UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

BRICS Investment Report

United Nations

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1. Introduction

Brazil, the Russian Federation, India, China and South Africa (BRICS) now form one of the world's most important economic blocs, representing more than one quarter of global GDP,[1] and 42 per cent of the world's population. Significantly, the BRICS have seen their economic influence increase over the past decades, as drivers of global growth, trade and investment.

Since Jim O'Neil created the acronym BRIC, in 2001,[2] the grouping has both expanded, and deepened its collaboration. In 2011, South Africa joined, to create the BRICS economies. Although the bloc is an informal arrangement, with no charter, it has nonetheless developed a more institutional character, both through a high level of political interaction (e.g. annual summits)[3] and the creation of economic institutions such as the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA).[4]

Foreign investment has played an important role in the growth of BRICS economies since 2001, with annual FDI inflows to the bloc more than quadrupling from 2001 to 2021 and contributing significantly to gross fixed capital formation. The growth in FDI inflows to the BRICS was very strong in the first decade, but has remained relatively flat since 2011, against a global backdrop of negative growth of FDI flows over the decade. To deal with the challenging global investment environment, and also in response to the need to leverage foreign investment for sustainable development, the BRICS economies continued moving in the general direction of a more open and supportive investment policy environment. Looking ahead, the potential for intra-BRICS investment remains promising. However, more collaboration will be required to make investment a key driver of economic cooperation among the BRICS, and to bring more benefits for sustainable and inclusive economic development in the bloc.

2. FDI in the BRICS: overall trends

2.1. Overview of the BRICS economies

The changing absolute and relative economic weights of the BRICS economies over the past decade have transformed the shape of the global economy. According to the World Bank, the share of BRICS in global GDP grew from 18 per cent in 2010 to 26 per cent in 2021, with increases in all years during the period.[5] A significant reason for this upward trend is the growth of China, which accounted for over 70 per cent of BRICS GDP, in 2021. In per capita terms, the BRICS as a group had a nominal per capita GDP of $7,666 in 2021, against global per capita GDP of $12,263 in the same year. However, in purchasing power parity terms, the average per capita GDP (PPP) for BRICS economies is $17,990, much closer to the global average per capita GDP (PPP) of $18,721.[6]

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[1] According to the most recent data from the World Bank: https://data.worldbank.org/

[2] Jim O'Neill (2001). "*Building Better Global Economic BRICs*". Goldman Sachs: Global Economics Paper No 66, 2001: https://www.goldmansachs.com/insights/archive/archive-pdfs/build-better-brics.pdf

[3] Background on the BRICS economic collaboration, with the main Summit outputs since 2011 can be found in Annex 1.

[4] BRICS New Development Bank and Contingent Reserve Arrangement: Presentation to Parliamentary Committees, 2015: https://static.pmg.org.za/150428BRICS_Bank.pdf

[5] GDP (nominal) data can be found here: https://data.worldbank.org/

[6] It is important to note that the population growth of BRICS economies has slowed relative to the global average in the last decade. At the same time, the BRICS share of global GDP has been growing. The result of these two trends has been for BRICS' per capita GDP to grow faster than global per capita GDP.

More recently, economic growth in the BRICS has been uneven, reflecting global trends since the onset of the pandemic. The latest data available, from July 2022,[7] shows that the economic rebound, in 2021, was followed by progressively gloomy headwinds in 2022. Global output contracted in the second quarter of 2022 and is forecast to slow from 6.1 per cent in 2021 to 3.2 per cent in 2022.

