

2019 | 2020 GLOBAL INVESTMENT
COMPETITIVENESS REPORT

Rebuilding Investor Confidence
in Times of Uncertainty

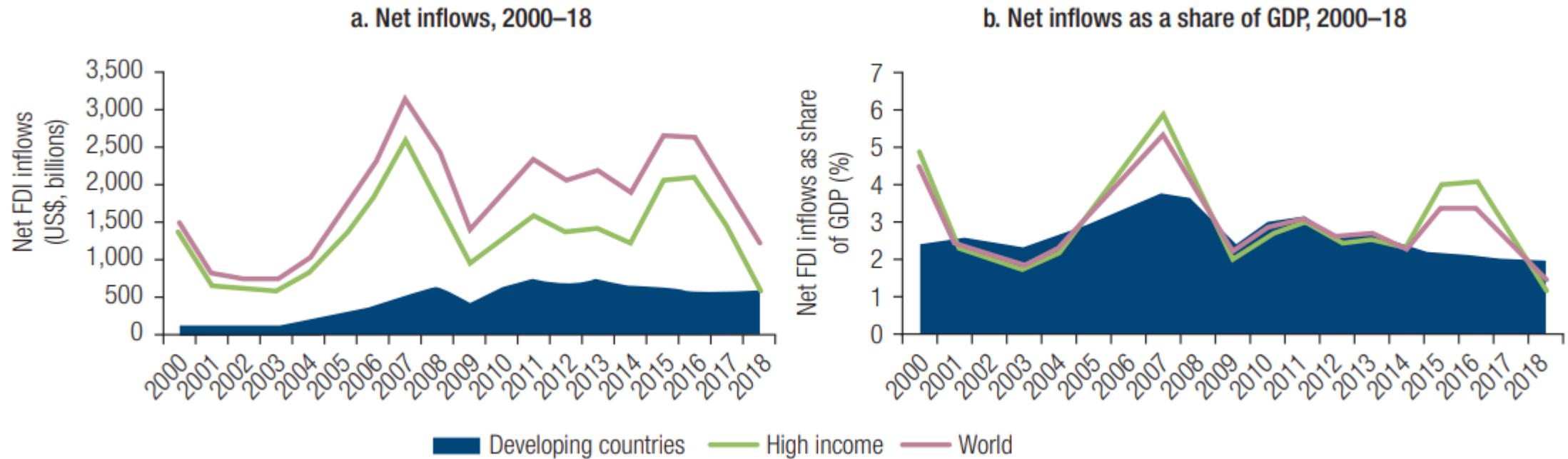
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Overview



WORLD BANK GROUP

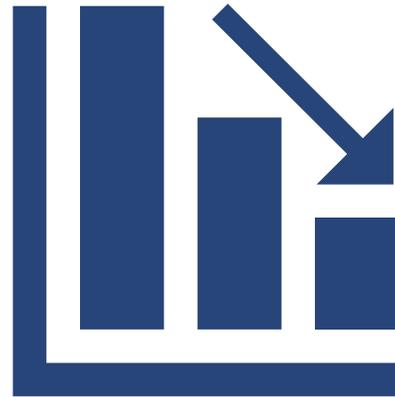
Even before the COVID-19 outbreak, **global FDI has been in decline**



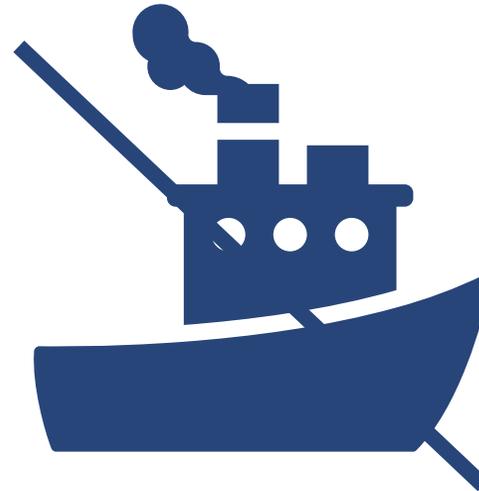
This decline has been driven by a variety of **business- and policy-related trends**



