UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

OVERVIEW

2025

World Investment Report

International investment in the digital economy

United Nations

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Contents

Preface

At a time when the world should be deepening cooperation and expanding opportunity, we are seeing the opposite. Barriers are rising. Globalization is retreating. And the consequences for sustainable development are profound.

The *World Investment Report 2025* delivers a sobering message: global foreign direct investment fell by 11 per cent in 2024, to $1.5 trillion. Infrastructure investment is slowing. Industrial investment is under strain. And developing countries – those most in need – are being left behind.

Rising trade tensions, policy uncertainty and geopolitical divisions risk making the investment environment even worse.

One bright spot is the digital economy, but the growth in this sector remains highly uneven. Investment in digital infrastructure is essential to closing the digital divide. Digital connectivity is a powerful driver of progress – if we ensure it reaches everyone.

This year's report explores how international investment can help bridge that divide. It offers practical guidance to help governments attract and direct capital toward inclusive growth – advancing the Global Digital Compact and the Sustainable Development Goals.

Now more than ever, we need to work together to chart a course towards a more resilient and sustainable world. The *World Investment Report 2025* offers ideas and insights to help do just that.

António Guterres
Secretary-General of the United Nations

Foreword

Investment is more than just capital flows and project pipelines. It is a signal of where we are placing our bets as a society: on what we value, where we see potential and who we believe should be part of the future. As such, investment trends do more than track economic performance – they offer a mirror to our priorities, our systems and the choices we make collectively.

The *World Investment Report 2025* arrives at a moment when that mirror reflects both strain and opportunity. The global economy continues to grapple with a complex set of challenges: mounting debt, persistent underperformance in GDP growth, geopolitical tensions, and structural shifts in trade and investment flows.

As our report shows, global foreign direct investment contracted for the second consecutive year. International project finance, critical for large-scale infrastructure and development, registered the steepest decline, falling by 26 per cent. Meanwhile, cross-border mergers and acquisitions remained below the long-term average, signalling a structural shift toward domestic and near-shore investment strategies amid rising policy risks, regulatory scrutiny and global uncertainty.

What is most alarming, however, is the continued deterioration of investment flows into key sectors aligned with the Sustainable Development Goals. In 2024, investment in energy and gas supply fell by 28 per cent, while project finance in renewable energy declined by 16 per cent. This trend comes at a time when the world can least afford to fall short. Reversing this negative trend in Goals investment will demand not only more capital – both public and private – but also deeper alignment of investment flows with long-term sustainability goals.

Amid these challenges, the report identifies investment in the digital economy as an engine of growth and transformation. The digital economy is expanding at an annual rate of 10 to 12 per cent, outpacing global GDP growth and accounting for a rising share of value creation worldwide.

Yet this growth is not equally distributed. Despite more than $500 billion in greenfield investment in the digital economy into developing countries over the past five years, this investment is heavily concentrated in a few countries. Many structurally weak and vulnerable economies remain marginalized, constrained by inadequate digital infrastructure, limited digital skills and policy and regulatory uncertainty.

This inequality underscores one of the defining development questions of our time, one we tackle in the report: will digital transformation deepen divides, or can it become a pathway to more inclusive, sustainable growth?

To translate digital opportunities into inclusive progress, it is essential to create an enabling environment for sustainable investment in the digital economy. While many developing countries have adopted digital strategies, these often exist in silos – disconnected from broader industrial, sustainability and investment agendas. Gaps in data governance, poorly calibrated intellectual property frameworks that neither encourage innovation nor facilitate knowledge sharing, and fragmented regulatory regimes continue to hold back progress.

The *World Investment Report 2025* sets out a road map for bridging this gap. It highlights the catalytic role of development finance institutions, multilateral development banks, sovereign wealth funds and blended finance mechanisms in scaling up investment in the digital economy. These priorities align with the growing reform momentum ahead of the Fourth International Conference on Financing for Development, including calls to triple multilateral lending capacity and de-risk private investment to close infrastructure gaps.

This year's report also reflects the global commitments made under the Global Digital Compact and the Pact for the Future, adopted in 2024. To accelerate implementation, it proposes practical tools, including a Policy Toolkit for Investment in the Digital Economy, designed to equip governments, investors and development partners with the knowledge, data and guidance needed to navigate an evolving investment landscape.

UNCTAD remains fully committed to supporting all Member States in building a smart, inclusive and sustainable future. The stakes are clear. The digital transformation is not an inevitability – it is a choice. We must choose to make it inclusive. We must choose to make it sustainable. We must choose to ensure that the next chapter of investment does not simply digitize inequality but evens the playing field of our digital world.

Rebeca Grynspan

Rebeca Grynspan
Secretary-General of UNCTAD

1

International investment trends

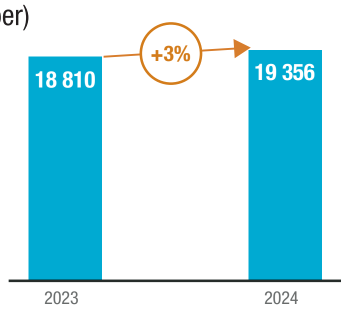
Income groups

	Developed	Developing	LDCs
FDI value	626	867	37
Growth rates			
FDI	-22%	0%	+9%
Greenfield projects (mostly industry)	+2%	+4%	-5%
International project finance deals (mostly infrastructure)	-29%	-23%	-41%

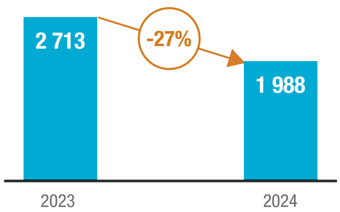
Regions

	FDI value (Billions of dollars)	**Growth rates:** FDI	Greenfield projects	International project finance
Europe	182	-58%	-6%	-29%
North America	343	+23%	+22%	-35%
Africa	97	+75%	-5%	-3%
Developing Asia	605	-3%	+5%	-27%
Latin America and the Caribbean	164	-12%	+2%	-28%

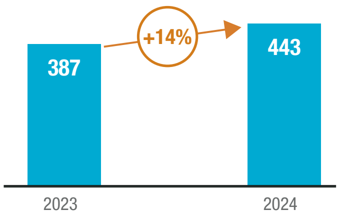
Greenfield projects
(Number)



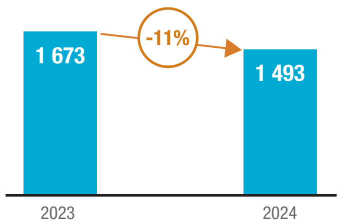
International project finance deals
(Number)



Cross-border M&As
(Value)



FDI
(Value)



Industries
(Project values)

Infrastructure	-14%
GVC-intensive industries	+1%
Semiconductors	+140%
Digital economy	+107%
Extractives	-51%

SDG sectors
(Developing economies, project values)

Infrastructure	-35%
Renewable energy	-31%
Water, sanitation and hygiene	-30%
Agrifood systems	-19%
Health and education	+25%

International investment trends

Global
FDI flows
-11%

Global foreign direct investment (FDI) in 2024 increased marginally, by 4 per cent, to $1.5 trillion. This headline figure was inflated by volatile financial transactions through several European economies with high levels of conduit flows. Excluding these, global FDI flows declined by 11 per cent on a like-for-like basis, representing a second consecutive year of double-digit decline.

