

# Recent Trends and Policies in the Area of Investment and Enterprise

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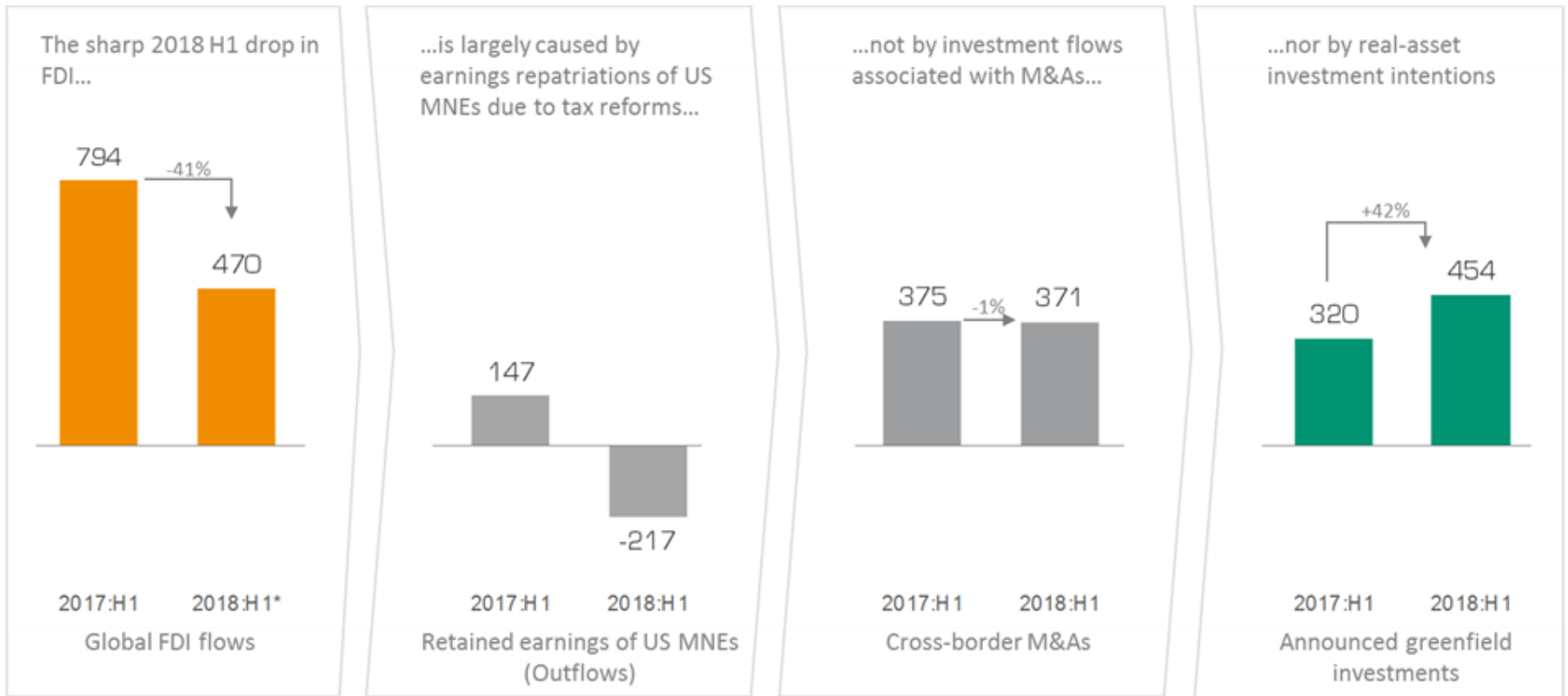
3 December 2018

# Global and Regional Investment Trends

# Global FDI fell by 41% in the first half of 2018, compared with the same period in 2017

## Investment trends: 2017:H1–2018:H1

(Billions of US dollars and per cent)