*Digitalization and
asset-light models*



*Declining rates of
return on FDI*

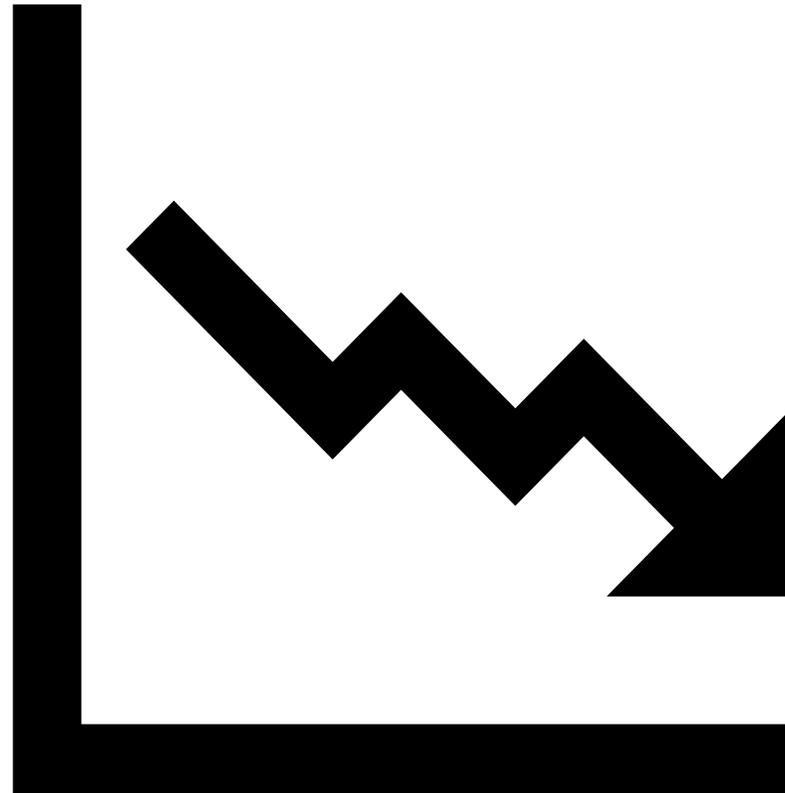


*Trade policy
uncertainty*



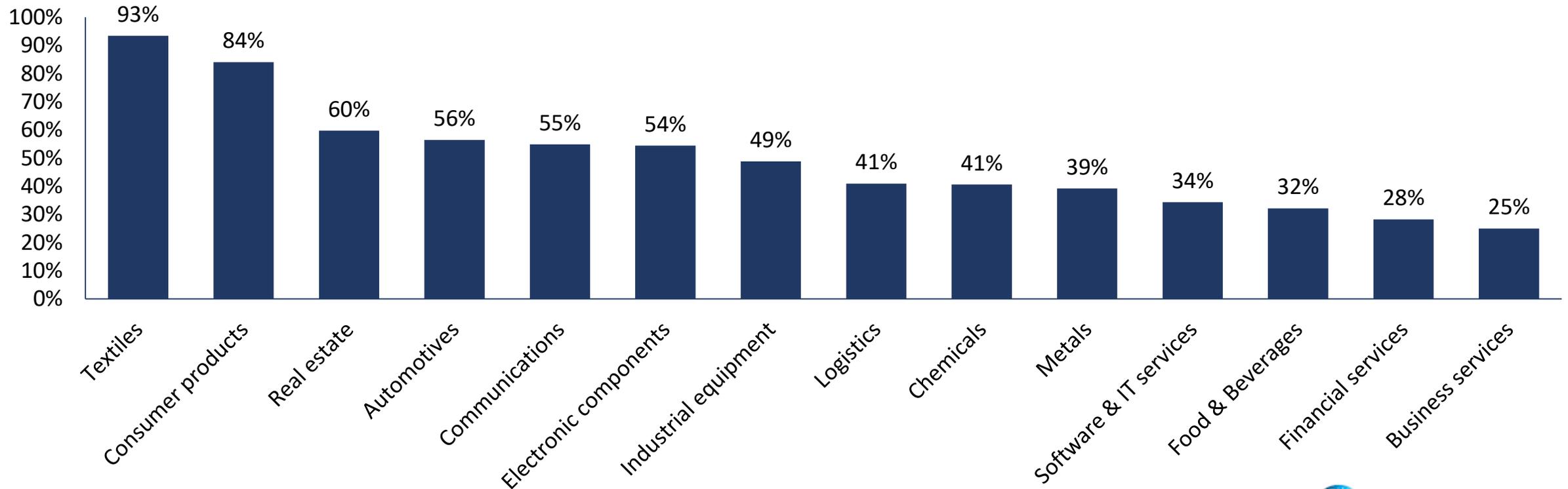
*Scrutiny and
screening of FDI*

The COVID-19 crisis is presenting a new, unprecedented source of **investor risk** that is **depressing business confidence** to historic lows, resulting in a **projected fall in global FDI by more than 40 percent in 2020**



Drops in FDI have been particularly steep in the **textile, hotel, tourism, and consumer products** sectors, while the **software, IT services, business services, and food and beverage** sectors have been relatively resilient

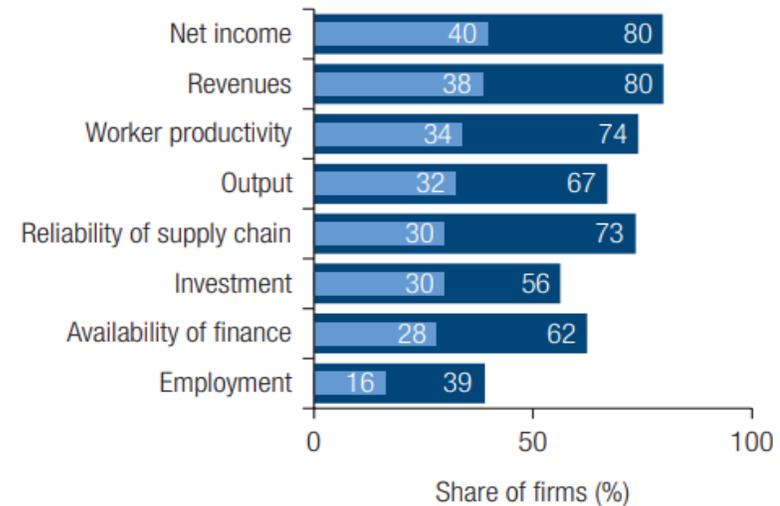
Year-over-decline in greenfield FDI project announcements
(Jan-April 2020 vs. Jan-April 2019; low- and middle-income countries)



Source: World Bank Analysis based on fDi Markets database

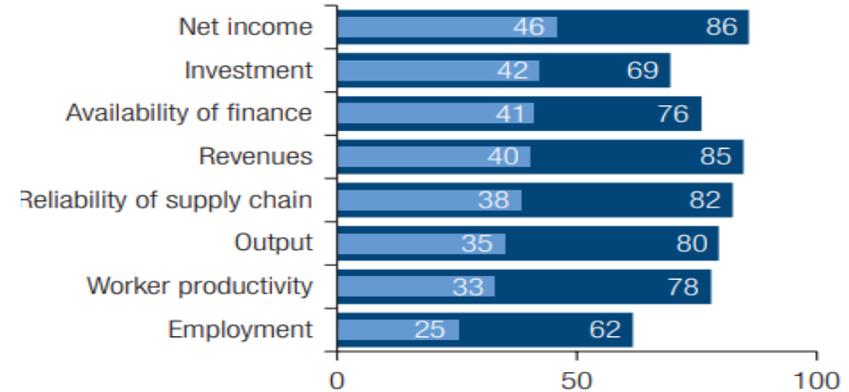
More than two-thirds of multinational investors in developing countries are reporting **disruptions in supply chains, declines in revenues, and falls in production** as a result of COVID-19—and the **impacts are projected to worsen in the coming months**

Question a: Over the last three months (Jan-Mar 2020), what has been the impact of COVID-19 on your company?



