GLOBAL CONTEXT

Foreign direct investment (FDI) is a major catalyst for development and can boost growth, offer new employment opportunities and enhance trade in goods and services. FDI is also an integral part of an open and effective economy. With its potential linkages with the domestic economy—such as technology transfer, human capital formation and creation of new industries—it can also stimulate the greater integration of developing countries into the global economy.

The benefits of FDI do not automatically materialize, nor are they spread evenly across countries. To fully reap them, FDI inflows should be promoted through conducive national policies geared at upgrading and diversifying a country’s economy and supported by an effective international investment architecture.

To support developing countries in adopting conducive policy environments for FDI, UNCTAD conducts diagnostic studies—investment policy reviews—of the legal, regulatory and institutional framework for investment. The reviews, specific to each country, are published as advisory reports containing concrete policy advice. UNCTAD then provides technical assistance activities to support beneficiary countries in implementing the reviews’ recommendations and improving the prospects for sustainable development.

WHAT MAKES INVESTMENT POLICY REVIEWS EFFECTIVE?

Investment policy reviews are carried out in different phases. The approach promotes national ownership and encourages countries to learn from others. Best practices are exchanged, as well as lessons learned.

A review begins at the request of a Government. The national counterpart, either a ministry or an agency, is involved throughout the process and takes ownership of the policy recommendations.

Each review takes a country-specific approach to attracting and benefiting from FDI. The publication of the investment policy review report is part of a process that promotes the implementation of recommendations.

RESULTS AND IMPACTS AT A GLANCE

- Review countries across different regions experienced significant increases in FDI inflows and displayed less volatile FDI inflows, for example the least developed countries (LDCs) in Africa.
- Country commitment to the reviews is evident with endorsement of policy recommendations and their implementation, as displayed by follow-up assessments. Most of the implementation reports on the investment policy reviews among the 16 completed to date have shown a good-to-strong implementation record, increased interest by existing investors and strengthened capacity to market investment opportunities.
- Interest in the programme is illustrated by many of the 53 economies with reviews requesting follow-up technical assistance and the 27 new countries that have requested to benefit from the reviews.
- Over 450 policy recommendations have been implemented to date.

Brief highlights

The Investment Policy Review of Mauritius recommended several reforms to upgrade and intensify the country’s diversification drive. Over 95 per cent of the recommendations were implemented, with dramatic impacts on FDI levels, economic diversification and poverty reduction.
Investment policy reviews, 1999–October 2019
(including national and regional reviews)

“No important issue has been left out in the investment policy review, and the report will be our baseline framework to reform the investment climate and help us achieve the objective of sustainable and inclusive growth.”
Tigran Khachatryan, Minister of Economy, Armenia, 2019

“No important issue has been left out in the investment policy review, and the report will be our baseline framework to reform the investment climate and help us achieve the objective of sustainable and inclusive growth.”
Tigran Khachatryan, Minister of Economy, Armenia, 2019

“Ten years after the Investment Policy Review of the Dominican Republic, the document is still the blueprint of every investment strategy we implement today; each time a new administration comes on board, the review is the first document we hand them.”
Natalia Vásquez Guzmán, Investment Manager, Export and Investment Centre, Dominican Republic, 2018

PROGRAMME FACTS AND FIGURES
Scope: all regions
Starting date: 1999
Reviews per year: 3–4
Reviews to date: 53, including 20 LDCs and 29 countries in Africa
Upcoming reviews: Seychelles
Website: unctad.org/ipr

Sustainable Development Goals addressed:
Directly: 8, 17
Indirectly: 1, 2, 10, 16

DONORS/FUNDING SOURCE (2014–2019)
China, Finland, Norway, Netherlands, Sweden, European Union, United Nations Institute for Training and Research