The outlook for international investment in 2025 is negative. While modest growth seemed possible at the start of the year, trade tensions have led to downward revisions of most indicators of FDI prospects, including gross domestic product (GDP) growth, capital formation, exports of goods and services, foreign exchange and financial market volatility, and investor sentiment. While tariffs have led to some investment project announcements aimed at restructuring supply chains in manufacturing sectors, their main effect has been a dramatic increase in investor uncertainty. Early data for the first quarter of 2025 show record low activity in deals and projects.

International project finance (IPF) continued its slump in 2024. The value of IPF, important for infrastructure investment, was 26 per cent lower, following an already sharp decline in 2023, with continued uncertainty over exchange and interest rates affecting financing conditions. International project finance makes up a higher share of FDI in the least developed countries (LDCs), which are therefore proportionally more affected by the downturn.

The number of greenfield projects announced in industrial sectors increased by 3 per cent, although their value fell by 5 per cent. Total values remained high, at $1.3 trillion, the second highest level on record. Announcements in manufacturing held steady after the increase in 2023, with announcements in supply chain–intensive industries remaining active. Over the past two years, multinational enterprises (MNEs) have been anticipating the need for strategic rebalancing of production locations, with South-East Asia, Eastern Europe and Central America the main beneficiaries. Several countries in these regions registered an increase in investment announcements in 2024, despite the overall downward pressure on FDI.

The value of cross-border mergers and acquisitions (M&As), which mostly affect FDI flows in developed countries, increased by 14 per cent to $443 billion. However, this was still well below the average of the last decade. While there has been some weakness in overall M&A markets, the share of cross-border deals in the total is declining, with domestic deals and near-market acquisitions becoming more important in the face of growing policy risks and regulatory scrutiny.

In developed countries, the 2024 trend was again strongly affected by financial transactions and corporate reconfigurations, driven by both supply chain restructuring and international tax reforms. FDI flows in Europe fell by 11 per cent to $198 billion, but by more than half if the effects of conduit flows are taken into account. Inflows to all the largest European economies fell significantly. Inflows in several developed countries outside Europe increased, with 23 per cent growth in North America, boosted by higher M&A values.

10 countries, 75% of developing-country FDI

FDI flows to developing countries were stable, at $867 billion, despite sizeable increases in Africa and South-East Asia and modest growth in West and South Asia, as well as in Central America and the Caribbean. Flows fell by 12 per cent in East Asia (mainly China) and by 18 per cent in South America. The value of international project finance deals in developing countries fell by almost one third, and the value of greenfield project announcements by almost one fifth.

FDI remains concentrated among a few mostly large, middle-income developing countries; 10 recipients account for three quarters of developing-country inflows.

- FDI inflows to *Africa* surged, increasing by 75 per cent to $97 billion, the highest value ever recorded. The increase was largely driven by a single international project finance deal in Egypt by a sovereign investment fund in the United Arab Emirates. Net of the increase in Egypt, FDI flows to Africa were still up 12 per cent, but they remained modest at about $64 billion.
- FDI flows to *developing Asia* – by far the largest recipient region – were 3 per cent lower. FDI in China fell for a second year, by 29 per cent. FDI flows increased in ASEAN (up 10 per cent) to $225 billion, a new record. They fell by 2 per cent in India, despite a significant increase in announced greenfield projects. Flows to West Asia remained at a high level, mainly because of strong inflows in the United Arab Emirates.
- In *Latin America and the Caribbean*, FDI flows decreased by 12 per cent, in part due to lower energy prices in 2024. In Brazil, the region's largest recipient, FDI fell by 8 per cent. However, several countries in the region, including Argentina, Brazil and Mexico, recorded a rise in the number and value of announced greenfield projects, in contrast with the broader trend in developing countries.
- FDI flows to the *structurally weak and vulnerable economies* increased marginally. FDI inflows to the least developed countries (LDCs) were up 9 per cent at $37 billion, or 2.4 per cent of global FDI flows. Landlocked developing countries experienced a 10 per cent decrease, but small island developing States saw 11 per cent growth. In all three groups, FDI remains concentrated among a few countries.

Digital economy investments

Sectoral trends showed lower investment in infrastructure sectors, with a 9 per cent decline in the number of projects, as a result of the downturn in IPF. Digital infrastructure was the exception, with a 4 per cent increase in project numbers, although their average value declined. *Digital sectors overall, including platforms and services, saw a 17 per cent increase in project numbers and a doubling of project values.* In contrast, announcements of projects in renewable energy declined by 12 per cent, and those in critical minerals by almost 50 per cent.

Greenfield project announcements in supply chain–intensive industries, including electronics, automotive, machinery and textiles, held steady. The semiconductor industry, affected by shortages earlier this decade and now by strong policy pressures for production relocation, again saw a few megaproject announcements. Of the 10 largest projects announced, 4 were in semiconductors – 3 of them in the United States and 1 in India, for a total capital outlay of $70 billion.

An analysis of longer-term sectoral trends in developing regions shows varying investment attraction opportunities at different development stages. Comparing sector growth rates and shares in total inward FDI over the past five years with the previous five-year period reveals shifts in investment patterns towards services, clean energy and infrastructure; differences in the pace of development of digital economy sectors and in the opportunities presented by supply chain restructuring in manufacturing; and continued reliance on extractive industries in lower-income countries.

International investment in sectors relevant for the Sustainable Development Goals in developing countries declined again in 2024. Both greenfield project announcements and IPF deals fell, but overall Goals investment values declined mostly because of the downturn in international project finance, used for larger projects in infrastructure sectors. Goals investment dropped by 35 per cent in infrastructure, 31 per cent in renewable energy, 30 per cent in water and sanitation, and 19 per cent in agrifood systems.

Health sector shows positive growth

Only the health sector saw positive growth. The number and value of projects rose by about one fifth, although total investment values remain relatively low at less than $15 billion. As such, this sector is still a relatively small part of international Goals investment but there is significant growth potential, not only in project finance in health services (e.g. hospitals), but also in productive capacity in pharmaceuticals. UNCTAD has launched new policy guidance to support developing countries in creating the preconditions for economic viability of local pharmaceutical production.

Despite subdued trends in FDI flows and slowing trade over the course of the last decade, international production continued to expand, with flows adding to growing stocks of overseas assets, increasing sales and employment in foreign affiliates, and rising incomes from foreign investments. *In 2024, however, although FDI stocks continued to accumulate, investment returns sagged and project numbers dwindled.*

The top 100 MNEs – those with the most foreign assets, sales and employment – saw significant shifts in composition over the past few years with the entry of more Asian firms. Their foreign sales continue to grow faster than their overseas assets and employee numbers, a consequence of the rising number of technology and digital MNEs in their midst. Technology firms now account for more than 20 per cent of the revenues of the top 100.