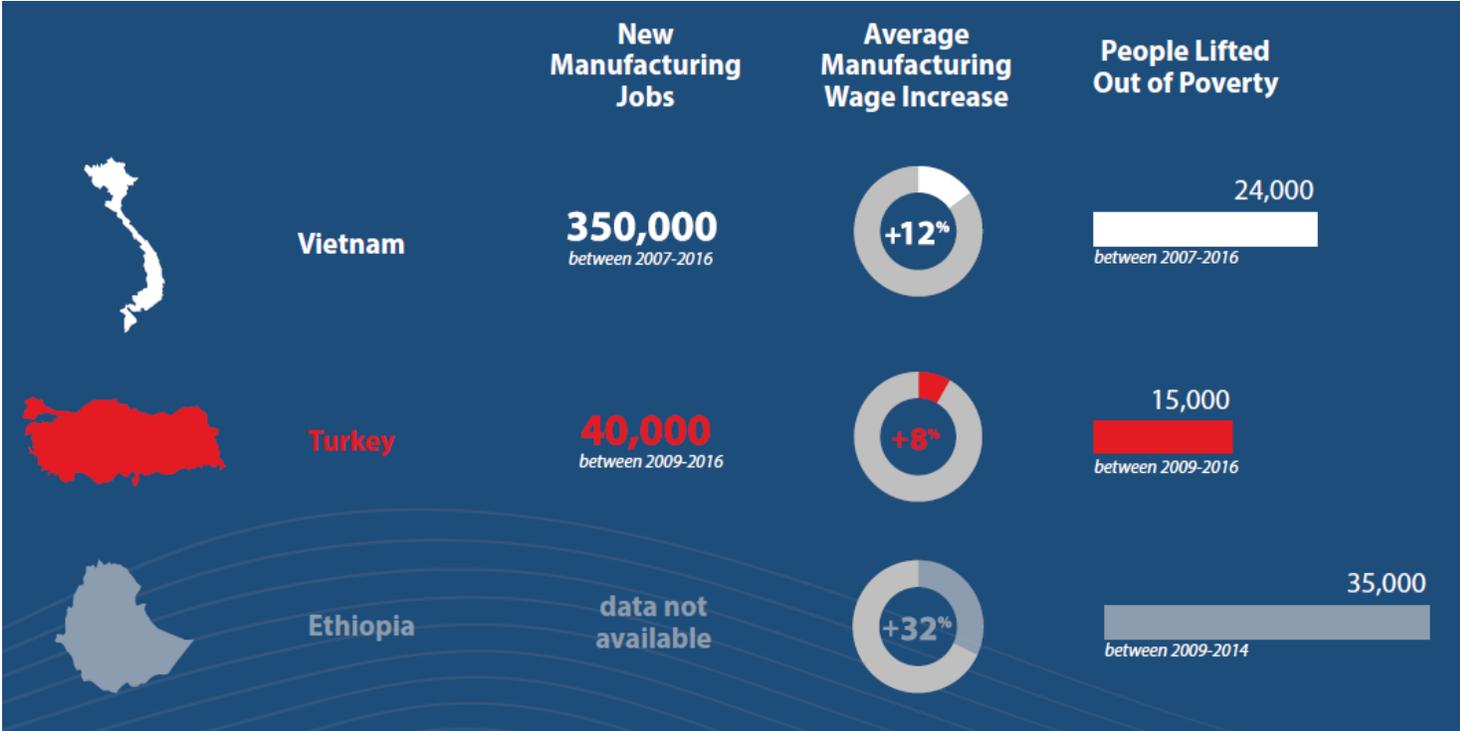
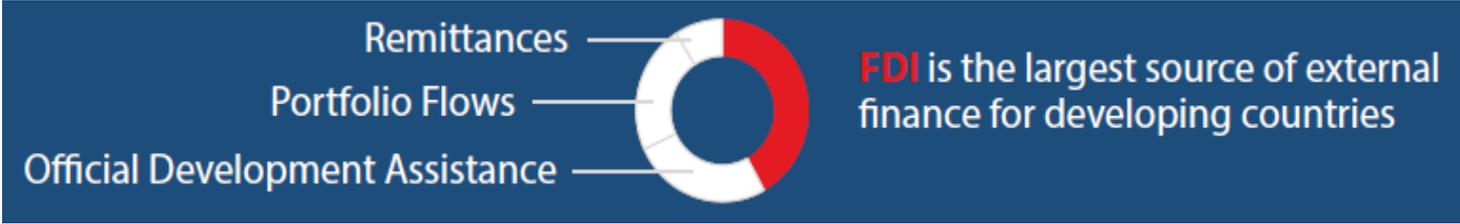
b. Expected impacts

Question b: Over the next three months (Apr-Jun 2020), what is the likely impact of COVID-19 on your company?