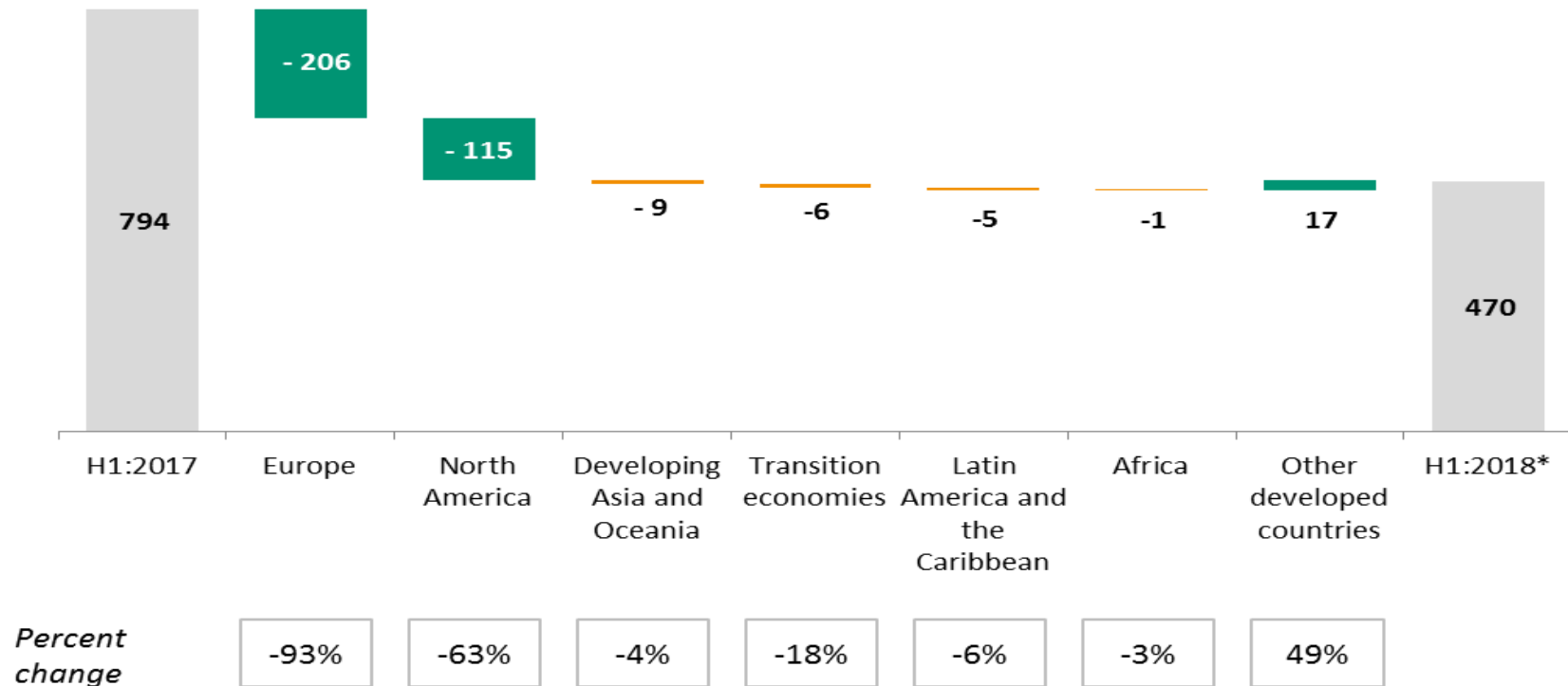


Source: UNCTAD for FDI data, cross-border M&A database ([unctad.org/fdistatistics](http://unctad.org/fdistatistics)) for cross-border M&As, information from the Financial Times Ltd, fDi Markets ([www.fDimarkets.com](http://www.fDimarkets.com)) for announced greenfield investments and the United States Bureau of Economic Analysis for reinvested earnings.

# FDI decline mostly in developed countries, flows to developing economies remained stable

## Regional contributions to changes in global FDI flows, H1 2017 – H1 2018

(Billions of US dollars)



Source: UNCTAD.

# Developing economies share in global FDI at record 66%

## Half of top 10 host economies remain developing economies

### Estimated FDI inflows: top 10 host economies, first half of 2018

(Billions of US dollars)



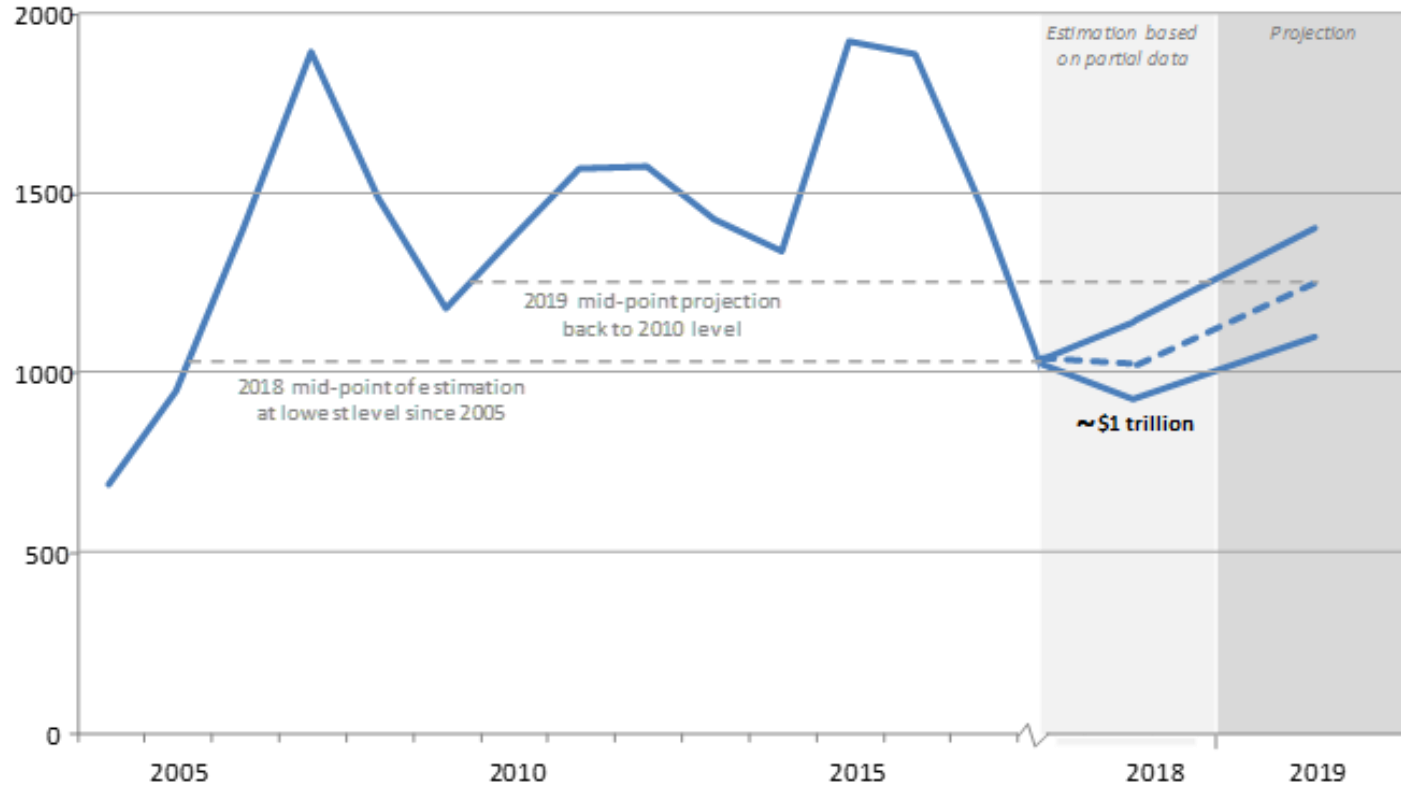
Source: UNCTAD.

# Short term prospects for FDI remain gloomy

## 2018 flows expected at \$1 trillion – lowest since 2005

### Global FDI flows, 2002 – 2017, estimation for 2018 and projection for 2019

(Billions of US dollars)



Source: UNCTAD.