Goals investment **in crisis**

The contraction in IPF has significant implications for global development financing efforts, particularly within the framework of the Fourth International Conference on Financing for Development. Between 2021 and 2024, the value of IPF deals fell by more than 40 per cent. The downturn was especially pronounced in Goals-aligned sectors such as renewable energy, sustainable transport and critical infrastructure, where IPF provides the majority of external financing. It disproportionally affected LDCs, which rely more on international sources of finance for infrastructure projects. Evidence on more than two decades of IPF shows that there is an important role to play for governments (through public-private partnerships), multilateral development banks and risk insurance agencies, and new types of financial investors in pushing capital to where it is needed most.

2

Investment policy trends

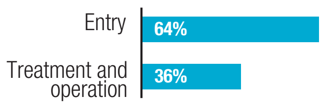
Developing countries continue to prioritize investment attraction

Share of measures more favourable to investors

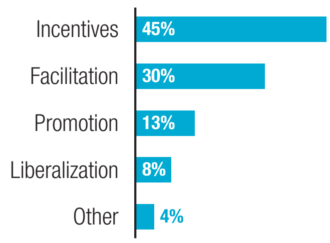
174 national investment policy measures adopted

Incentives are the dominant policy tool and FDI screening gains ground

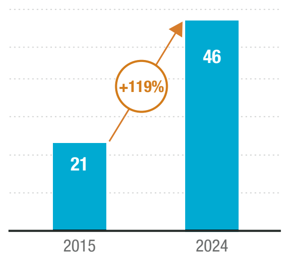
Less favourable to investors



More favourable to investors

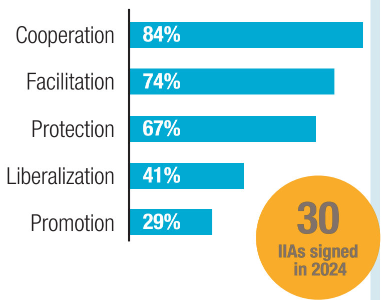


Number of countries with FDI screening

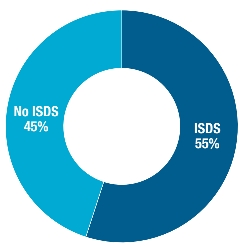


Investment agreements continued to evolve, yet more is needed to place sustainability at the core of the regime

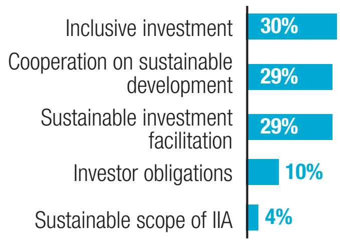
IIA substantive content, 2020–2024



Investor–State arbitration in IIAs, 2020–2024

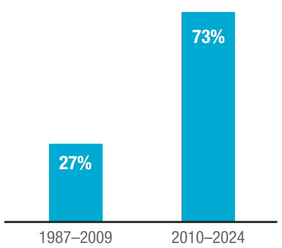


IIA proactive sustainable development content, 2020–2024



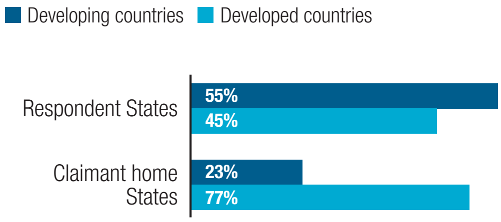
Most of the 1,401 investor–State arbitration cases arose since 2010. In 2024, about 55 per cent of new cases were brought against developing countries

Cases proliferated after 2010



58 new ISDS cases in 2024

Parties involved in 2024 cases



Investment policy trends

In 2024, global investment policymaking remained strongly influenced by geopolitical tensions and industrial policy goals. The number of new investment policy measures reached the second-highest level on record (174). Of these, 78 per cent were favourable to investors. In developing countries, the share of measures favourable to investors increased marginally from an already high level, reflecting continued emphasis on investment attraction. In developed countries, the number of restrictive measures – particularly related to FDI screening for national security – continued to increase. Despite this, 63 per cent of new measures in those countries were favourable to investors, largely a result of new incentives in Europe to support the energy transition.

Geopolitics: key driver of investment policies

Investment incentives accounted for a record 45 per cent of all policy measures more favourable to investors in 2024 and were the most prevalent policymaking instrument across most regions. The use of financial incentives has risen sharply since 2022, mainly in developed countries, and they now account for nearly half of all investment incentives adopted globally. The greater reliance on incentives as investment attraction instruments runs counter to the objectives of international tax reform efforts aimed at curbing harmful tax competition for investment.

Investment facilitation measures remained a key component of strategies to attract investment in both developed and developing countries, particularly in Africa where they represented 36 per cent of measures favourable to investors. Liberalization remained a pivotal component of investment policymaking in Africa and in Asia, where it accounted for one fifth of measures adopted in 2024. In Latin America and the Caribbean, policymakers concentrated relatively more on investment promotion, introducing novel FDI attraction strategies for priority sectors such as green hydrogen.

More than 40 per cent of measures less favourable to investors concerned new or expanded FDI screening mechanisms. Almost all were adopted by developed countries and targeted high-tech sectors and critical raw materials essential for the energy transition and supply chain resilience. Concerns about national security are also prompting the introduction of new restrictions on outward FDI. In developing countries, measures less favourable to investors primarily restricted foreign equity and tightened permit requirements in extractive industries.

New investment treaties turn to **facilitation and cooperation**

The divergence between old-generation and new international investment agreements (IIAs) continued to widen in 2024. Countries concluded 30 agreements and terminated 4. New agreements are turning to proactive facilitation and cooperation, with relatively reduced reliance on investor–State dispute settlement (ISDS). Yet most of them are implemented alongside an aging network of unreformed treaties that limit policy space to regulate key public policy areas including, e.g. public health, climate change and digitalization.

Investor–State disputes **proliferated after 2010**

Other notable developments at the regional and multilateral levels continued to highlight the growing importance of reforming the international investment regime. These include discussions on the reform of the ISDS system in the United Nations Commission on International Trade Law, the focus on IIAs in the Group of 20 and the intensification of regional investment policy reforms in Africa, Asia and the Middle East. Building on the momentum to reform the international investment regime, and on its core policy guidance tools, UNCTAD is developing a set of guiding principles to facilitate the reform of IIAs for sustainable development.

The total count of ISDS cases had reached 1,401 by the end of 2024. The bulk of such cases – about 75 per cent – arose in the past 15 years. About 60 per cent of all ISDS cases involved claims of damages of $100 million and higher, including 143 cases in which investors sought more than $1 billion. In 2024, investors initiated 58 arbitrations. About 55 per cent of these cases were brought against developing countries, six of them LDCs. Investors in extractive activities and energy supply accounted for more than half of the claims.