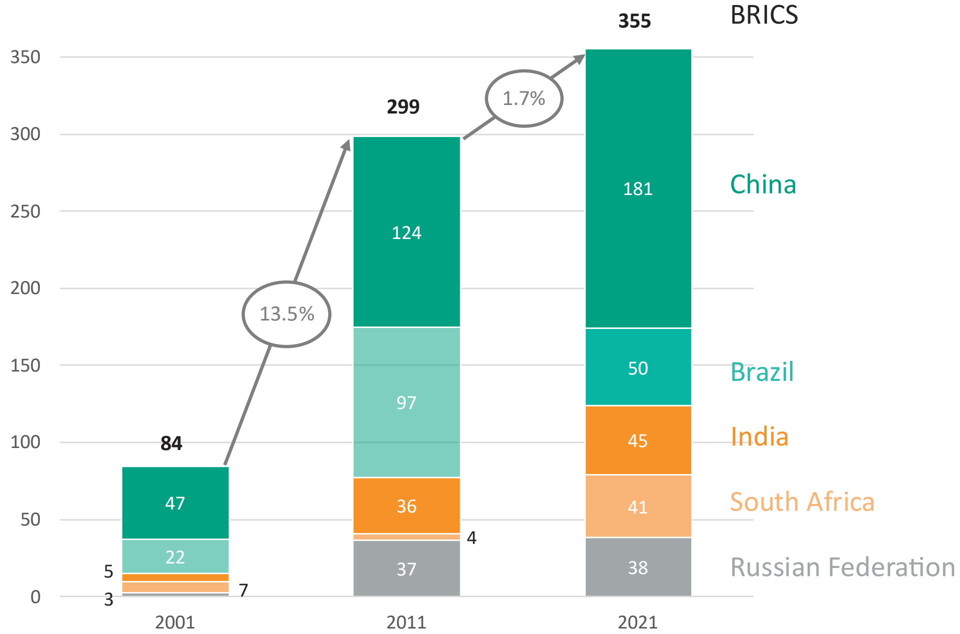
Considering the BRICS bloc as a whole, the risks to output are tilted to the downside. The war in Ukraine is having a disruptive impact on commodity markets in the short and potentially long term; inflation in all BRICS economies could be harder to bring down than anticipated; and tighter financial conditions could induce debt distress in some members of the group.

With regard to trade, BRICS economies represent 18 per cent of global exports. However, their share has been increasing, and the growth rate of intra-BRICS exports exceeds the global average.[8] The increase in intra-BRICS exports could support the argument that increasing economic cooperation is yielding tangible benefits and has been an important driver of the growth of intra-bloc investment (albeit at a moderate rate) (see section 2.5).

2.2. FDI inflows and stock in the BRICS

UNCTAD FDI data show that the BRICS, as a grouping, have seen a more than fourfold increase in their annual FDI inflows, from $84 billion in 2001 to $355 billion in 2021 (figure 1). Their share in global FDI inflows also doubled from 11 per cent in 2001 to 22 per cent in 2021.

Figure 1. FDI inflows to the BRICS, 2001-2021, and compound annual growth rate (billions of dollars and per cent)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
Note: South Africa is included in the 2001 figure although it joined the BRICS in 2011.

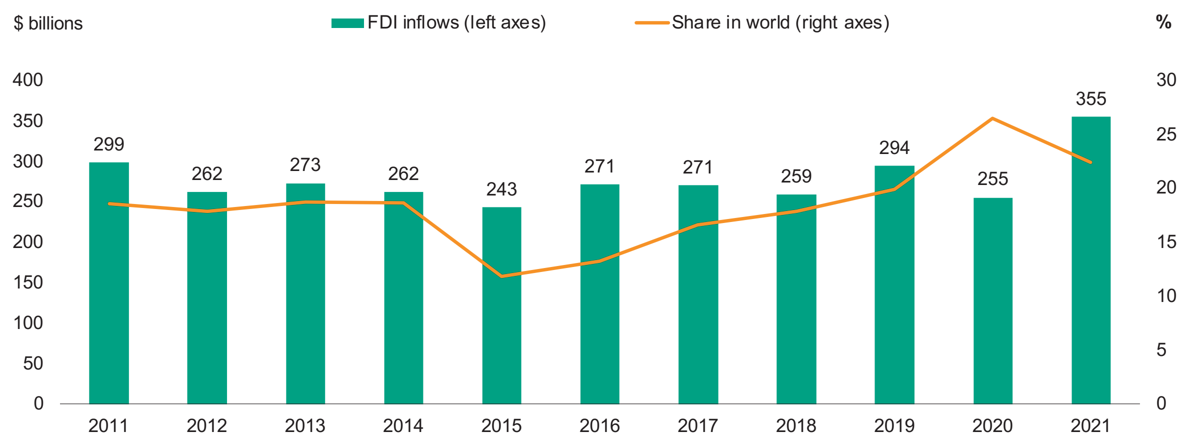
[7] International Monetary Fund (2002). World Economic Outlook Update, July 2022. https://www.imf.org/en/Publications/WEO/Issues/2022/07/26/world-economic-outlook-update-july-2022
[8] Yang Xun, Bai Yang (2022). BRICS cooperation leads the way to new era of global development. Qiushi Journal. June 2022. http://en.qstheory.cn/2022-06/10/c_760455.htm