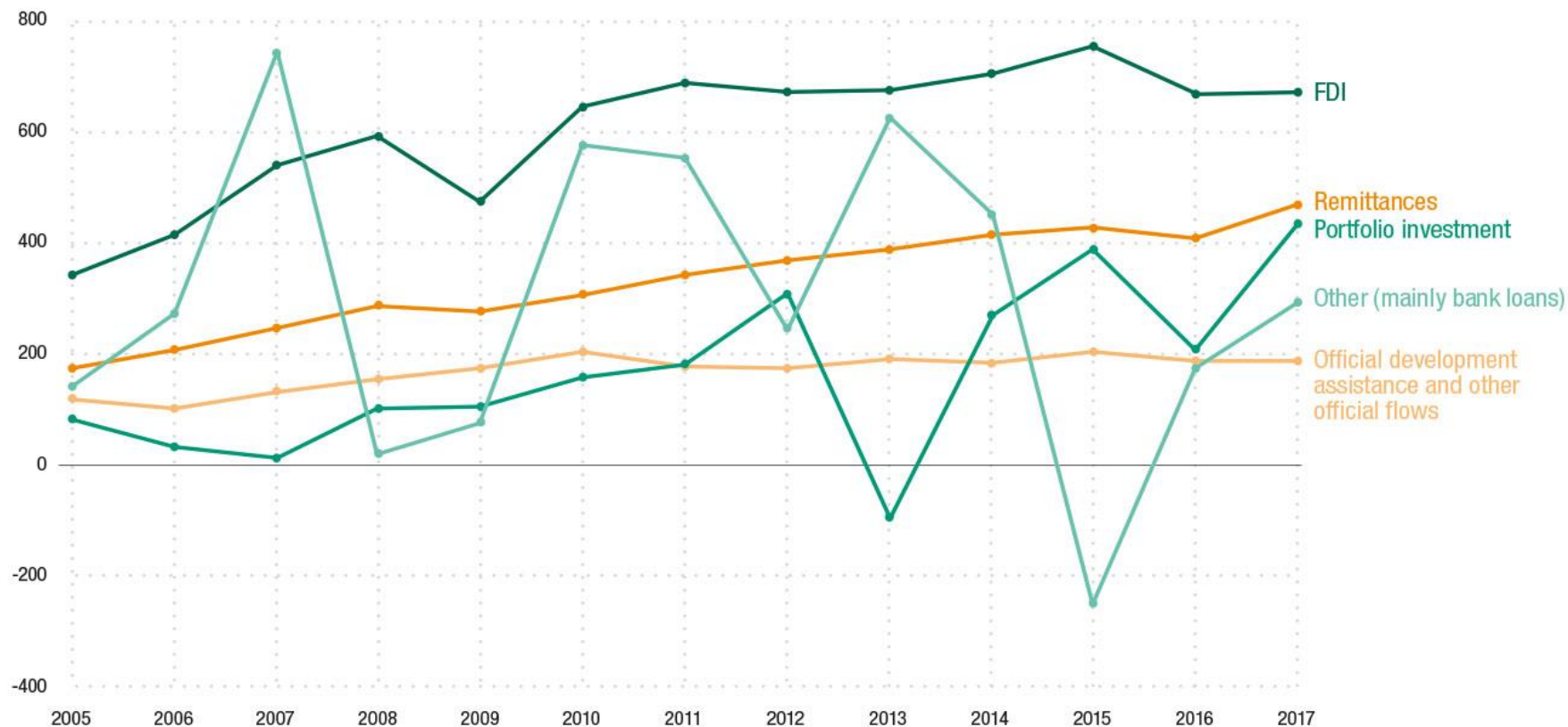
# Prospects vary significantly across developing regions and transition economies

- ✓ FDI flows to **Africa** are expected to show moderate increases in 2018 and 2019, reflecting higher commodity prices, the rise of intra-African investment flows and the strengthening of regional cooperation.
- ✓ FDI flows to **South, East and South-East Asia** are expected to remain stationary in 2018 and 2019 with diverging trends in sub-regions, but could resume growth in the medium term supported by the region's economic dynamism and economic integration initiatives.
- ✓ Continued elevated country risks due to political and economic instability are still discouraging foreign investors in **West Asia**.
- ✓ FDI inflows in **Latin America and the Caribbean** are expected to decline in 2018, reflecting a slow economic recovery, mainly in the largest economies of the region, affecting market seeking investments. In addition, trade policy uncertainties could affect investments in manufacturing and exporting sectors.
- ✓ FDI inflows to **transition economies** are expected to start a recovery in 2019, following two years of decline, on the back of stronger growth in South-East Europe, and infrastructure spending in other countries in the region.

# FDI remains largest and most stable source of development finance

External development finance to developing economies, 2007-2017

(Billions of dollars)



Source: UNCTAD.