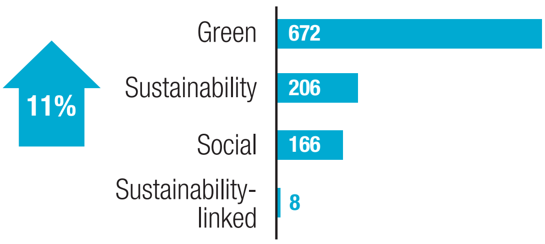
3

Sustainable finance trends

The sustainable finance market presented a mixed picture in 2024

Sustainable bonds reached a record high

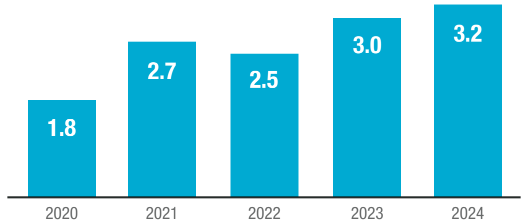
Global issuance, 2024: **$1,052 billion**



Cumulative issuance since 2019: **$5 trillion**

Sustainable funds lost momentum but remained buoyant

Market value, 2024: **$3.2 trillion** +8%



But… net inflows **45%** year on year

More countries introduced carbon pricing, boosted by Article 6 of the Paris Agreement, at COP29

Compliance carbon pricing

Global revenues hit **$75 billion**

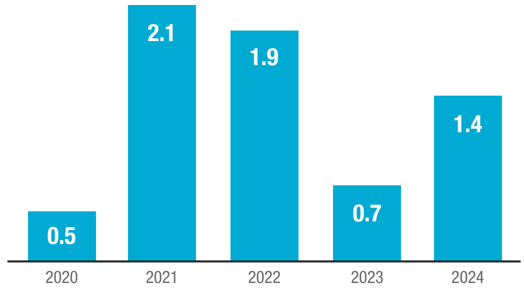
Compliance carbon markets and pricing covered **24%** of greenhouse gas emissions

Developing economies accounted for **5%** of revenue from emission trading systems; **14** more are implementing or considering them

But the **average carbon price** remains too low to meet climate targets

Voluntary carbon markets

Market value rebounded to **$1.4 billion**



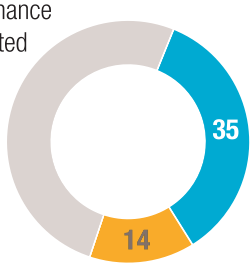
Problems with credit integrity and standardization persisted

Long-term investors continued to prioritize climate risks

Sustainable finance policymaking remained active

73 new sustainable finance policy measures adopted

Sustainability disclosure measures remained the most common, accounting for **35%** of policies



Carbon market measures accounted for **14%** of policies

The UNCTAD top 100 asset owners:

90% of reporting funds set investment targets in renewable energy

12% set specific fossil fuel divestment targets

61% undertake climate scenario analysis

Sustainable finance trends

Sustainable finance markets presented a mixed picture in 2024: issuance of sustainable bonds reached a record high, while inflows to sustainable funds slowed and investor caution intensified.

Sustainable bond issuance surpassed $1 trillion in 2024, accounting for 11 per cent of total bond issuance, up from 5 per cent in 2023. Green bond issuance grew 14 per cent year on year, while sustainability-linked bonds declined sharply, mainly driven by credibility issues. Public issuers overtook corporates as the primary source of new bonds.

New sustainable bonds **>$1 trillion**

Despite reaching a record value of $3.2 trillion, the sustainable fund market saw reduced inflows and fewer fund launches in 2024, amid rising regulatory pressures, financial underperformance and growing sentiment in opposition to environmental, social and governance initiatives. The European region continued to dominate the market, while developing countries remained significantly underrepresented.

Voluntary carbon markets and compliance carbon markets both expanded, with the value of voluntary markets rebounding to $1.4 billion. However, integrity concerns and uneven pricing undermine the effectiveness of such markets, especially in developing economies, where standardization and market access remain challenges.

Sovereign wealth and public pension funds continued to recognize the material financial risks posed by climate change and are integrating sustainability considerations into their investment strategies, particularly through renewable energy investments and climate risk analysis. However, a significant minority still do not report on sustainability, highlighting a persistent transparency gap and limiting effective climate risk assessment of these large and influential investors.

International standard-setting advanced with the rollout of the IFRS S1 and S2 standards, which were adopted or were in the process of being adopted by 33 jurisdictions at the end of 2024 – up from 17 at the start of the year. Now that the initial universal standards are being more widely implemented, a series of topic and sector standards are in development. The move to sectoral standards and broader coverage of social and environmental topics is also reflected by other standard-setting bodies, including the Global Reporting Initiative and the Taskforce on Nature-related Financial Disclosures.

The pace of sustainable finance policymaking maintained its momentum in 2024. While the European Union focused on policy consolidation and regulatory refinement, other developed economies took more steps to address greenwashing concerns and enhance market credibility, particularly through standard-setting and taxonomy development.

In the United States, sustainable finance faced a continued backlash, resulting in the suspension of new policy measures and highlighting a growing divergence in policymaking among developed economies. In this context, countries are taking a pragmatic approach to climate issues, attaching more importance to climate adaptation, given wide-ranging climatic risks and weather-related disasters, as well as a broader set of environmental risks, including biodiversity loss and other nature-related stresses – as reflected in this year's Group of 20 agenda.

Developed economies show differing **policy approaches**

Among economies monitored by the UNCTAD Global Sustainable Finance Observatory, developing economies accounted for approximately 60 per cent of new measures on sustainable finance policy. These economies made progress mainly in developing national strategies, carbon pricing measures and taxonomies.

