




**Investment, Enterprise and Development
Commission
2nd Session**

***Latest Developments in FDI and
Enterprise Trends and Policies***



**Monday, 26 April 2010
Palais des Nations
Geneva, Switzerland**

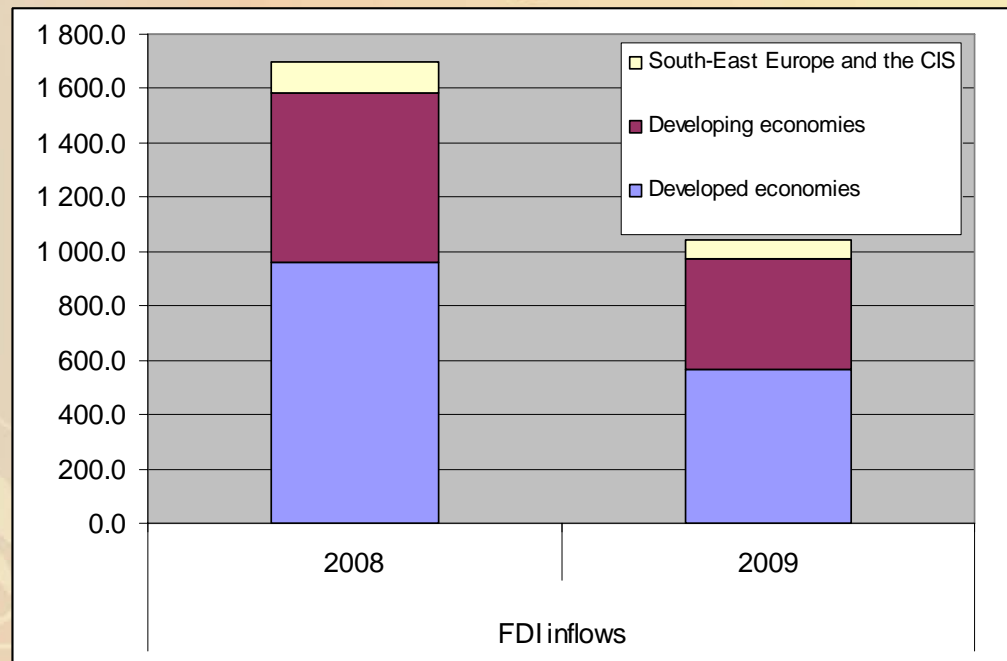
**James Zhan
Director
Division on Investment and Enterprise
UNCTAD**