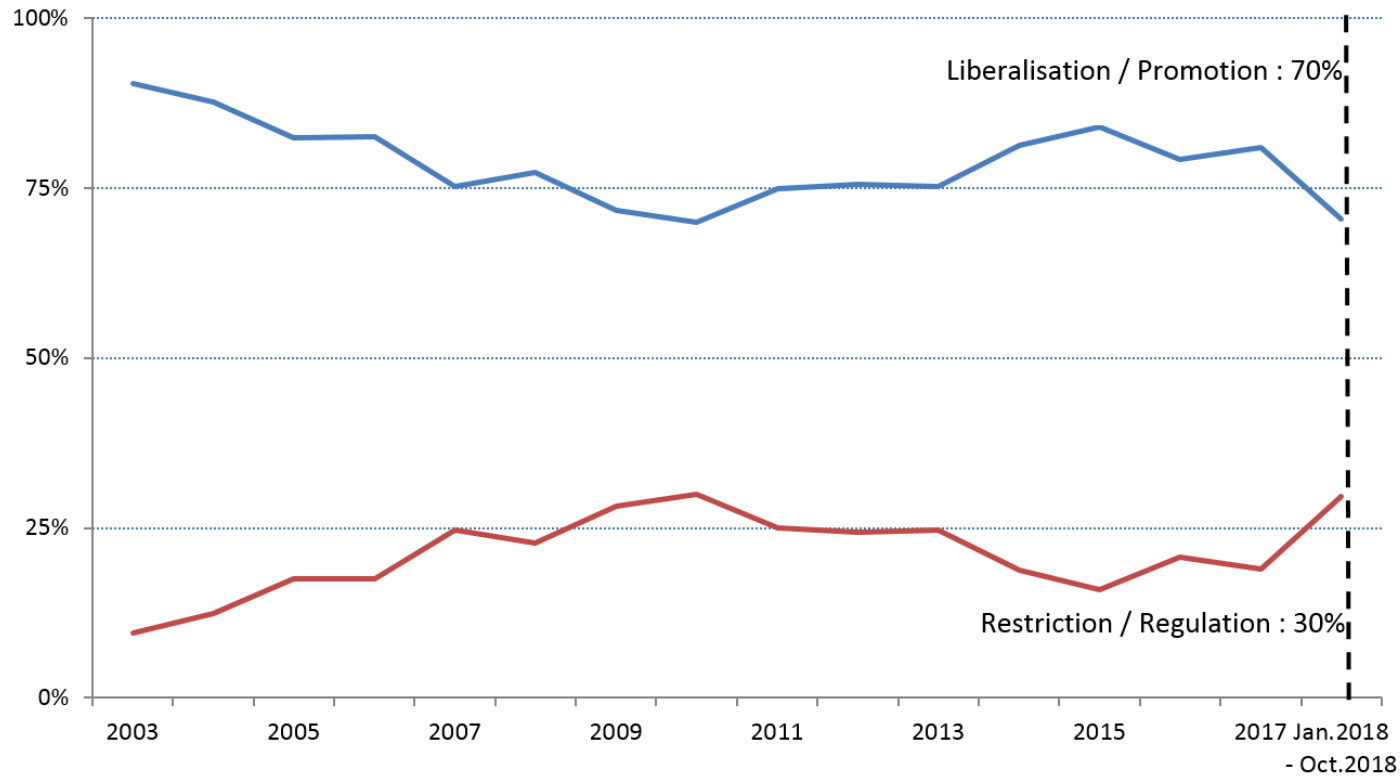
\* Other investment are loans among non-affiliated enterprises.



# Investment Policy Developments

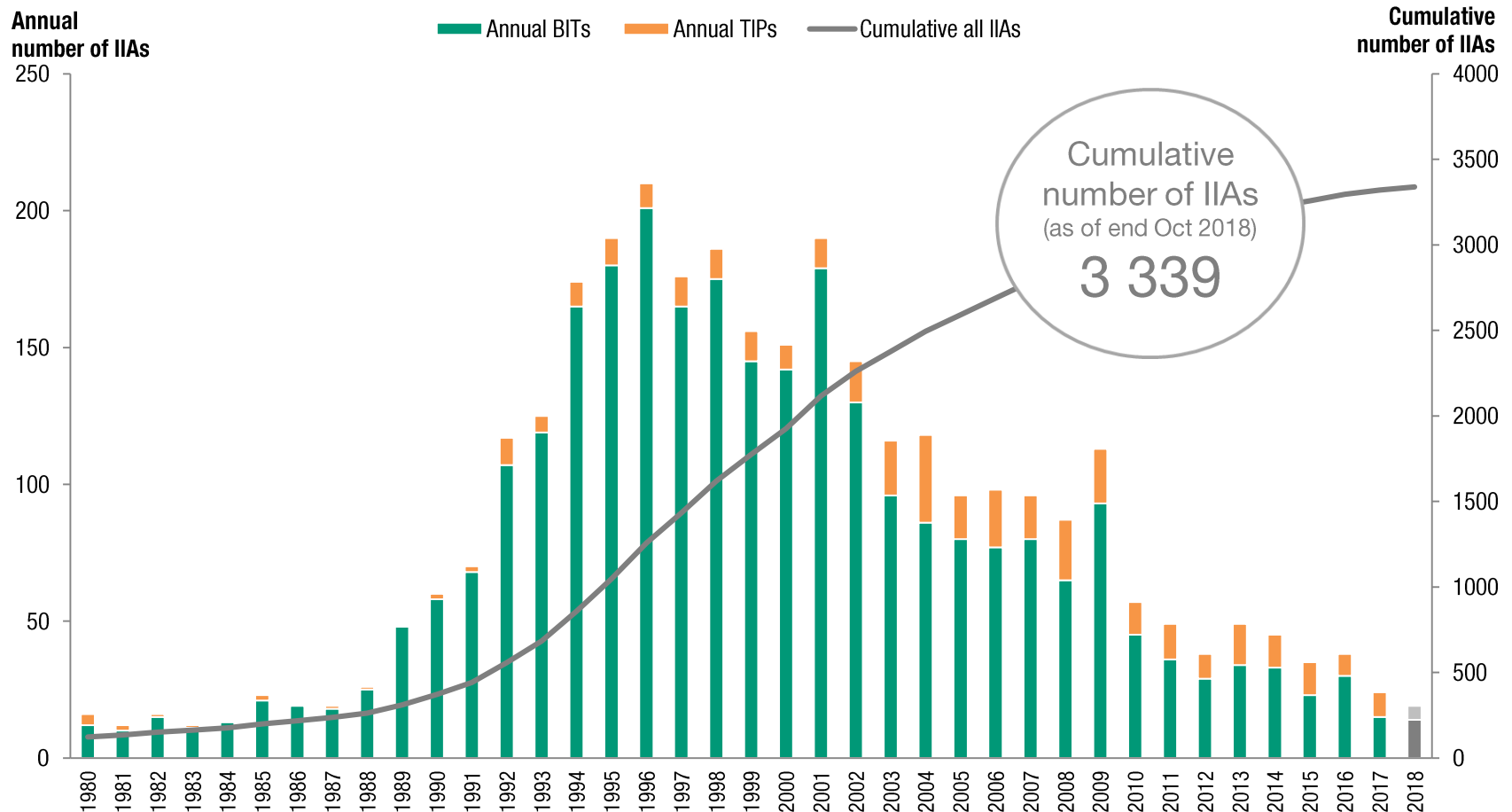
# Investment restrictions and regulations on the rise

Changes in national investment policies, 2003 - Oct.2018



# Trends in IIAs signed, 1987 – 2018\*

In 2017 effective treaty terminations almost equalled new conclusions



Source: ©UNCTAD, IIA Navigator.