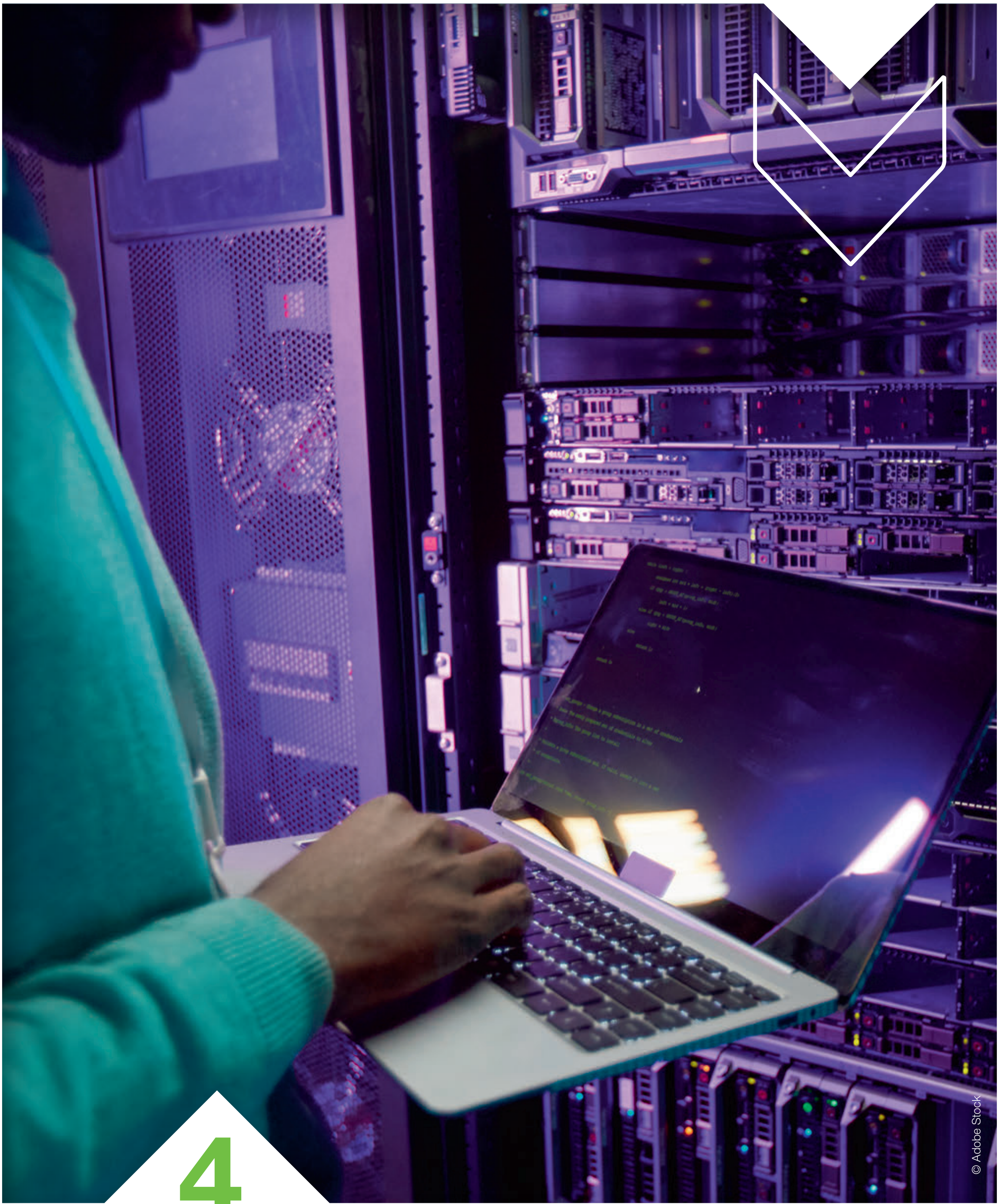
Despite the embrace of sustainable finance policymaking and engagement with international standard-setting processes in developing economies, institutional and capacity gaps persist in many of them. Closing these gaps requires targeted support for effective implementation of international standards and other policies, especially as more detailed sectoral and topic standards may add to the disclosure burden on SMEs in these economies.

Consensus has been growing on the mechanisms to achieve a scaling-up of sustainable finance, especially in developing countries, and is reflected in processes such as the Financing for Development Conference, taking place in July 2025 and the 30th Conference of the Parties to the United Nations Framework Convention on Climate Change in November 2025. These mechanisms highlight the importance of blended financing approaches, including guarantees, credit enhancement and further de-risking tools, and involve key public institutions, such as national and multilateral development banks, sovereign funds and development finance institutions that are in a position to leverage private capital.

Enhance labelling and verification through **stronger regulations**

Utilizing instruments such as sustainable bonds and carbon markets, including under Article 6 of the Paris Agreement on collaborative approaches, offers another route to scaling up development financing. Towards this end, countries should strengthen regulations that target labelling and verification, improve transparency and reporting, and address financial risks in developing markets. Cross-border cooperation on both the financial and policymaking aspects of sustainability finance is key to addressing capacity constraints, mobilizing investment and achieving global sustainability goals.

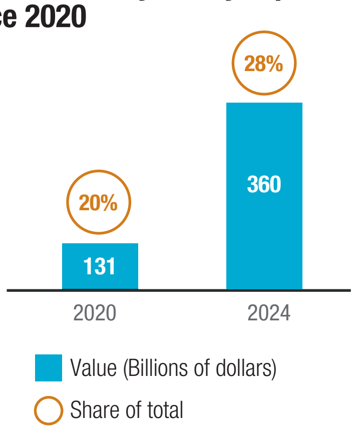
The outlook for sustainable finance hinges on translating recent momentum into scaled, credible and inclusive investment flows – particularly in developing economies. As global attention shifts towards the 30th Conference of the Parties, delivering on sustainability goals will require converting high-level commitments on nationally defined contributions into actionable investment and financing strategies, closing institutional and capacity gaps, and ensuring the transition to a resilient and equitable financial system.



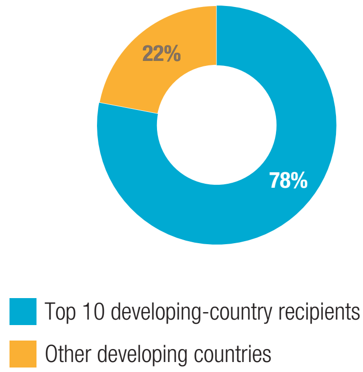
4

International investment in the digital economy

Greenfield investment in the digital economy nearly tripled since 2020



Most greenfield investment in the digital economy flows to 10 developing countries



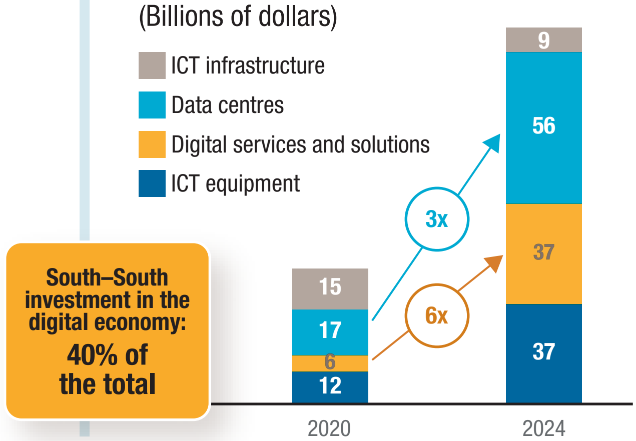
Investment gap persists in ICT infrastructure

$62 billion
annual need

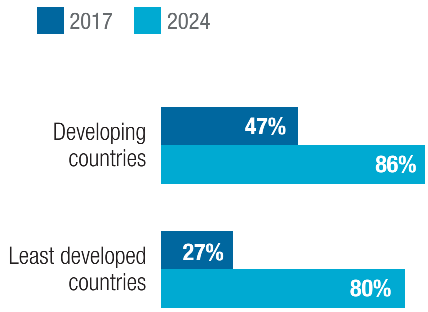
2024 global greenfield investment
$15 billion

Data centres are now major investment targets in developing countries

(Billions of dollars)