The first decade of the 21st century was characterized by a strong growth rate in FDI inflows to the BRICS, which increased annually by 13.5 per cent. Whilst this was typical during a period of expansion in foreign investment,[9] the rate was almost double the global average of 7.6 per cent. From 2011 to 2021, FDI inflows to the BRICS slowed dramatically, growing by an annual rate of 1.7 per cent. This reflected the stagnating global environment for investment where the average annual growth rate for FDI inflows for the decade turned slightly negative.

At the individual economy level, performance was varied. China's FDI inflows grew annually by over 10 per cent from 2001-2011, before falling back to 4 per cent from 2011-2021. The Russian Federation and India saw exceptionally strong annual growth rates for FDI inflows of about 30 per cent and over 20 per cent respectively, from 2001 to 2011, but have since deteriorated to just over zero per cent and 2 per cent, respectively, in the last ten years. After strong performance in the first decade of the 21st century, Brazil's annual growth in FDI inflows turned negative in the second decade, although with a recovery since 2015. The trend in South Africa, which had a negative annual growth rate in FDI inflows from 2001-2011, ran counter to the general trend observed in the BRICS and posted an annual growth rate of over 25 per cent from 2011 to 2021.

Despite slowing and fluctuating growth from 2011 to 2021, the grouping performed better than the world average and its share in global FDI flows posted an increase over the decade (figure 2).

Figure 2. FDI inflows to the BRICS and share in world inflows, 2011-2021 (billions of dollars and per cent)



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

A decade of fluctuating but nevertheless resilient FDI inflows contributed to a steadily rising inward FDI stock for the grouping, which rose by more than 80 per cent, from $2.1 trillion in 2011 to $3.9 trillion in 2021 (table 1). However, in contrast to FDI flows, FDI stock in the BRICS declined as a share of global stock, falling from over 10 per cent in 2011 to 8.5 per cent in 2021.

[9] *UNCTAD World Investment Report 2020: International Production Beyond the Pandemic*. United Nations: New York and Geneva. https://unctad.org/system/files/official-document/wir2020_en.pdf

Table 1. BRICS inward FDI stock (millions of dollars)

Region/economy	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
World	20 621 842	22 922 313	24 926 514	26 056 580	26 547 422	28 430 126	33 099 585	32 842 774	36 529 518	41 727 577	45 448 812
Russian Federation	408 942	438 194	471 475	290 039	262 748	393 910	441 123	408 097	493 156	449 050	521 876
South Africa	159 390	163 510	152 123	138 906	126 755	135 454	156 353	138 562	145 246	133 127	173 056
China	710 867	831 940	955 851	1 084 353	1 219 930	1 353 641	1 489 956	1 628 261	1 769 486	1 918 828	2 064 018
India	206 354	224 985	226 549	253 120	282 617	318 320	377 287	386 169	426 959	480 228	514 292
Brazil	649 126	664 208	627 789	601 490	429 843	563 539	623 021	568 741	705 031	595 285	592 761
BRICS Total	2 134 680	2 322 838	2 433 787	2 367 907	2 321 893	2 764 864	3 087 740	3 129 830	3 539 878	3 576 518	3 866 002