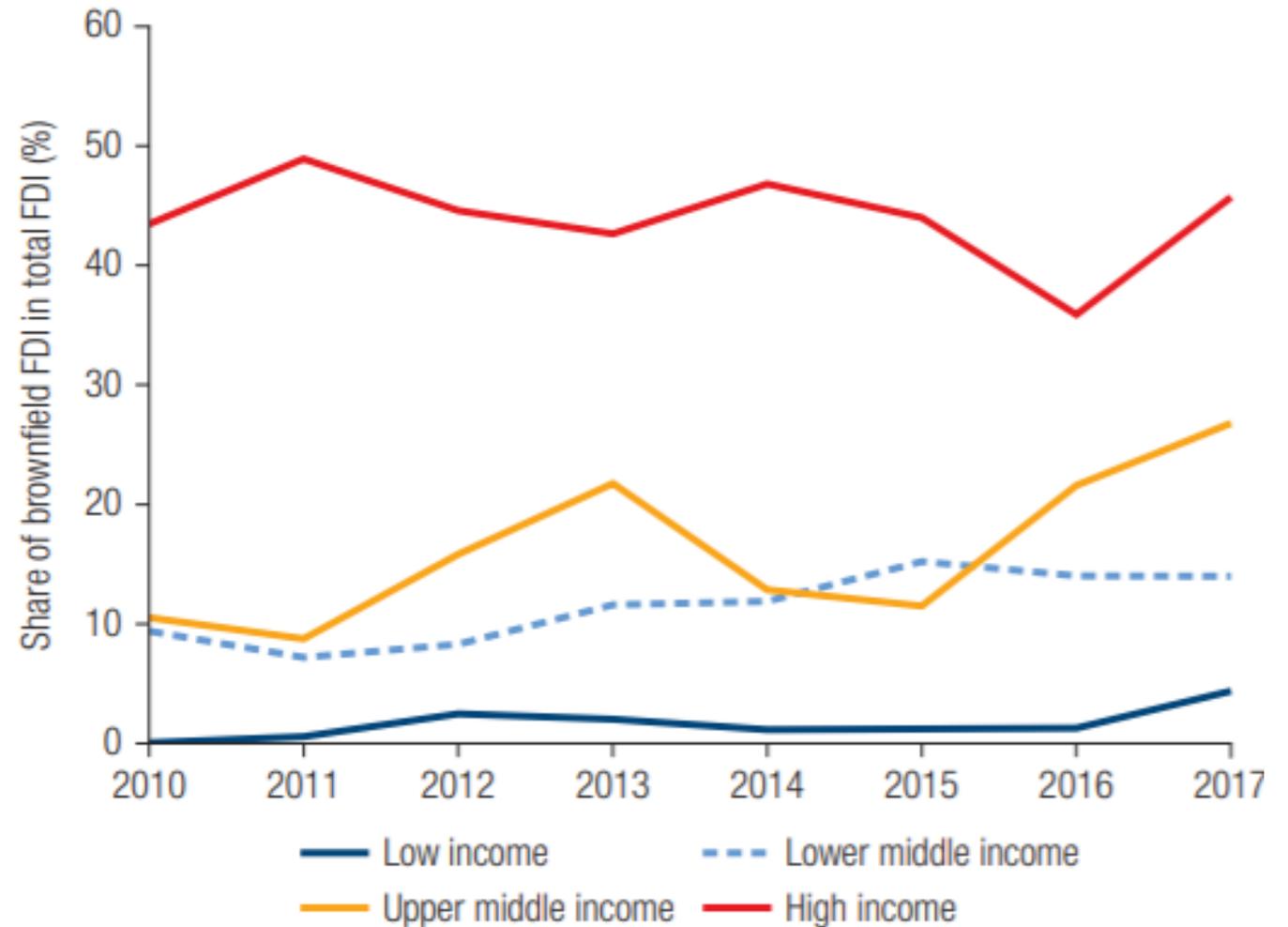
■ Share of MNEs reporting decrease ■ Average decrease across MNEs

FDI can alleviate the impact of the COVID-19 crisis and boost countries' economic resilience by providing a critical source of external capital and continuing to create more and better-paid jobs, lift people out of poverty, and boost productivity

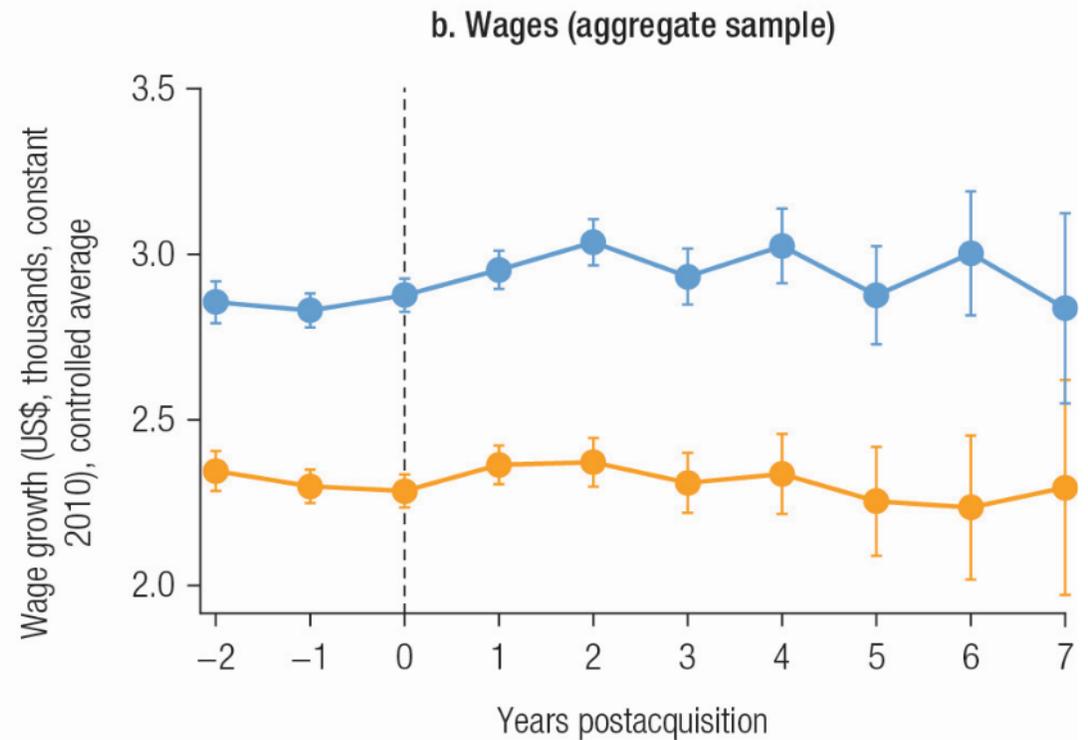
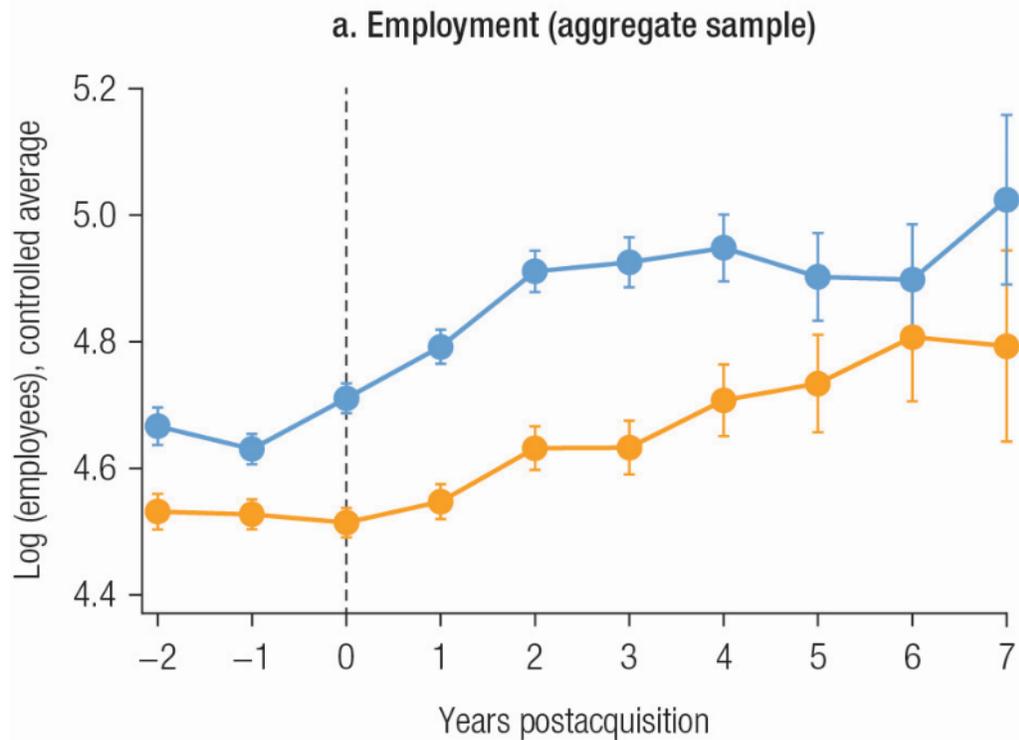