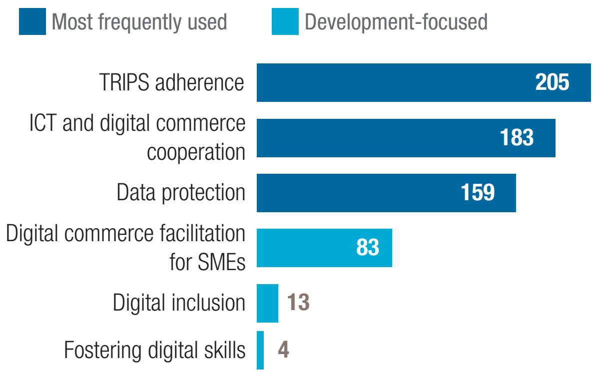


Closing the gap: More developing countries adopt national digital strategies



Development-focused provisions are scarce in treaties regulating the digital economy

(Number of provisions)



International investment in the digital economy

With the rapid progress of digital technologies, the deepening digitalization of the world economy provides unprecedented opportunities for economic development. However, many developing countries still face a significant digital divide, which leaves them unable to benefit from the development dividend brought by digitalization. International investment presents an important means for these countries to build digital infrastructure, provide digital services, and thus promote digital transformation and sustainable development. Nevertheless, such investment faces many obstacles, and the benefits will not appear automatically. Appropriate policymaking is crucial, and international cooperation can play a constructive role.

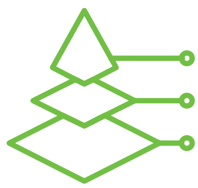
This year's thematic chapter on international investment in the digital economy introduces several novel elements. It presents an enhanced three-tier framework for measuring the digital economy, refined by UNCTAD to enable more specific analysis of investment patterns across the core, narrow, and broad scopes – capturing international investment in evolving activities in aspects such as digital platforms, fintech and automation with artificial intelligence (AI). The report also refines the UNCTAD ranking of the top 100 digital MNEs. Forward-looking tools, including a policy toolkit on investment in the digital economy for developing countries and global partnerships for sustainable digital infrastructure, are proposed to address pressing policy and financing challenges. Importantly, the report explicitly aligns its recommendations with the commitments made under the 2024 United Nations Global Digital Compact and places greater focus on leapfrogging opportunities and innovation ecosystems in developing countries.

Notably, the drafting process for the chapter incorporated feedback from regional consultations with governments, technology companies, investors and financial institutions, academia and other stakeholders, ensuring that the chapter's findings and recommendations are broadly relevant and actionable.

Overview of the global digital economy

The digital economy is a large and fast-growing component of the world economy and has become a major driving force for global growth. However, the development of the digital economy is extremely uneven. As the main driving force of the new round of technological revolution and industrial transformation, emerging digital technologies provide important opportunities for global economic development. In the new wave of digital transformation driven by artificial intelligence, big data and cloud computing, the digital divide has not narrowed but widened.

To conduct a comprehensive and in-depth analysis of international investment in the digital economy, the *World Investment Report 2025* employs an enhanced framework to map the digital economy. It divides the digital economy into three tiers: the core digital economy (digital equipment and infrastructure, digital services); the narrow scope digital economy (e-commerce, fintech, platform and sharing economy, digital content, AI services); and the broad scope digital economy (digitalized agriculture, manufacturing and services). The report focuses on the narrow scope digital economy, which includes the core digital economy.



3 tiers: core, narrow, broad digital economy

The value of the global digital economy in its narrow scope is estimated to reach $16.5 trillion by 2028 (ITU, 2025) owing primarily to investment in technology. To bridge the global digital divide and the associated infrastructure investment gap, estimated at $1.6 trillion, it is necessary to establish an effective investment and financing mechanism, of which FDI is a critical component. The establishment of such a mechanism is in line with the policy guidelines from the Global Digital Compact adopted by the United Nations in 2024 as part of the Pact for the Future, the ambitions of which can strongly benefit from strategic investment in the digital economy. By expanding connectivity infrastructure and enabling affordable Internet access, investment in the digital economy helps close the persistent digital divide and ensures no one is left offline. Investment in digital capacity is essential for advancing responsible AI, secure data governance and interoperable digital systems. Moreover, it empowers individuals through education, training and digital literacy – especially women, youth and marginalized communities. Finally, investment in the digital economy enables multilateral cooperation by supporting global platforms, knowledge-sharing and institutional innovation, ensuring that digital transformation is both inclusive and rights-based. Together, these investments form the backbone of a digital future that is sustainable, equitable and governed in the public interest.

Investment in digital economy sectors

Large MNEs are the key international investors in the global digital economy. The UNCTAD ranking of the top 100 MNEs has evolved significantly, reflecting shifts from traditional industries to service-oriented and technology-driven ones (chapter I). Over the past decade or so, technology firms such as Alphabet, Amazon and Microsoft (United States), Huawei and Tencent (China), and Samsung (Republic of Korea) have increased their share of the sales and assets of the world's largest MNEs. The top 20 players in the global digital economy are almost exclusively companies from China and the United States.

South-South investment in the digital economy: **40 per cent**

Digital MNEs invest internationally through both greenfield investment and cross-border M&As. The former is in construction and expansion projects in digital industries, contributing to the build-up of digital infrastructure and the provision of additional digital services, and the latter is in the acquisition of enterprises in a host country without directly creating digital facilities or employment. Greenfield investment in the digital economy includes projects to develop digital infrastructure, services and innovation ecosystems. These projects are crucial for building and sustaining a digital economy and can have significant developmental impacts.

Greenfield projects have become an important source of investment in the digital economy in the developing world. During 2020–2024, developing countries attracted a total of $531 billion in greenfield projects. The investment is highly concentrated, with 10 economies – India, Malaysia, Indonesia, Singapore, Viet Nam, Mexico, China, Brazil, Saudi Arabia and Thailand, in that order – accounting for nearly 80 per cent of the total. The United States remains the leading source of greenfield project investment in the digital economy in developing countries, providing 36 per cent of total investment in that period.

In the meantime, South–South investment is growing. Asian economies, including China, Taiwan Province of China and Singapore have become major sources of investment, accounting for a combined 27 per cent of total greenfield investment, slightly lower than the share of the United States.

Greenfield investment in information and communication technology (ICT) infrastructure remains at a low level. In 2024, it amounted to $15 billion, far below the estimated $62 billion needed globally each year, with regions such as Sub-Saharan Africa remaining critically underserved. By contrast, greenfield investment in digital services has gained prominence in developing countries, with total investment growing sixfold from $6 billion in 2020 to $37 billion in 2024.

Fintech represents another key frontier for greenfield investment. It offers transformative potential across financial services and drives innovation in digital finance. Developing countries in Asia and in Latin America have seen significant increases in fintech-related greenfield projects. However, Africa continues to face significant challenges, with only 18 fintech projects announced in 2024, compared with 206 in developing Asia.

