	17 ^c	963	1 613 ^c	1 613 ^c	..	16	165 ^c	165 ^c
Bangladesh	2 162	6 072	20 755	20 549	68	98	400	385
Bhutan	4 ^c	204	419 ^c	438 ^c	..	..	..	..
India	16 339	205 580	510 703	536 930	1 733	96 901	222 628	235 956
Iran (Islamic Republic of)	2 597 ^c	28 953	61 636 ^c	63 058 ^c	411 ^c	1 713 ^c	4 239 ^c	4 325 ^c
Maldives	128 ^c	1 114 ^c	6 718 ^c	7 479 ^c	..	..	..	..
Nepal	72 ^c	239	2 187	2 067	..	..	..	..
Pakistan	6 919	19 828	25 292	28 610	489	1 362	2 894	2 850
Sri Lanka	2 505	6 190	14 047	14 831	60	351	1 534	1 560
West Asia	72 352	619 425	982 875	931 257	14 672	172 001	654 509	707 394
Armenia	513	4 405	7 124	7 499	..	150	571	618
Azerbaijan	1 791	14 253	32 503	32 745	1	5 790	26 981	28 717
Bahrain	5 906	15 154	36 245	43 084	1 752	7 883	20 955	22 068
Georgia	762	8 518	22 329	24 354	118	848	3 249	3 529
Iraq	-48	7 965	..	..	..	632	3 389	3 598 ^c
Jordan	3 135	21 899	38 496	39 534	44	473	681	745
Kuwait	608	11 884	15 091	16 648	1 428	28 189	45 818	50 246
Lebanon	14 233	44 285	70 604	71 260	352	6 831	14 729	14 802
Oman	2 577 ^c	14 987	51 324 ^c	56 069 ^c	..	2 796	6 057 ^c	6 222 ^c
Qatar	1 912	30 549	27 610	27 136 ^c	74	12 995	50 054	49 862 ^c
Saudi Arabia	17 577 ^b	176 378 ^b	268 947 ^b	215 524 ^b	5 285 ^c	26 528	187 068	203 768
Syrian Arab Republic	1 244	9 939 ^c	10 743 ^c	10 743 ^c	..	5	5 ^c	5 ^c
Türkiye	18 812	188 308	202 503	156 537	3 668	22 509	54 082	60 041
United Arab Emirates	1 069 ^c	63 869	194 300	224 987	1 938 ^c	55 560	239 880	262 208
Yemen	843 ^c	4 858 ^c	1 942 ^c	1 942 ^c	13 ^c	571 ^c	672 ^c	672 ^c
State of Palestine	1 418 ^c	2 176	3 116	3 195 ^c	..	241	318	292 ^c
Central Asia	12 293	101 577	216 441	222 059	49	16 365	17 303	17 941
Kazakhstan	10 078	82 648	154 419	157 198	16	16 212	16 792	17 381
Kyrgyzstan	432	1 698	3 506	3 810	33	2	26	27
Tajikistan	136	1 226	3 329	3 333	..	..	283	323
Turkmenistan	949 ^c	13 442 ^c	41 537 ^c	42 915 ^c	..	..	..	..
Uzbekistan	698 ^c	2 564	13 649	14 804	..	152	202	210
Latin America and the Caribbean ^a	338 557	1 550 274	2 653 078	2 953 403	53 170	417 359	820 142	928 378
South America	186 425	1 085 464	1 727 712	1 898 677	43 634	288 295	604 267	677 146
Argentina	67 601	85 591	116 698	128 855	21 141	30 328	45 781	48 299
Bolivia (Plurinational State of)	5 188	6 890	9 839	9 633	29	8	854	1 167
Brazil	..	640 330	878 144	997 570	..	149 333	299 369	365 813
Chile	45 753	160 904	250 062	267 132	11 154	61 126	134 744	137 182
Colombia	11 157	82 991 ^b	234 231 ^b	254 329 ^b	2 989	23 717 ^b	73 295 ^b	73 295 ^b
Ecuador	6 337	11 858	22 292	22 664	..	..	..	..
Guyana	756	1 784	17 074	10 279	1	2	78	47
Paraguay	1 003	3 555	7 666	8 906	..	..	..	..
Peru	11 062	42 976	129 221	132 546	505	4 265	10 124	10 885
Suriname	..	..	1 936	1 853	..	..	202	213
Uruguay	2 088	12 479	34 653	38 326	138	345	6 898	6 091
Venezuela (Bolivarian Republic of)	35 480	36 107	25 897	26 585 ^c	7 676	19 171	30 735	32 169 ^c
Central America	139 768	417 113	843 099	968 310	8 534	126 025	208 553	242 658
Belize	294	1 454	2 679	2 812	42	49	76	78
Costa Rica	2 809	15 936	52 474	55 165 ^c	22	1 135	3 758	3 769 ^c
El Salvador	1 973	7 284	10 100	10 841	104	1	1 689	1 720
Guatemala	3 420	4 554	22 409	24 080	93	452	2 936	3 618
Honduras	1 392	6 951	18 557	19 633	..	867	2 877	3 132
Mexico	121 691	355 512	662 718	778 371	8 273	119 967	190 122	222 742
Nicaragua	1 414	4 681	12 500	13 730	..	181	818	849
Panama	6 775	20 742	61 662	63 676	..	3 374	6 277	6 751
Caribbean ^a	12 365	47 697	82 267	86 417	1 002	3 039	7 322	8 574
Antigua and Barbuda	..	..	2 090 ^b	2 390 ^b	..	..	91 ^b	99 ^b
Barbados	308	4 970	8 544 ^c	8 769 ^c	41	4 058	3 858 ^c	3 866 ^c
Dominica	..	..	517 ^b	537 ^b	..	..	3 ^b	2 ^b



