

Main Messages

Overall

1. Even before the COVID-19 outbreak, global foreign direct investment (FDI) was in decline due to trade policy uncertainty, rising protectionism, falling rates of return on FDI, and changing forms of international production.
2. 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.
3. 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—based on a new World Bank survey on the impact of the pandemic.
4. FDI can alleviate the impact of the COVID-19 crisis and boost countries' economic resilience by providing a critical source of external capital for financing public debt and continuing to create more and better-paid jobs, lift people out of poverty, and boost productivity.
5. Foreign acquisitions of local firms in developing countries have doubled as a share of FDI over the past decade, and they have made the acquired companies more export oriented, productive, and diversified in their product offering.
6. At the same time, 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.
7. An extensive survey of more than 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.
8. 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.
9. 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.
10. 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, and fostering global cooperation.