I. Global Investment Trends

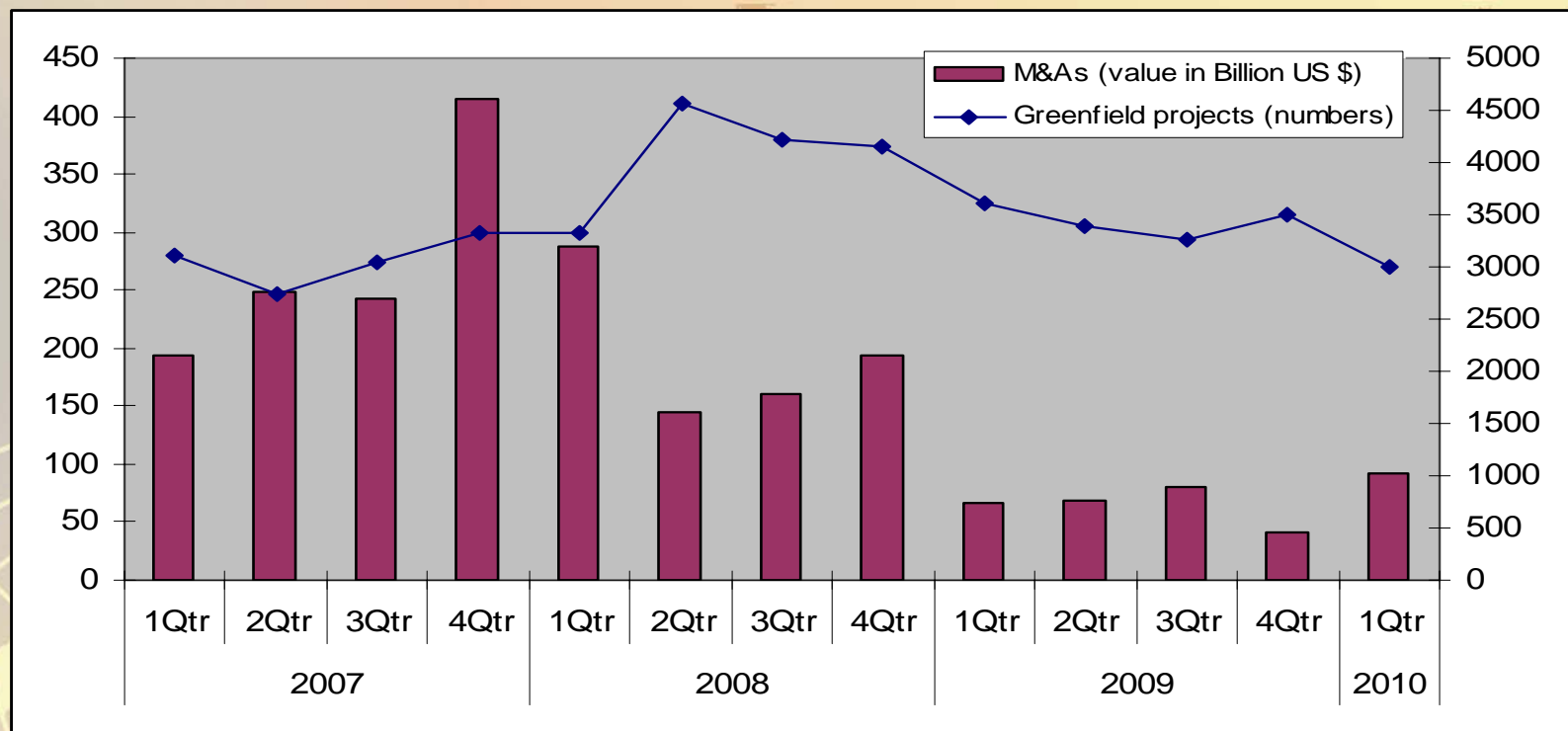


Global FDI inflows down by 39 % in 2009



Source: UNCTAD

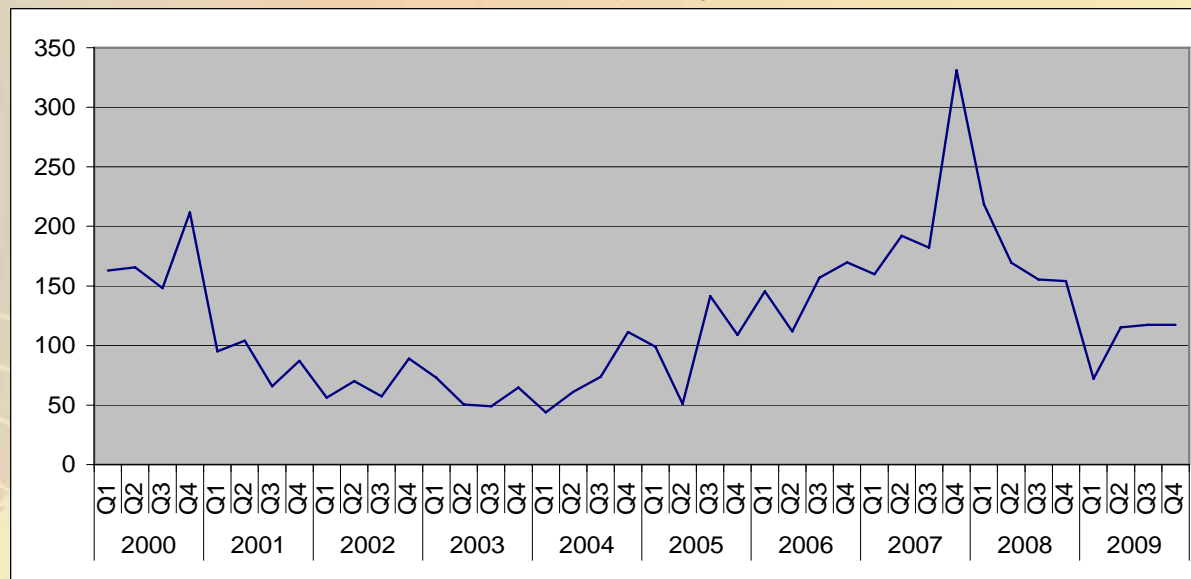
The crisis affected M&As more seriously than greenfield projects



Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets and Thomsom M&A data base.