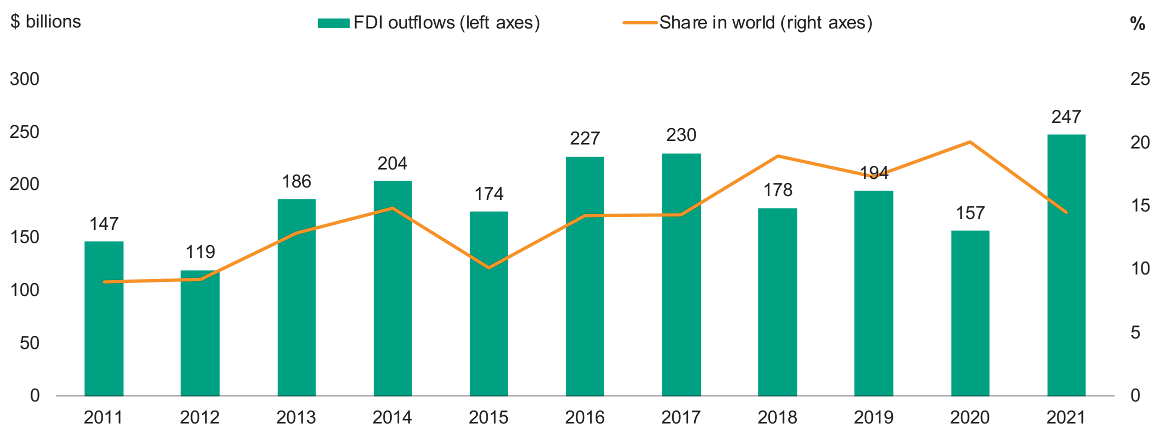
Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

2.3. FDI outflows and stock from the BRICS

At the turn of the century, emerging markets such as the BRICS (excluding South Africa) started to show the potential to become important sources of FDI, including flows to developing countries and among each other – supporting so-called South-South cooperation.

From 2001 to 2010, FDI outflows from the BRICS grew from one per cent of global flows to over 10 per cent. During this period, the annual growth rate of outflows, at 33 per cent, was more than three times larger than the global average. By 2020, the share of BRICS outflows had reached 20 per cent of global flows. Despite having since fallen back, as a share of global outflows, the absolute value of BRICS outflows reached a historic high, in 2021, at almost $250 billion (figure 3). And, even though the annual growth rate of outflows slowed markedly in the decade 2011-2021, reflecting the global environment for FDI, the annual growth rate of BRICS outflows remained more than 10 times larger than the global average.

Figure 3. FDI outflows from the BRICS and share in world outflows, 2011-2021 (billions of dollars and per cent).



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

BRICS outward FDI stock mushroomed from $1.1 trillion in 2011 to $3.7 trillion in 2021, an increase of 235 per cent. In contrast to inward FDI stock held by investors in the BRICS, the level of outward FDI stock held by BRICS investors abroad increased consistently in every year of the decade (table 2). However, the BRICS as a group accounted for less than 1% of the world's total outward FDI stock in 2021, which suggests their potential as foreign investors can be further explored.

Table 2. BRICS outward FDI stock (millions of dollars)

Region/economy	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
World	20 927 477	22 837 359	25 196 334	26 229 158	26 459 084	28 003 755	33 067 148	31 393 003	34 496 304	39 545 669	41 798 485
Russian Federation	315 742	332 834	385 322	332 961	290 092	342 849	388 693	346 593	407 318	381 144	399 313
South Africa	97 051	111 779	128 681	146 024	154 683	175 636	272 985	246 439	214 998	250 964	220 103
China	424 781	531 941	660 478	882 642	1 097 865	1 357 390	1 809 037	1 982 266	2 198 881	2 580 658	2 581 800
India	109 509	118 072	119 838	131 524	139 038	144 086	155 176	166 594	179 734	190 857	206 378
Brazil	159 809	203 897	203 799	209 993	184 909	203 186	242 964	213 261	247 605	277 875	296 185
BRICS Total	1 106 891	1 298 524	1 498 118	1 703 144	1 866 588	2 223 147	2 868 854	2 955 153	3 248 536	3 681 497	3 703 779

