President of the Trade and Development Board Ambassador Federico Villegas,
Deputy Secretary-General of UNCTAD Isabelle Durant,
Director of the Division on Investment and Enterprise, Mr. James Zhan,
Excellencies,
Distinguished delegates,
Ladies and gentlemen,

Mr President,

At the outset, the Group of Least Developed Countries would like to align itself with the statement presented by Zambia on behalf of the Group of 77 and China, and to acknowledge the work on UNCTAD on FDI and the World Investment Report, including its continuous assessment of the damage and disturbances being felt by countries across the globe due to the COVID-19 pandemic.

The Group of the Least Developed Countries congratulates UNCTAD for the quality of the World Investment Report 2020:
International Production Beyond the Pandemic launched in June this year. The report highlighted significant international investment and production trends in the new context of the world economy, some of which are of serious concern for the LDCs.

Already in 2019, FDI flows to LDCs declined by 6%. This represented a mere 1.4% of global FDI flows. With the negative impact of the COVID-19 pandemic and given the vulnerabilities of our economies, the outlook is even more fragile. While our resources are shrinking, we have to adjust quickly to new developments in the international production systems, driven by technological and policy changes, with important long-term implications for the capacity of LDC to attract investment and maximize their participation in global value chains.

As already mentioned, in 2019 FDI to LDCs was shrinking, but with some differences between regions and individual economies.

Asian LDCs witnessed a decline for the first time in eight years, down by 27% to $8.6 billion, while those to African LDCs increased by only 17% to a three-year high of $12 billion. Many larger host LDC economies recorded a major decline in inflows.

The pandemic is making the situation particularly complicated for LDCs. The outlook for FDI to the group is extremely weak. LDCs will be hit hard by the decline in global FDI inflows in 2020, forecast to around 40% on average. For LDCs, the pandemic and the consequential lockdown is hampering the implementation of
ongoing and announced investment projects in a major manner. In the first quarter of 2020, announced greenfield investment projects in LDCs were down by 27% in number. The decline is expected to accelerate as the crisis deepens in the year.

Declining FDI is affecting many LDCs, which are highly dependent on foreign investments in industries such as in export-oriented manufacturing, infrastructure development, extractive industries and tourism. It will add to the economic problems and structural challenges of LDCs and could undo much of the modest progress made during the Istanbul Programme of Action (2011–2020).

The effects of the COVID-19 pandemic on FDI are now being felt, as due to restrictions and imposition of some rules to curb movement of goods, which has been felt extensively in LDCs. Due to preventative measures enacted, some projects have had to be stopped or delayed which has led to the retrenchments and in some cases furlough of employees. This in effect affects the fiscal situation as LDCs suffer from the depression of their economies, the result is a rechannelling of resources to consumption budgets, to help mitigating the impact of economic situation experienced by the peoples of LDCs. According to the World Trade Organization, 87.5% of goods exported from LDCs are sold in 10 major markets, all of which are either severely or moderately affected by the COVID-19 outbreak. Due to a fall in demand in these markets, LDCs are certain to lose a significant portion of their export revenue.
The LDCs thus will be not be able to effectively market themselves let alone implement or commit resources towards FDI retention or attraction. With the COVID-19 pandemic also affecting heavily the economies of development partners, in effect it will also likely reduce ODA flows as partners also implementing and propose further stimulus packages to support their own domestic economies. According to UNCTAD in its 2019 WIR FDI flows to LDCs remained marginal, representing 1.8% of global FDI. The already not robust global value chains that are used by most LDCs are also under threat and this will lead to erasing some of the gains made in these areas thereby also failing to reach the much aspired SDGs.

Mr President,

In our group some countries were already approaching graduation towards middle-income status, which is also under threat and some members will have to delay their process. LDCs are taking measures to funnel liquidity in the economy and considering measures to expand their fiscal space. According to latest updates from the International Monetary Fund, 22 LDCs have declared stimulus (and bailout) packages of around USD 1.9 billion as fiscal response to the COVID-19 pandemic. As economic activity and borders have closed, restricting movement of people, remittances have been reduced, which has also compounded the situation, since the majority of the work force in LDCs informal and some rely on cross border trades to sustain their small-scale business.
The LDC Group therefore faces real strong headwinds in its developmental efforts if measures taken to prevent spread of the virus are to stay for long. We have seen events cancelled, postponed and even being moved to virtual.

Most members of the LDC Group have constantly been expressing the dangers of digital divide long before the pandemic, and presently the challenge is as daunting as ever. Therefore, we reemphasize the importance of the work of UNCTAD on the digital economy, such as the e-trade readiness assessments as well as the creative economies, as the global economy continues to favor digital industries.

On a longer-term, international production is set for significant transformation and the COVID-19 pandemic is amplifying the need to build resilient supply chains. Technological development and climate-oriented policies are among key drivers of the international production transformation, which is likely to lead to divestment, relocations, investment diversion and a shrinking pool for efficiency-seeking investment, implying tougher competition for FDI. Changes in the locational determinants of investment will negatively affect all developing countries’, especially the ability of LDCs to attract operations of multinational enterprises.

With growing competition, attracting FDI to support economic growth and future job creation will be a significant challenge for LDCs. Investors will look for diversifying their supply bases to enhance production resilience. It will remain a challenge for LDCs
to attract such investment and participate in global value chains. We are handicapped by our relatively small domestic markets, relatively weak infrastructure and limited productive and technological capacities.

The LDCs Group is also concerned with the state of global investments in SDGs, which has fallen behind the target level for some SDG sectors. While there is some progress in global SDG investment, the target to fill the $2.5 trillion annual financing gap for developing countries remains a challenge. Progress in LDCs has been typically slow, and their investment needs remain largely unfulfilled across all SDG sectors, especially in education and in water and sanitation where the global challenge remains high. These are worrying signs for us, as we rely to a large degree on private investment to complement our public resources devoted to SDG goals.

The COVID-19 pandemic may entail not only a temporary shock but could have a substantial impact on SDG investment given the reduction in cross-border capital flows to developing countries, in particular LDCs. Fragile health care systems in LDCs could come under additional stress due to the pandemic and because of declining investment in the years leading up to this crisis. There is a risk that progress made in SDG investment in LDCs in the last few years could be undone.

The LDCs Group is appreciative of the secretariat’s initiatives and
work programs in providing policy advice and technical assistance to developing economies, including the LDCs. They include technical assistance on Special Economic Zones, e-Government solutions that help government services stay open during the COVID-19 pandemic, exchange of experiences on the challenges of the COVID-19 pandemic, through IPA Observers and the initiative to regularly monitor SDG investment.

The LDC Group requests UNCTAD to continue providing technical assistance to LDCs to attract investment, which is important to meet SDG targets and LDCs related goals, particularly during this difficult time of the COVID-19 pandemic.

Mr President,

The LDC therefore calls for support to LDCs towards infrastructure development, particularly in telecommunications, as the likelihood of continued and or new sanitary and other challenges remains relevant.

Thank you, Mr. President.