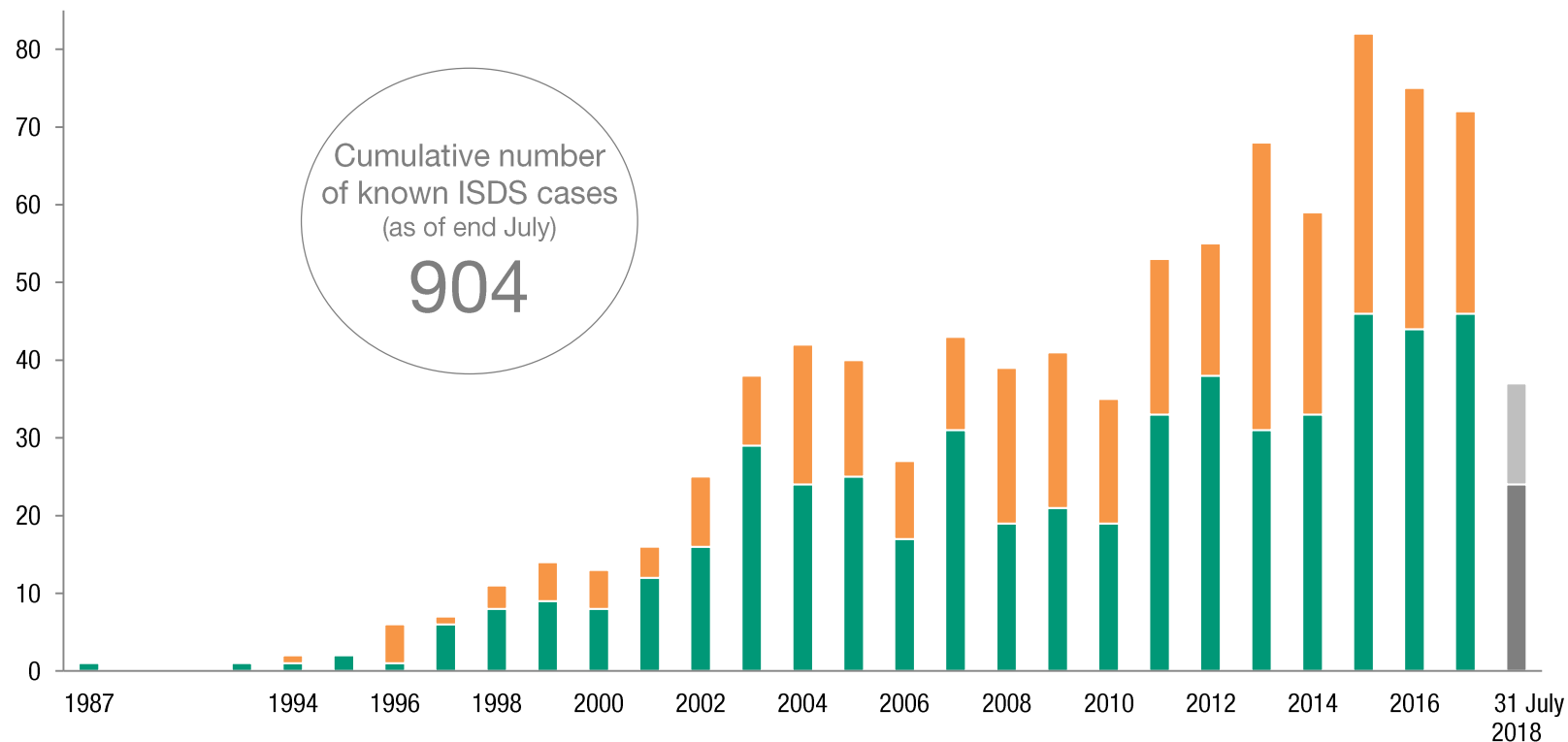
\* For 2018 these are preliminary numbers of IIAs signed.

# Trends in known ISDS cases, 1987 – 2018\*

## The rate of new treaty-based ISDS cases continues to grow unabated

Annual number of cases

■ ICSID ■ Non-ICSID



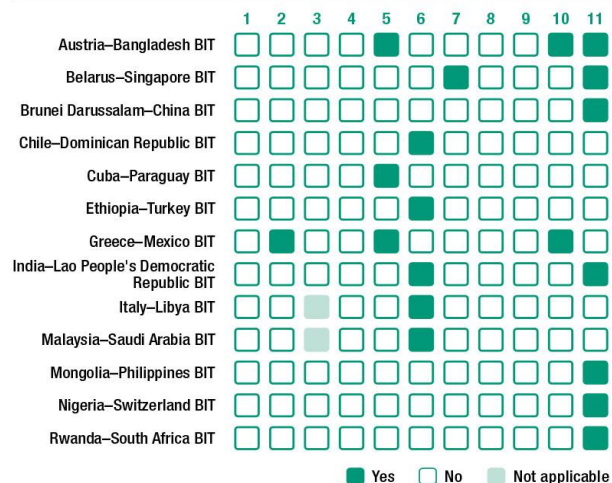
Source: ©UNCTAD, ISDS Navigator.

\* For 2018 these are preliminary numbers of ISDS-cases

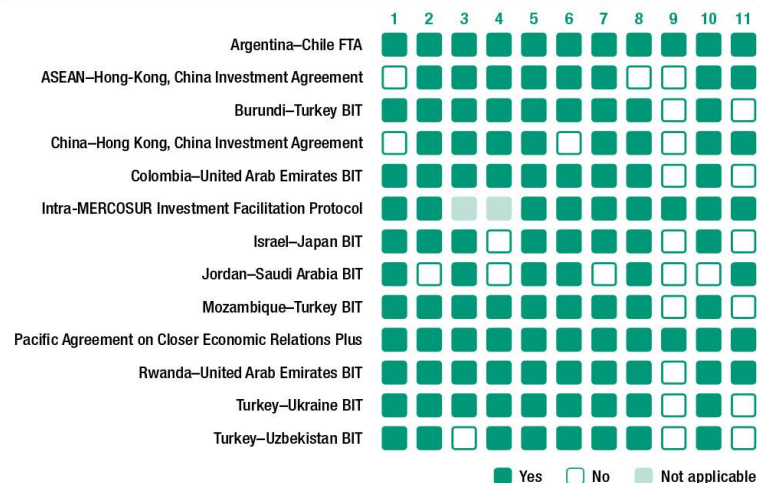
# Progress on IIA reform (Phase 1)

## Reform-oriented provisions in IIAs in 2000 compared to 2017

2000



2017



### Selected aspects of IIAs

- References to the protection of health and safety, labour rights, environment or sustainable development in the treaty preamble
- Refined definition of investment (e.g. reference to characteristics of investment; exclusion of portfolio investment, sovereign debt obligations or claims to money arising solely from commercial contracts)
- Circumscribed fair and equitable treatment (with reference to customary international law (CIL), equated to the minimum standard of treatment of aliens under CIL or clarified with a list of State obligations)
- Clarification of what does and does not constitute an indirect expropriation
- Detailed exceptions from the free-transfer-of-funds obligation, including balance-of-payments difficulties and/or enforcement of national laws

The scope and depth of commitments in each provision varies from one IIA to another.