Data centres have become a target for international greenfield investment in the digital economy. Investment in the industry has more than tripled since 2020 but is unevenly distributed across different groupings of developing economies. Between 2020 and 2024, middle-income countries accounted for approximately 80 per cent of all data centre investment in the developing world. LDCs have started to appear on the radar screen of MNEs, as 16 companies have invested in data centres in 15 LDCs, though these countries accounted for only 3 per cent of the total investment.

LDCs:
3 per cent of global investment in **data centres**

Greenfield investment in digital equipment manufacturing is also heavily concentrated. Asia stands out as the primary hub, attracting about $190 billion in total announced investment between 2020 and 2024. Africa and Latin America remain marginal players.

Most LDCs have not yet benefited from the upward trends in FDI in the digital economy. This is largely because of various barriers, such as the high investment risks and costs of capital. Multilateral development banks and development finance institutions can help overcome these barriers, thus playing a catalytic role in expanding digital connectivity in developing countries. By offering direct loans and grants, and mobilizing private capital multilateral banks and bilateral development finance institutions have contributed an average of $600 million annually since 2018 – covering 10 per cent of project costs. This amount remains significantly lower than those in transport ($1.1 billion) and renewable energy ($3.7 billion), highlighting a major opportunity to scale up support for the development of digital infrastructure.

Venture capital and private equity funds are emerging as key players in the digital economy. Their international investments drive entrepreneurship and innovation in digital technology ecosystems across developing countries. Today, such investment provides a main source of funding for high-growth technology start-ups. Between 2020 and 2024, technology companies in developing countries received $206 billion from foreign private equity and venture capital investment, on average $40 billion annually, akin to greenfield investment in digital services announced in that period.

The digital economy includes a wide range of specific industries, from ICT equipment manufacturing to various digital services, and international investment in each industry has its own characteristics, with different entities playing different roles. Four main factors stand out as shaping FDI flows in the digital economy: infrastructure (both digital infrastructure and basic infrastructure, such as electricity), digital capacities and resources, regulatory frameworks, and market conditions, as well as the business environment.

In developing economies, electricity access and regulatory quality are closely associated with higher greenfield investment in the digital economy. In terms of industry-specific determinants, ICT manufacturing follows traditional patterns of efficiency-seeking FDI, while the availability and cost of digital facilities and skills are particularly important for attracting FDI in various digital services.

FDI in the digital economy has significant developmental implications for developing host countries. FDI in the digital economy facilitates the transfer of capital, technology and managerial expertise; improves productivity; creates high-quality jobs; and enables the rapid expansion of digital infrastructure, such as telecommunications networks, broadband access ports and data centres. In addition, by improving access to digital platforms and services, FDI in digital industries helps enhance the workforce and human resource development, market access and international trade, as well as the overall digital transformation of the host economy. However, the potential negative effects on the environment, as well as risks related to market dominance by foreign MNEs and the crowding-out of domestic firms, should not be neglected.

National and international policies

Developing countries are closing the gap in the adoption of digital strategies, but they often lack integration with broader investment, industrial and environmental goals. In 2024, 86 per cent of developing countries and 80 per cent of LDCs had a national digital strategy, up from under 50 per cent and 25 per cent, respectively, in 2017. Newer strategies tend to be more comprehensive, often including clearer objectives and investment initiatives. However, they are seldom aligned with regional strategies and industrial policies, and often overlook environmental aspects. Only half of them refer to FDI.

Gaps persist in key regulatory areas for FDI attraction in the digital economy. Data governance and intellectual property (IP) protection are the top regulatory aspects prioritized by foreign investors in the digital economy. Despite efforts, many developing countries, in particular LDCs, still lack dedicated frameworks for data protection and cybersecurity. Fifty per cent of developing countries and 30 per cent of LDCs have ratified the World Intellectual Property Organization's Internet treaties. Several countries are adopting a flexible approach to their IP regime to leverage digital transformation while protecting cultural, social and economic interests, but capacity and implementation challenges remain.

Only 20 per cent of digital strategies **involve IPAs**

Despite investment needs, many developing countries apply foreign equity restrictions to FDI in core digital infrastructure. Developed countries increasingly rely on FDI screening for national security to regulate FDI entry and establishment in the digital economy, with projects in related sectors representing between 30 and 60 per cent of screened projects in some jurisdictions. Developing countries rely more on foreign equity restrictions and adopt a generally more restrictive stance across various digital sectors, including telecommunications.

Many investment promotion agencies (IPAs) play a limited role in digital strategy design, and their FDI attraction efforts focus on core digital infrastructure. Only 20 per cent of digital strategies in developing countries mention IPAs, and the UNCTAD global survey shows that just one in five IPAs is involved in strategy design. In addition, while three quarters of developing-country IPAs promote investment in the core digital infrastructure, only half or less promote other core or narrow digital economy activities, highlighting the need to strengthen their institutional capacity and sectoral expertise.

Opportunities to attract foreign talent and facilitate knowledge transfer are underutilized. Although most national digital strategies prioritize skills development, they often overlook the potential of FDI to strengthen local digital capabilities. This includes leveraging FDI to attract foreign talent, facilitate knowledge transfer, promote local digital content and services, and foster linkages between foreign and local firms.

New-generation IIAs increasingly facilitate, promote and liberalize investment in the digital economy. They include provisions easing establishment, expansion and operations of investors. A growing number of agreements liberalize sectors relevant to the digital economy. The General Agreement on Trade in Services opens markets to foreign investment in most computer services in more than 50 per cent of World Trade Organization Members, and regional agreements go beyond these commitments, granting market access for most investment in computer and telecommunications services. Some also include cooperation provisions aimed at promoting joint efforts in skills development, digital literacy and ICT infrastructure investment.

IIAs can influence technology transfer and diffusion. At least 333 treaties bar governments from imposing performance requirements as a condition for establishing and operating an investment. These treaties often prohibit technology transfer requirements, whereas other, newer agreements promote technology transfer to developing countries on mutually agreed terms.

Treaty commitments with a bearing on investment that address emerging issues such as AI, e-payments, data flows and cybersecurity are on the rise. Most of the 138 in-force agreements that contain substantive provisions regulating specific aspects of the digital economy have been concluded by developed economies. As a result of the limited participation of developing economies and LDCs, development-focused provisions on enhancing digital skills training, SME support and digital infrastructure development continue to be largely absent and, when present, tend to be non-binding.

UNCTAD guidance for policymakers on strengthening the digital economy

Given the importance of national and international policies in improving domestic conditions and attracting international investment in the digital economy, *UNCTAD provides a series of recommendations for the consideration of policymakers, partners and stakeholders:* (1) adopt a long-term vision for investment in the digital economy; (2) balance FDI openness with national security and public interest; (3) strengthen regulatory frameworks and their implementation; (4) enhance the role of IPAs and adopt more targeted and impact-driven promotion; (5) develop digital skills, including through FDI; (6) enhance the impact of IIAs on increased flows of sustainable investment in the digital economy; (7) promote technology transfer on mutually agreed terms through IIAs; (8) support inclusive development through IIAs; and (9) enable developing-country participation in rule making.