Foreign acquisitions of local firms in developing countries have **doubled** as a share of FDI over the past decade

FIGURE 2.1 Brownfield Investment Rose as a Share of Total FDI in Developing Countries, 2010–17



Brownfield investment has made the acquired companies more **export oriented, productive, and diversified** in their offerings



— Domestic — Foreign acquisitions

The possible adverse effects of FDI on income inequality and on lower-skilled workers emphasize the critical mitigating role of **labor market and education policies**

FIGURE 0.9 FDI Has Had Varied Effects on National Income Distributions in Ethiopia, Vietnam, and Turkey

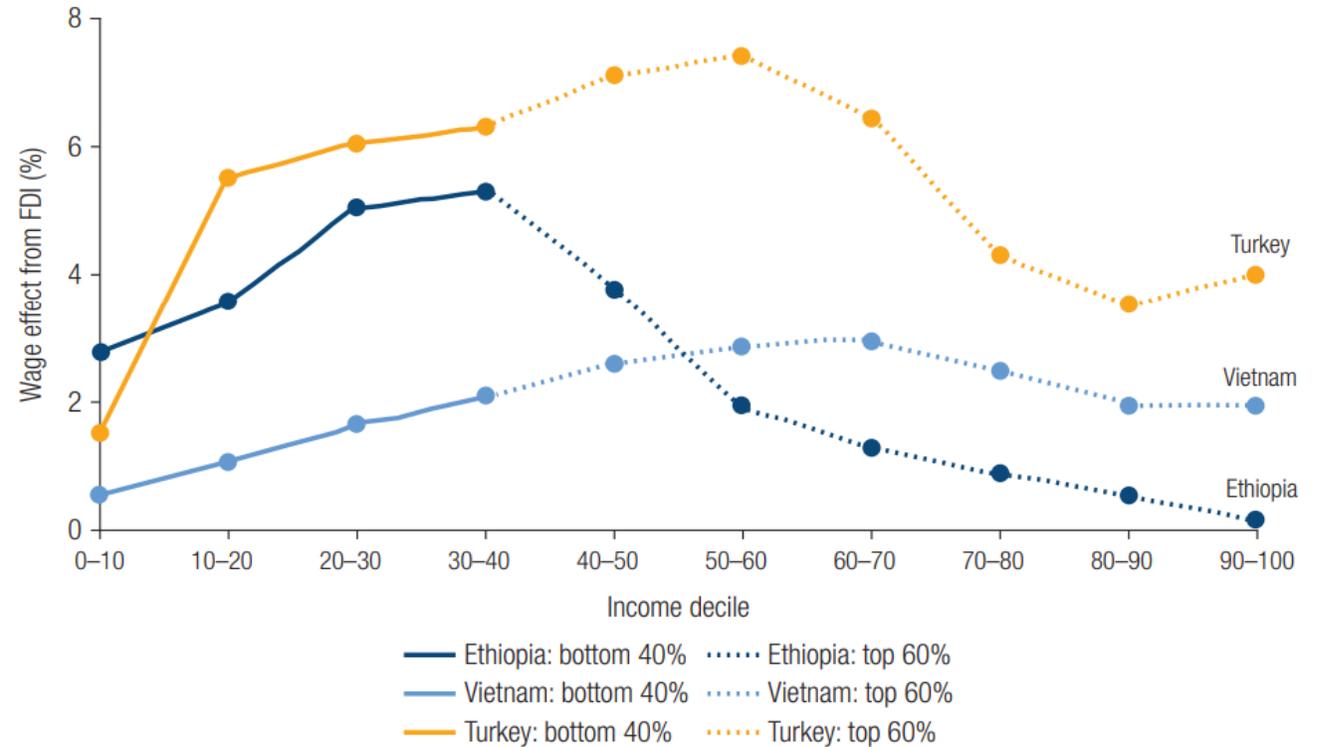
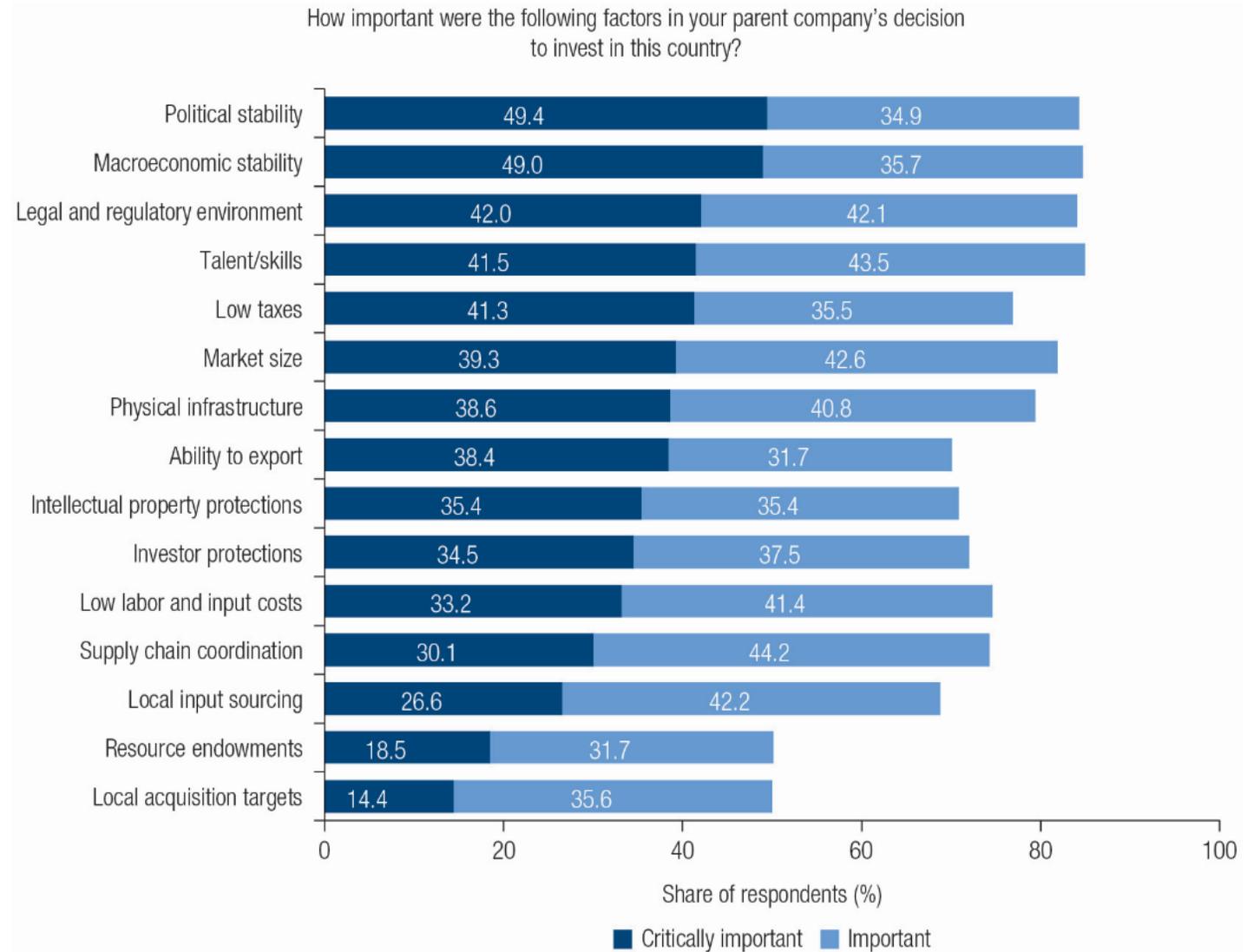