- Omission of the so-called “umbrella” clause
- General exceptions, e.g. for the protection of human, animal or plant life or health; or the conservation of exhaustible natural resources
- Explicit recognition that parties should not relax health, safety or environmental standards to attract investment
- Promotion of corporate and social responsibility standards by incorporating a separate provision into the IIA or as a general reference in the treaty preamble
- Limiting access to ISDS (e.g. limiting treaty provisions subject to ISDS, excluding policy areas from ISDS, limiting time period to submit claims, omitting an ISDS mechanism)
- Specific proactive provisions on investment promotion and/or facilitation

Source: ©UNCTAD, WIR18.

# Progress on IIA reform (Phase 2)



Source: ©UNCTAD, WIR17.

Figure III.10. Selected Phase 2 reform actions: facts and figures

27  **Outdated IIAs replaced since 2012**

100  **Outdated IIAs terminated since 2012<sup>a</sup>**

243  **Total IIAs terminated by March 2018<sup>b</sup>**

480  **IIAs unratified for over 10 years<sup>c</sup>**

Source: ©UNCTAD, WIR18.

# Progress on IIA reform (Phase 3)

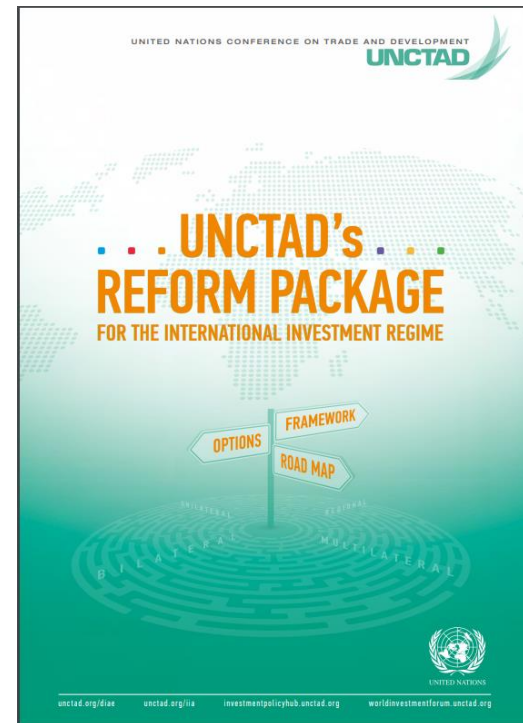
Enhancing overall investment policy coherence and synergies  
(2018)

## Three dimensions

1. Ensuring internal consistency within the country's IIA network
2. Maximizing synergies between IIAs and the national legal framework for domestic and foreign investment
3. Managing the interaction between IIAs and other bodies of international law that also touch upon investment

# UNCTAD's Reform Package, now available in consolidated form

- **Phase 1**
  - More than 100 policy options for treaty clauses addressing the five priority areas for sustainable development-oriented treaty making
- **Phase 2**
  - Ten reform mechanisms that countries can use to modernize existing old-generation treaties
- **Phase 3**
  - Policy guidance for three prongs of action towards ensuring overall investment policy coherence for sustainable development

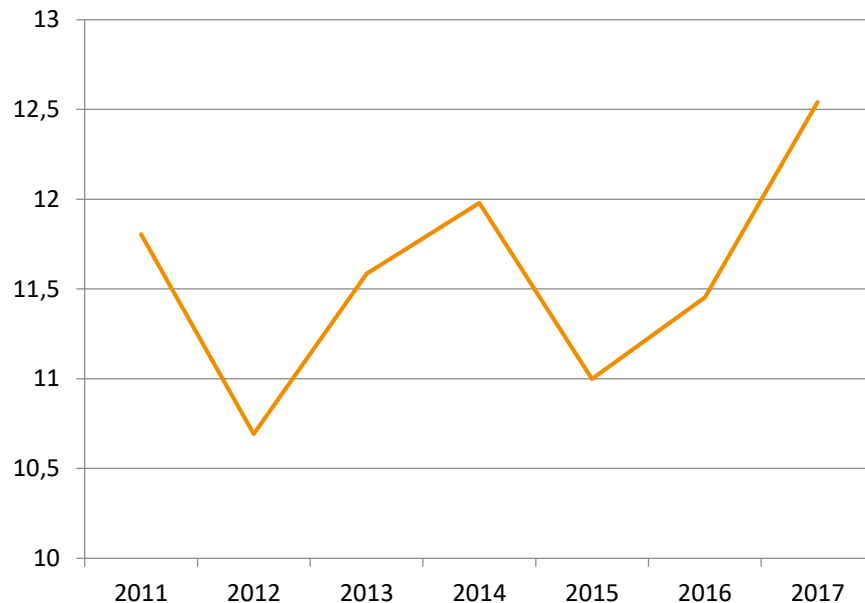




# Trends and Policies in Enterprise Development

# Global enterprise trends in 2017 – start-ups increase, gender gap narrows

## Business start-ups rose in 2017



*Percentage of population in age group 18-64 who are either a nascent entrepreneur or owner-manager of a new business*

## More women entrepreneurs

In 48 countries surveyed in 2016 and 2017 by Global Entrepreneurship Monitor female to male entrepreneurs ratio is ...

UP BY  
**6%**

The graphic shows the text 'UP BY 6%' in a large, bold, teal font. To the right of the text are two teal icons: a woman figure with an upward-pointing arrow above her head, and a man figure.