The way forward

To attract FDI in the digital economy, accelerate digital transformation and promote sustainable development, developing countries need to strengthen infrastructure, improve connectivity, enhance digital skills and establish a sound policy framework. To shape the foundations of the policy framework, countries need to improve their data and AI governance, formulate digital development strategies, strengthen IP protection, and improve the business and investment climate for digital industries.

To attract more valuable FDI projects, developing countries should strengthen investment promotion and facilitation for specific digital industries and undertake targeted policy measures to eliminate the obstacles faced by foreign investors. To better benefit from FDI in the digital economy, countries also need to improve their competition policy, industrial policy, science and technology policy, and SME policy. By doing so, they can enhance the indirect effects of FDI in the digital economy, through, for instance, demonstration and spillover effects, thus promoting the development of domestic enterprises and digital ecosystems.

Home countries and host countries alike need to pay attention to the environmental, social and governance dimensions of the digital economy. Many of the issues, such as energy consumption by data centres, the use of critical minerals and the generation of electronic waste, do not relate directly to international investment, but they need to be taken into account in assessing the impact of FDI projects in the digital economy on sustainable development. At the firm and project levels, foreign investors also need to strengthen their environmental, social and governance responsibilities. The joint efforts of the government, enterprises and civil society will make international investment in the digital economy better promote sustainable development.

From a global perspective, the governance of the digital economy and AI, as well as the rules of digital trade and investment in the digital economy, are slowly being improved. In this regard, it is necessary to strengthen international cooperation at multilateral, regional and bilateral levels. To support countries at risk of being left behind, UNCTAD proposes a multi-stakeholder action agenda to catalyse international investment in the digital economy. This agenda has seven key priority areas:

- **Establishing a global framework for measuring and reporting investment in the digital economy.** Reliable, standardized data on FDI in the digital economy is crucial for policymaking. A global framework will help countries track and report investment flows in the digital economy consistently, supporting better diagnostics, benchmarking and cross-border coordination.
- **Developing a policy toolkit for investment in the digital economy in developing countries.** This toolkit will help policymakers design tailored strategies for investment in the digital economy, offering policy options and diagnostics on issues such as data localization, digital IP, tax, platform regulation and public-private partnerships.
- **Advancing multilateral dialogue on governance for investment in the digital economy.** The urgent need for coherent and development-oriented investment rules calls for multilateral engagement on investment policies and data governance, and on balancing openness with national policy space. UNCTAD will support this effort by facilitating dialogue on investment policies and digitalization, including in the context of the World Trade Organization's Investment Facilitation Agreement discussions.

- **Identifying leapfrog opportunities for developing economies, particularly for LDCs.** Exploiting leapfrog opportunities, such as mobile-based services, can drive transformative change when paired with enabling policies, capacity-building and international cooperation.
- **Launching a global partnership for sustainable investment in digital infrastructure.** To close infrastructure gaps, this initiative will bring together governments, multilateral development banks and development finance institutions, and investors to mobilize finance at scale to meet the needs of developing countries.
- **Enhancing digital skills and innovation ecosystems in developing countries.** Building digital capacity requires investment in education, training, entrepreneurship and innovation. In support of these efforts, UNCTAD will assist with technical training, university–industry links, regional innovation hubs and digital incubators.
- **Promoting responsible investment in the digital economy and mitigating risks.** UNCTAD will continue to create practical guidance to promote responsible investment, advance sustainability standards, and equip regulators to manage emerging risks while fostering inclusiveness and trust in digital markets.

As global investment undergoes profound changes, the *World Investment Report 2025* calls for coordinated international action to harness the transformative power of investment in the digital economy and bridge persistent gaps. Advancing sustainable and inclusive investment, especially in developing economies, demands bold policies, stronger institutions and renewed global cooperation. UNCTAD is committed to partnering with governments, investors and stakeholders to drive digitalization, close the digital divide and enable a smart future for all.

Annex table
FDI flows
(Billions of dollars)

Region	FDI inflows 2022	FDI inflows 2023	FDI inflows 2024	FDI outflows 2022	FDI outflows 2023	FDI outflows 2024
World	**1 390**	**1 455**	**1 509**	**1 569**	**1 556**	**1 609**
Developed economies	460	590	642	1 021	1 039	1 117
Europe	-61	221	198	275	337	487
European Union	-50	148	268	209	137	446
Other Europe	-11	74	-70	65	201	41
North America	363	280	343	387	454	352
Other developed economies	158	88	101	359	247	278
Developing economies	930	865	867	548	517	491
Africa	55	55	97	4	0.2	2
Asia	677	622	605	471	467	454
Central Asia	10	8	3	-2	1	-4
East Asia	316	297	260	286	299	283
South Asia	56	35	35	16	14	24
South-East Asia	225	205	225	85	92	84
West Asia	70	78	82	87	61	67
Latin America and the Caribbean	196	187	164	70	50	33
Oceania	2	0.9	1	3	0.4	1
Least developed countries	25	34	37	1.4	1.0	0.6
Landlocked developed countries	24	25	23	-1.6	3.6	-2.0
Small island developing States	7	8	9	1.8	1.4	1.0
Percentage of world FDI flows						
Developed economies	33.1	40.5	42.5	65.1	66.7	69.5
Europe	-4.4	15.2	13.1	17.5	21.7	30.3
European Union	-3.6	10.1	17.7	13.3	8.8	27.7
Other Europe	-0.8	5.1	-4.6	4.2	12.9	2.6
North America	26.1	19.2	22.7	24.7	29.2	21.9
Other developed economies	11.4	6.1	6.7	22.9	15.9	17.2
Developing economies	66.9	59.5	57.5	34.9	33.3	30.5
Africa	3.9	3.8	6.4	0.3	0.01	0.2
Asia	48.7	42.8	40.1	30.1	30.0	28.2
Central Asia	0.7	0.5	0.2	-0.1	0.1	-0.2
East Asia	22.8	20.4	17.2	18.2	19.2	17.6
South Asia	4.0	2.4	2.3	1.0	0.9	1.5
South-East Asia	16.2	14.1	14.9	5.4	5.9	5.2
West Asia	5.0	5.4	5.4	5.5	3.9	4.1
Latin America and the Caribbean	14.1	12.8	10.9	4.5	3.2	2.1
Oceania	0.2	0.1	0.09	0.2	0.03	0.09
Least developed countries	1.8	2.3	2.4	0.1	0.1	0.04
Landlocked developed countries	1.7	1.7	1.5	-0.1	0.2	-0.1
Small island developing States	0.5	0.6	0.6	0.1	0.1	0.1

Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

The United Nations Conference on Trade and Development – UNCTAD – is the leading body of the United Nations focused on trade and development.

UNCTAD works to ensure developing countries benefit more fairly from a globalized economy by providing research and analysis on trade and development issues, offering technical assistance and facilitating intergovernmental consensus-building.

Standing at 195 countries, its membership is one of the largest in the United Nations system.

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