Quarterly data show a bottoming-out of global FDI flows

UNCTAD's Global FDI Quarterly Index,^a 2000 Q1- 2009 Q4
(Base 100: quarterly average of 2005)



Source: UNCTAD.

a This index is based on national data on FDI inflows for over 60 major FDI recipients around the world, representing more than 90% of total FDI inflows in 2008

Prospects for 2010: a likely rebound

- Initial indicators for the first quarter of 2010 show some **signs of a pick-up** in FDI flows.
- Global **cross-border M&As picked up** in the 1st quarter of 2010 although remaining at a low level.
- Global FDI is expected to recover in 2010 and to gain greater growth momentum in 2011.
- FDI to the developing world is likely to recover sooner and more strongly.



II. Investment Policies



Investment policy measures

➡ 28 countries adopted investment-specific measures :

- 9 countries enacted **policies promoting and facilitating foreign investment.**
- 10 investment-specific measures were undertaken with regard to the **operations of foreign investors.**
- Only a few countries tightened their policy frameworks for foreign investment.
- Several countries introduced measures aimed at promoting outward investment.

Stimulus packages and exit strategies affect FDI flows

► 43 economies enacted measures related to foreign investment:

- Over half of these measures involved the adoption or prolongation of **State aid and stimulus packages** to counter the crisis.
- Some economies began to **terminate existing stimulus** programmes.

International investment policy-making is moving at a rapid pace

► 73 economies took investment measures at the international level:

- **37 new IIAs** were signed between December 2009 and March 2010.
- Countries continue to rely on IIAs as a **means to attract and promote FDI**.