Source: GEM, 2018

# Entrepreneurship policy initiatives in 2018

## Regulatory environment reforms trends

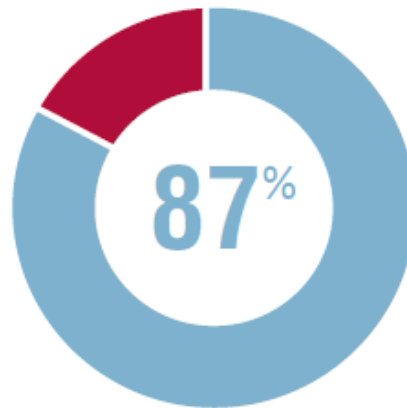
- ✓ Countries designing, implementing entrepreneurship policies to encourage firm formation and scaling up
  - Introduction of 'sandbox' tools, visa simplification procedures, electronic one-stop shops
  - Governments are removing restrictions that hamper women entrepreneurs
  - Chile and Mexico enabled business start-ups in a single day
  
- ✓ UNCTAD contributes tools to simplify, streamline
  - Entrepreneurship Policy Framework provides holistic blueprint
  - eRegulations live in 37 countries, providing ~50% reduction in procedures
  - Global Entrepreneurship Registration (GER.co) initiative launched
  - 'Go Green by 2019' campaign

# Entrepreneurship for sustainable development

- ✓ GA Resolution A/C.2./73/L.35 emphasizes the ‘pivotal role of entrepreneurship in achieving sustainable development in its three dimensions’ (Nov 2018)
- ✓ Also recognizes ‘the positive role of entrepreneurship in driving job creation, reducing inequalities and expanding opportunities for all, including women and youth’
- ✓ Proposes that Member States support key priorities, including to:
  - Foster financial inclusion
  - Advance women empowerment
  - Integrate youth entrepreneurship strategies in national policies
  - Improve the regulatory environment and advance policy initiatives that promote entrepreneurship
  - Provide access to technology and skills for entrepreneurs
  - Increase entrepreneurship training, inter alia through **‘behavioural approach programmes such as Empretec’**

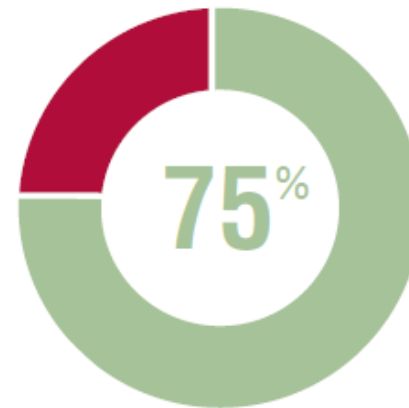
# Trends in Financial and Non-Financial Reporting