**Annex table 2****FDI stock, by region and economy, 2000, 2010, 2022 and 2023**

(Concluded)

Region/economy	FDI inward stock				FDI outward stock			
	2000	2010	2022	2023	2000	2010	2022	2023
Dominican Republic	1 673	18 793	51 982	56 372	..	743	917	1 277
Grenada	..	..	1 990 ^b	2 153 ^b	..	..	99 ^b	112 ^a
Haiti	95	625	2 031	2 063 ^c	..	..	..	..
Jamaica	3 317	10 855	18 332	18 763 ^c	709	176	1 136	1 131 ^c
Saint Kitts and Nevis	..	..	1 676 ^b	1 709 ^b	..	..	102 ^b	100 ^b
Saint Lucia	..	..	1 865 ^b	2 004 ^b	..	..	638 ^b	635 ^b
Saint Vincent and the Grenadines	..	..	1 601 ^b	1 683 ^b	..	..	93 ^b	91 ^b
Trinidad and Tobago	7 280 ^c	17 424	9 922	9 218 ^c	293 ^c	2 119	5 269	6 167 ^c
Anguilla	..	..	1 382 ^b	1 528 ^b	..	..	94 ^b	96 ^b
Aruba	1 161	4 567	4 686	4 508 ^c	675	682	760	852 ^c
Bahamas (the)	3 865 ^c	13 160	28 512	29 904	547 ^c	2 538	7 572	7 991
British Virgin Islands	30 289 ^c	265 783 ^c	1 028 356 ^c	1 068 246 ^c	69 041 ^c	376 866 ^c	128 306 ^c	172 465 ^c
Cayman Islands	27 316 ^c	161 916 ^c	572 927 ^c	601 061 ^c	21 643 ^c	89 316 ^c	362 435 ^c	382 857 ^c
Curaçao	..	527	1 081 ^c	1 236 ^c	..	32	1 002 ^c	1 012 ^c
Montserrat	..	..	42 ^b	49 ^b	..	..	..	..
Sint Maarten	..	256	190 ^c	224 ^c	..	10	107 ^c	111 ^c
Oceania	1 854	14 694	31 593	32 060	56	614	6 055	5 067
Cook Islands (the)	..	..	181 ^c	187 ^c	..	..	14 ^c	14 ^c
Fiji	356	2 963	5 755	5 855	39	47	125	163
Kiribati	..	5	11	13 ^c	..	2	1	1 ^c
Marshall Islands (the)	20	120	170	164	..	..	..	..
Palau	173	232	858	905 ^c	..	..	..	..
Papua New Guinea	935	3 748	4 878 ^c	4 454 ^c	1 ^c	-5 ^c	4 168 ^c	3 078 ^c
Samoa	77	220	318	315	..	14	51	51
Solomon Islands	106 ^c	552	652	681 ^c	..	27	77	77 ^c
Tonga	19 ^c	220 ^c	108 ^c	132 ^c	14 ^c	58 ^c	50 ^c	50 ^c
Tuvalu	..	5	9 ^c	9 ^c	..	..	..	..
Vanuatu	61 ^c	454	636	647 ^c	..	23	29	28 ^c
French Polynesia	146 ^c	442 ^c	1 110 ^c	1 104 ^c	..	144 ^c	354 ^c	368 ^c
New Caledonia	-41 ^c	5 726 ^c	16 908 ^c	17 595 ^c	2 ^c	304 ^c	1 187 ^c	1 237 ^c
Memorandum								
Least developed countries (LDCs) ^d	35 969	161 402	429 955	459 109	2 604	11 515	22 890	23 988
Landlocked developing countries (LLDCs) ^f	33 630	183 972	444 859	468 390	1 025	29 288	53 514	56 413
Small island developing States (SIDS) ^g	18 806	80 554	155 252	163 726	1 906	11 076	19 815	21 560

Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).^a Excluding the financial centres in the Caribbean and special-purpose entities in reporting countries.^b Asset/liability basis.^c Estimates.^d Directional basis calculated from asset/liability basis.^e Least developed countries include Afghanistan, Angola, Bangladesh, Benin, Burkina Faso, Burundi, Cambodia, the Central African Republic, Chad, the Comoros, the Democratic Republic of the Congo, Djibouti, Eritrea, Ethiopia, the Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, the Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nepal, the Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, South Sudan, the Sudan, Timor-Leste, Togo, Tuvalu, Uganda, the United Republic of Tanzania, Yemen and Zambia.^f Landlocked developing countries include Afghanistan, Armenia, Azerbaijan, Bhutan, the Plurinational State of Bolivia, Botswana, Burkina Faso, Burundi, the Central African Republic, Chad, Eswatini, Ethiopia, Kazakhstan, Kyrgyzstan, the Lao People's Democratic Republic, Lesotho, Malawi, Mali, Mongolia, Nepal, the Niger, North Macedonia, Paraguay, the Republic of Moldova, Rwanda, South Sudan, Tajikistan, Turkmenistan, Uganda, Uzbekistan, Zambia and Zimbabwe.^g Small island developing States include Antigua and Barbuda, the Bahamas, Barbados, Cabo Verde, the Comoros, Dominica, the Dominican Republic, Fiji, Grenada, Jamaica, Kiribati, Maldives, the Marshall Islands, Mauritius, the Federated States of Micronesia, Nauru, Palau, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Sao Tome and Principe, Seychelles, Solomon Islands, Timor-Leste, Tonga, Trinidad and Tobago, Tuvalu and Vanuatu.

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