TABLE 0.1 The Effects of FDI on Labor Markets Vary by Sector and Workers' Skill Levels

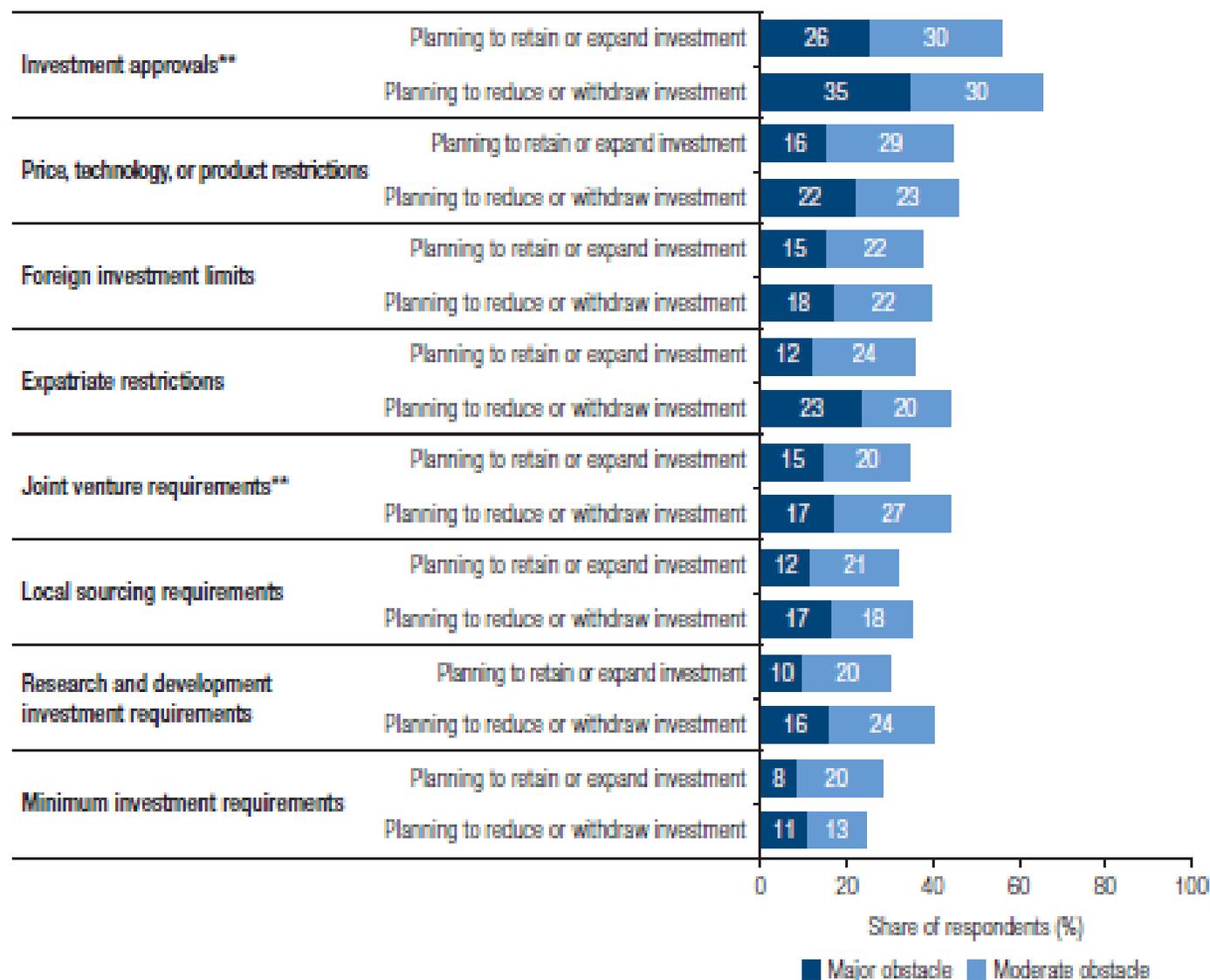
Broad sector	Average effect	Low-skilled workers	High-skilled workers
Extractives	No effect	No effect	No effect
Low-skilled manufacturing	Positive	Positive	Positive
High-skilled manufacturing	Positive	Neutral	Positive
Low-skilled services	Neutral	Negative	Positive
High-skilled services	Positive	Negative	Positive