# Use of IFRS around the world



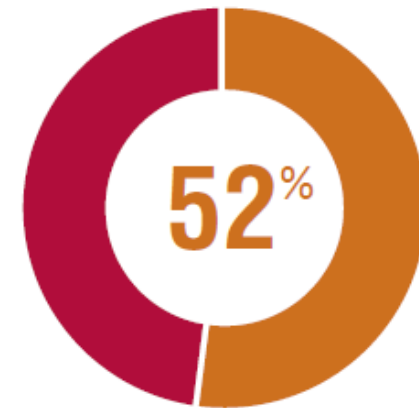
**144** of **166**

jurisdictions assessed require the use of IFRS Standards



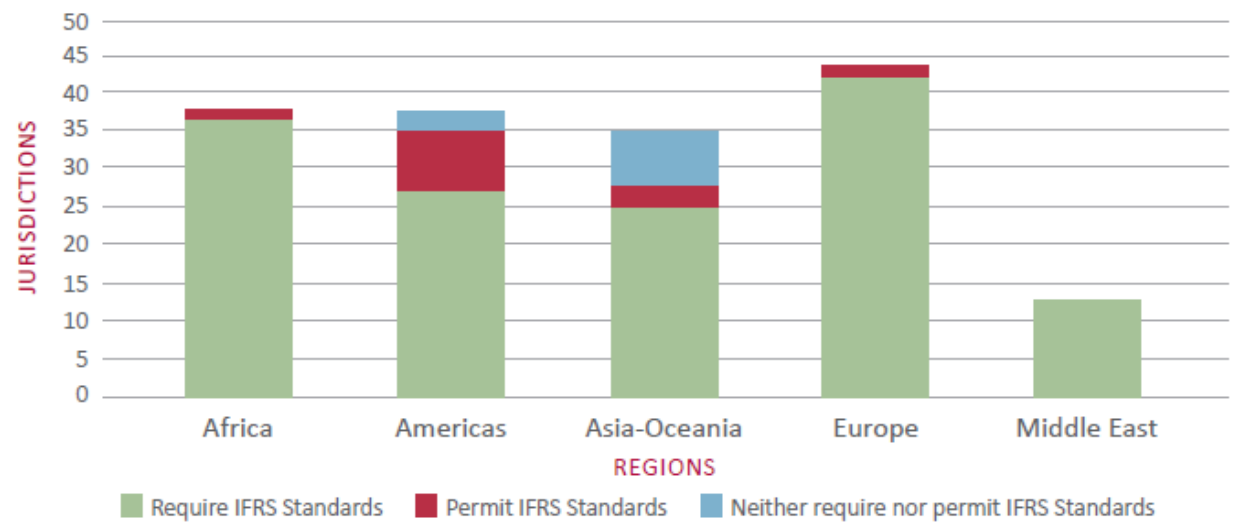
**15** of **20**

G20 economies require the use of IFRS Standards



**86** of **166**

jurisdictions assessed require or permit the use of the *IFRS for SMEs* Standard

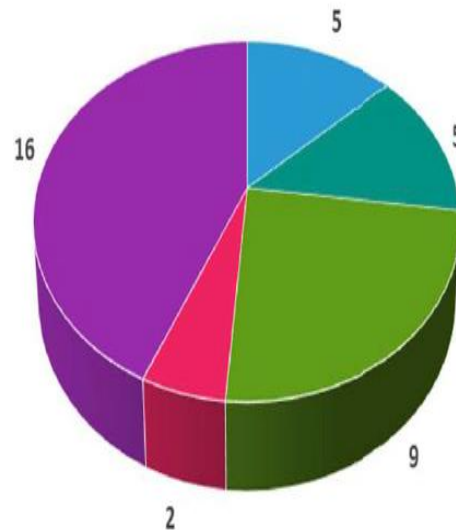


Source: IFRS 2017 annual report, June 2018

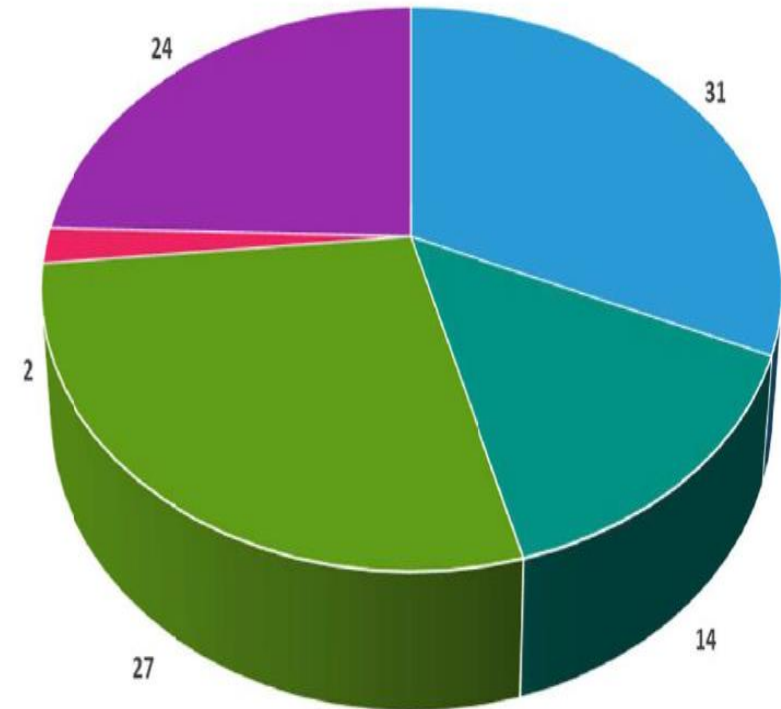
## 2018 – 37 governments

## 2023 – 98 governments

# Use of IPSAS around the world

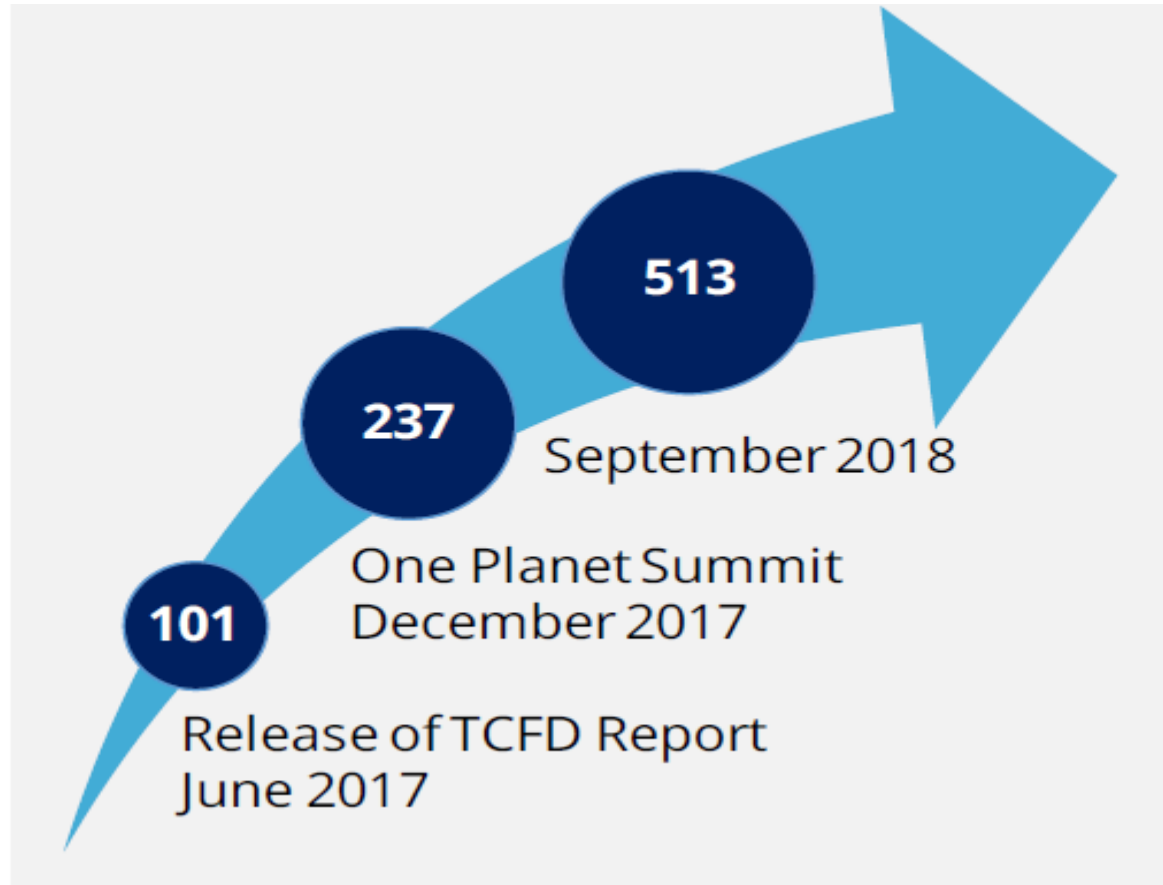


- International Public Sector Accounting Standards (IPSAS) adopted directly
- IPSASs adopted indirectly via national standards
- National standards using IPSAS as a reference point
- National standards based on IFRSs
- Other national financial reporting standards



Source: IPSASB, October 2018

# Number of TCFD Supporters



Source: TCFD Report, September 2018



# Thank You!

For the latest investment trends and policy developments,  
please visit the website of the  
UNCTAD's Division on Investment and Enterprise  
**[www.unctad.org/diae](http://www.unctad.org/diae)**

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