

Forum on investment opportunities in LDCs

Hotel Titanic Belek, Antalya, Turkey, 26 May 2016

Background note

FDI flows to LDCs increased by 4.1% in 2014 to \$23.2 billion in 2014 (2% of global inflows). However, it is yet to reach the level of 2010, which was \$23.77 billion. Around half of all greenfield investment into LDCs originated from developing countries in 2014. Following very strong growth between 2005 and 2010, overall FDI flows to LDCs have remained broadly constant over the past five years. FDI inflows are concentrated in a few countries, with five countries in Africa accounting for 58% of the total in 2014: Mozambique (\$4.9 billion), Zambia (\$2.5 billion), United Republic of Tanzania (\$2.1 billion), Democratic Republic of the Congo (\$2.1 billion) and Equatorial Guinea (\$1.9 billion). In 2014 greenfield FDI in mining, quarrying and petroleum increased again. Greenfield investment in manufacturing remains limited.

FDI holds the potential to significantly help LDCs economies to diversify, reduce their dependence on commodities and promote new activities in the manufacturing and services sectors with higher local value-addition and a deeper integration in international value-chains.

Improving the business climate and providing a transparent regulatory environment are necessary but often not sufficient conditions to attract quality FDI. Information failures pose serious obstacles to increasing FDI in LDCs, including by leading to inaccurate risk assessments. Potential investors lack information, time and capacity to consider all existing opportunities in LDCs. Without specific efforts by LDCs to market themselves to potential investors, they rarely make it to the “short list” of attractive sites for new investment projects. Targeted information dissemination is crucial to attract both large transnational corporations but also SMEs with limited capacity to gather business intelligence and market information in more remote and less well-known investment locations. Similarly LDCs entrepreneurs have capacity limitations when seeking business partners abroad.

LDCs and their investment promotion agencies (or similar bodies) need to improve their capacity to market themselves by providing relevant, accurate and timely information to potential investors. On that basis more elaborate investment promotion programs ultimately aimed at increasing the benefits of FDI can also be established. These may encompass a larger set of services and activities, including targeting investors, undertaking after-investment services, promoting backward and forward linkages and embark on policy advocacy. IPAs can thus become focal points for broader regulatory reforms and investment facilitation activities.

Investment promotion thus needs to be given attention in domestic policy-making and budget decisions in the LDCs. At the same time development partners and their IPAs can very usefully provide specific support to their counterparts in LDCs.

Against this background the Forum aims at furthering the discussion and adoption of best practices in investment promotion through interactions between business and government leaders as well as promotion professionals in order to enhance the capacity of LDCs to attract additional FDI, which can provide a crucial contribution to their

sustainable development. Such increased focus on investment promotion and attraction was called for in the IPoA (paragraph 122(3)(b) and has been confirmed in the Addis Ababa Action Agenda (paragraphs 45-46). More broadly the instrumental role of investment for the realization of the SDGs is recognised, including specifically in target 10b.

DRAFT Programme

10-11.30 am: High-level opening session

Main theme: FDI for sustainable development of the LDCs: Challenges and opportunities

Key note speakers will include high level representatives from Governments, academia, business and the UN. An interactive debate will follow.

11.30-1pm: Thematic session: Putting LDCs investment opportunities on the radar screen of investors: challenges and best practices

Questions for discussion: How can Investment Promotion Agencies from LDCs increase the visibility of the investment opportunities which exist in the respective countries? What does business need in order to fully consider LDCs in their location decisions? What are the key constraints and needs to attract a successful investment in LDCs?

Speakers will include high level representatives from investment promotion agencies from LDCs and their development partners, as well as business executives

3-5pm: Thematic session: International support to increase the flow of sustainable investment to the LDCs in the context of the IPoA and the SDGs

Questions for discussion: How can the LDCs be supported in attracting sustainable investment? How can the needs identified in the previous session be addressed through international support? How can we increase sustainable FDI and ensure that it contributes to the structural transformation of LDCs and their sustainable development?

Speakers will include high level representatives from investment promotion agencies from LDCs and their development partners, business executives and representatives from multilateral agencies and development cooperation partners