A survey of **2,400 global business executives** in 10 large middle-income countries conducted between June and November 2019 shows that **government policies can influence FDI location decisions.**

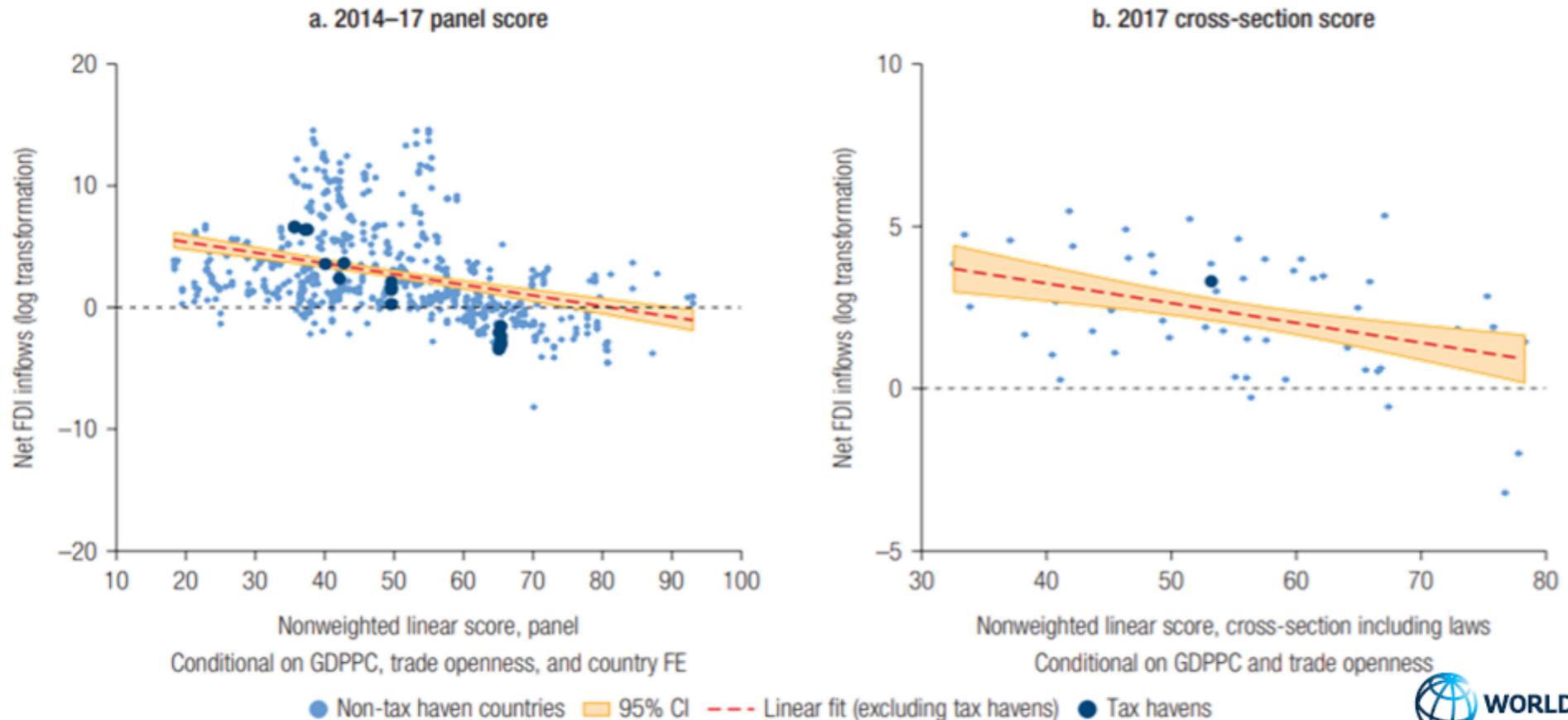


Easing restrictions related to **investment approvals and licensing** is particularly important, and **firms which encounter obstacles are more likely to reduce investments**

Question: To what degree are the following factors an obstacle for your company to operate in this country?