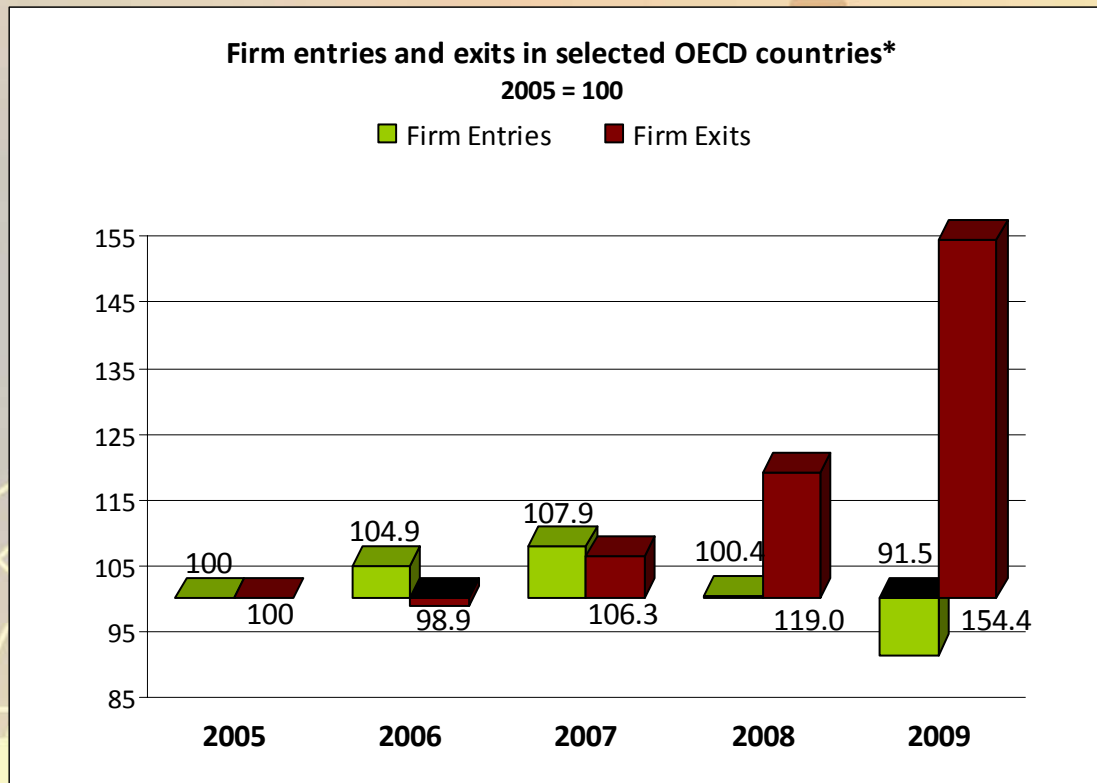


III. Recent Trends and Policies regarding Enterprise Development



Impact of the crisis

Double squeeze on entrepreneurship

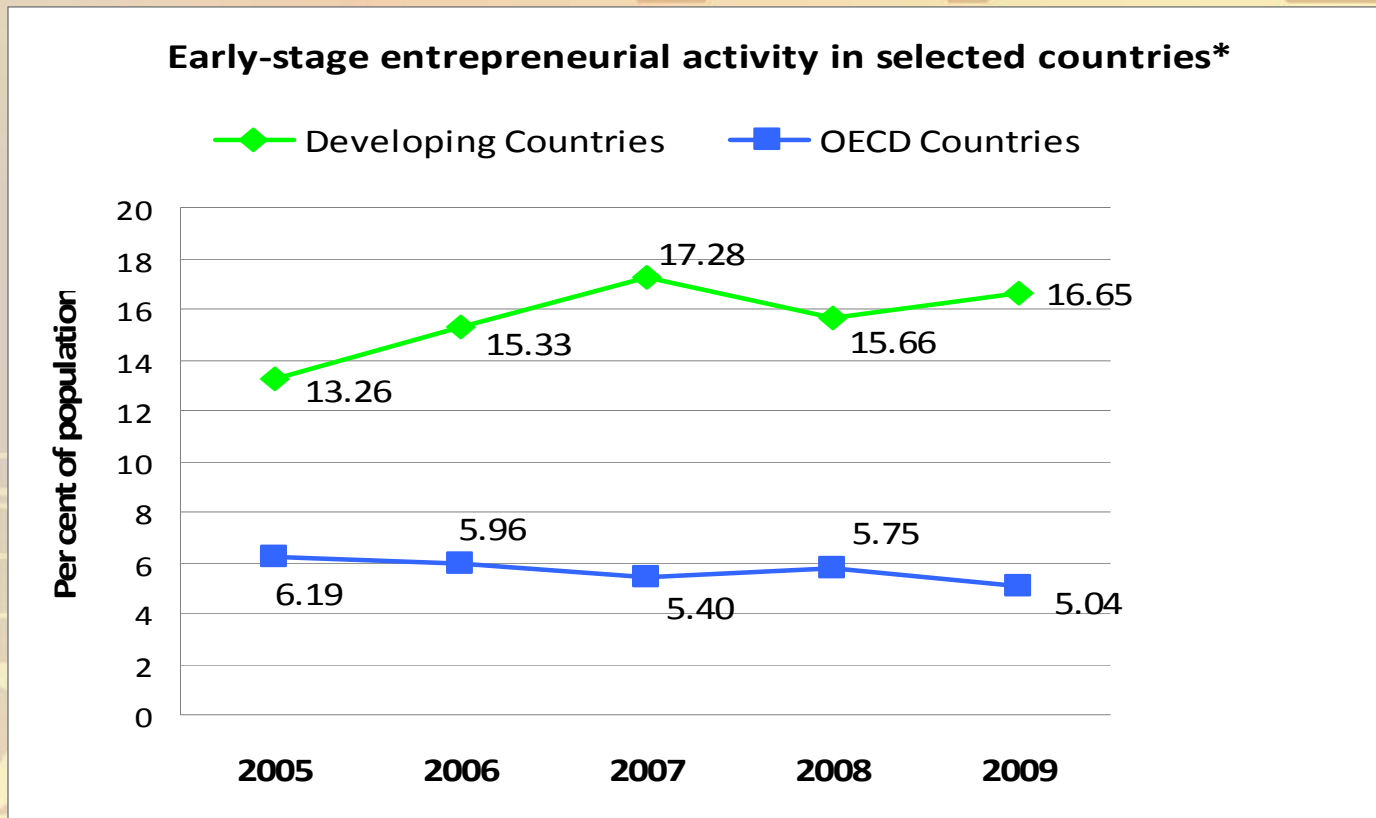


- **firm entries**
 - new business registrations have declined
- **firm exits**
 - insolvencies and bankruptcies have risen sharply

Source: OECD-Eurostat Entrepreneurship Indicators, UNCTAD analysis.

Impact of the crisis

Necessity-driven entrepreneurship increases in developing countries



Source: Global Entrepreneurship Monitor 2005-2009, UNCTAD analysis .

Policy responses

- Policy makers have recently put entrepreneurship high on their agenda.
- **National stimulus packages** addressed credit shortages through public loan guarantees and credit guarantee schemes
- **National level entrepreneurship policies** focus on new firm creation
- **Dedicated agencies** have been set up for policy formulation and implementation on entrepreneurship and SMEs
- **Reforms of the regulatory environment:** 131 economies undertook 287 favourable policy reforms to ease doing business during June 2008-May 2009.

Challenges and priorities on the way ahead

The global economy is on growth recovery, but in employment recession.

- *General entrepreneurship policy*
- *Awareness and network building*
- *Access to finance*
- *Education and skills*
- *Innovation and technology commercialization*
- *The regulatory environment*