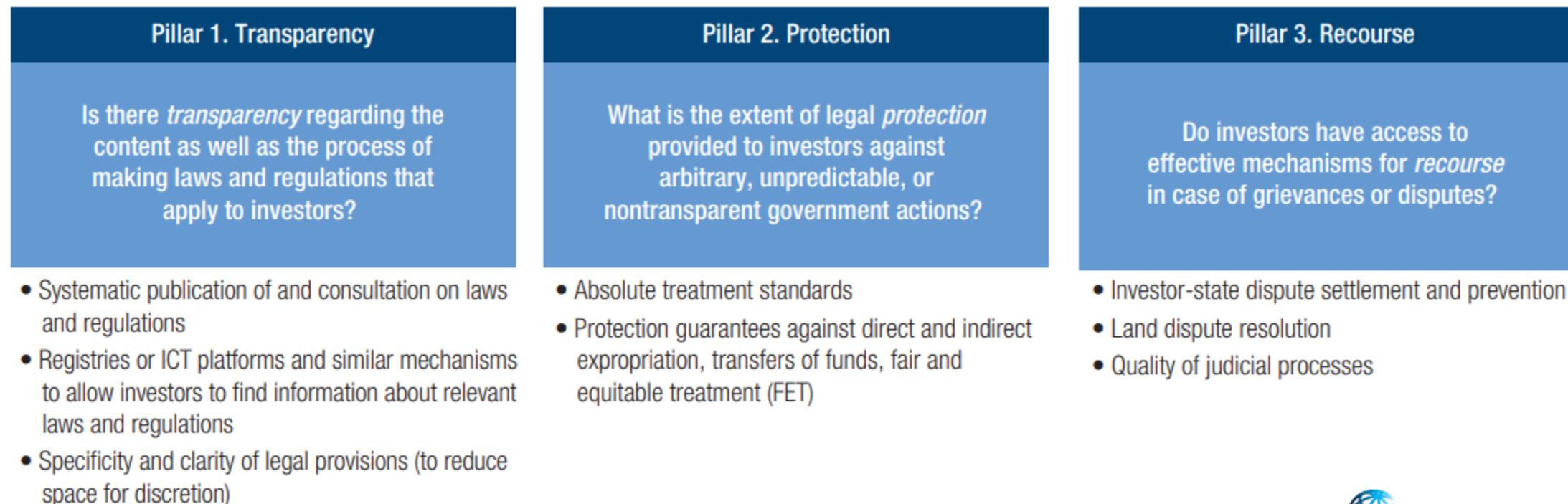


Lower levels of regulatory risk are associated with higher FDI inflows



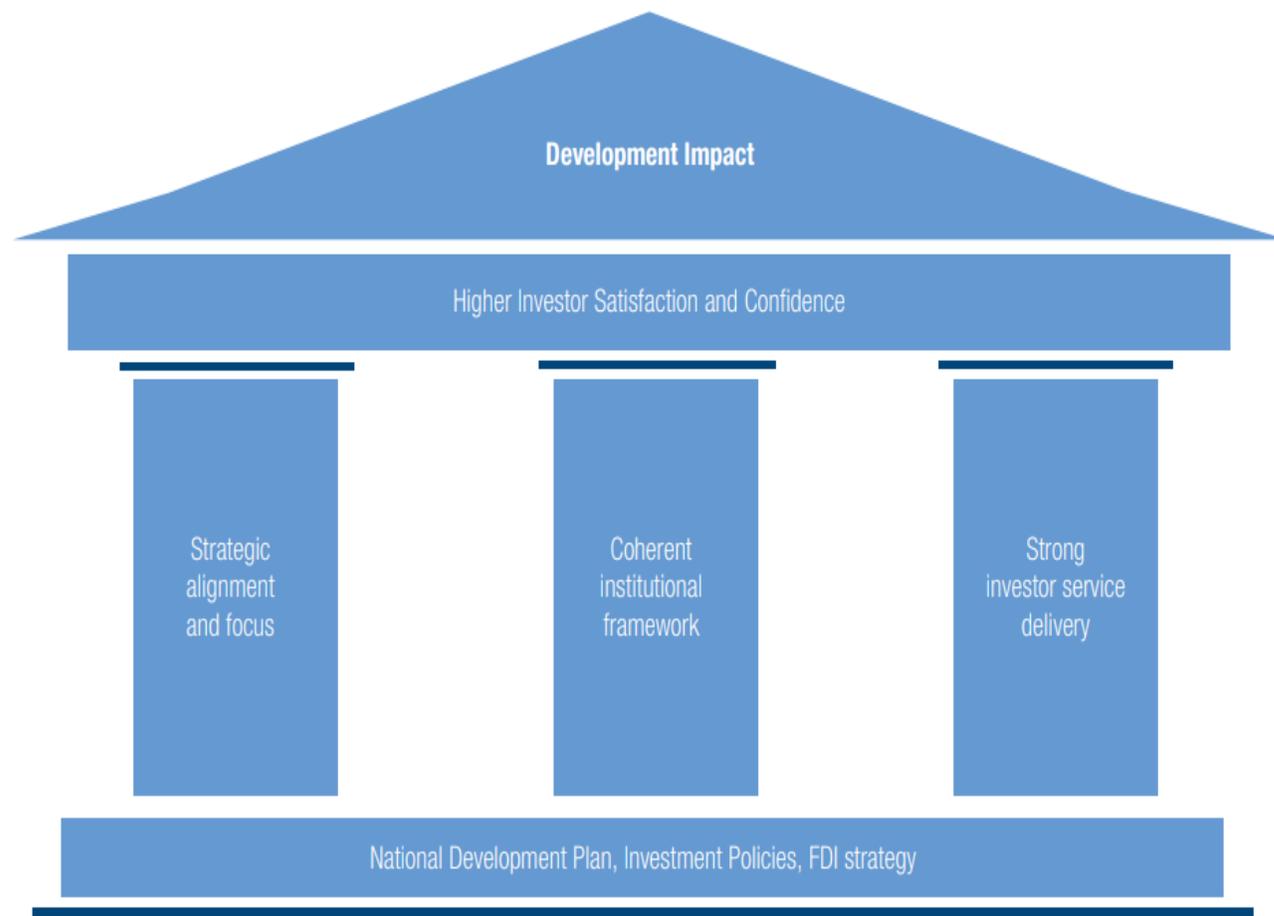
Government actions—such as reducing investor risk and increasing policy predictability— can rebuild investor confidence, based on the report’s **new global database of regulatory risk**

FIGURE 0.10 Three Pillars of Addressing Regulatory Risk



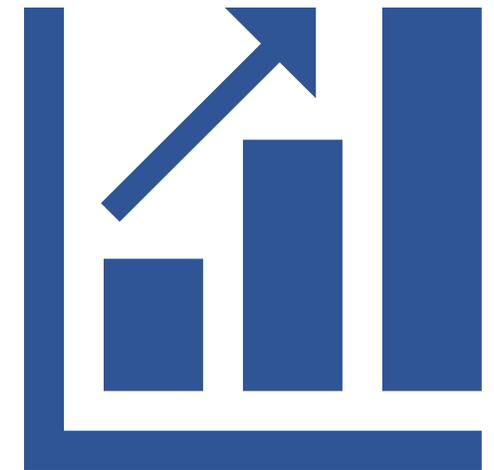
Investment promotion agencies can **boost their countries' investment competitiveness** by better aligning their FDI attraction and retention efforts with market signals and changing investor preferences

FIGURE 0.13 Core Elements for Increasing the Development Impact of Investment Promotion Agencies



Governments can leverage FDI for **robust economic recovery** from COVID-19 by

- Avoiding protectionist policies
- Seizing new opportunities from changing FDI and supply chain trends
- Fostering global cooperation



Thank you

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