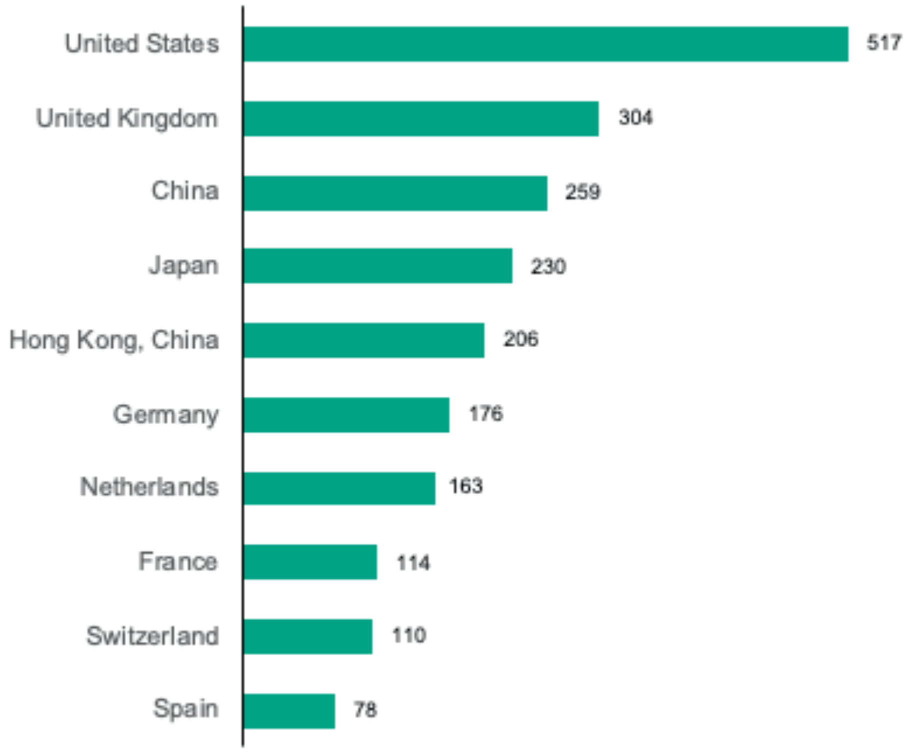
Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

2.4. Top investors in the BRICS economies

The 10 main investor economies, by FDI stock, in the BRICS countries remained relatively unchanged over the past years. In 2020, the United States was the largest ultimate investor in the bloc in terms of FDI stock. The United Kingdom was the second largest ultimate investor to the BRICS, while China was third, with a growing participation over the decade. Other major ultimate investment sources to the BRICS are Japan, Hong Kong (China), Germany, the Netherlands, France, Switzerland and Spain. It is worth noting that international financial hubs play an important role in channeling investment into the BRICS, and a number of them, such as Cyprus and Singapore, are among the largest sources of FDI to the bloc in terms of immediate investor.

Figure 4. Top 10 economies as ultimate investors in the BRICS, by FDI stock, 2020

(billions of dollars)



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

2.5. Intra-BRICS investment

Intra-BRICS investment grew steadily in the 2010s, both in absolute and relative terms. According to UNCTAD data, total inward FDI stock between BRICS countries increased from $27 billion in 2010 to $167 billion in 2020 (table 3), representing a share of 1.3% and 4.7% percent of their total FDI stock as a group respectively. This growth was mainly driven by China, which was by far the largest investor and recipient in intra-BRICS investment. Brazil and India also witnessed strong growth in investment from other BRICS countries, while the Russian Federation experienced tepid growth, and intra-group investment stock in South Africa dropped slightly. It is worth noting that intra-BRICS investment numbers need to be treated with caution, since a significant portion of their outward and inward investment flows are channeled through offshore financial centers, and the investment between the BRICS could be underestimated.

Table 3. Intra-BRICS inward FDI stock (millions of dollars)

Country	2010	2015	2020
Brazil	791	2 299	1 935
China	14 512	64 430	151 439
India	622	1 218	1 795
Russian Federation	4 187	3 440	4 819
South Africa	7 281	3 978	6 999
Total	**27 393**	**75 365**	**166 987**

Source: UNCTAD FDI database

Note: The numbers for China are based on the value reported by the source countries. The 2020 figure for China was adjusted to reflect the value of FDI stock with other BRICS countries as the ultimate source of investment.

There have been several large-scale investment projects among the BRICS in recent years, covering sectors from natural resources to manufacturing and services (table 4), and largely reflecting differences in economic structure and resource endowment among the countries. Most notably, manufacturing attracted a large share of intra-regional investment, in particular in the automobile and electronics industries. This shows the increasing attractiveness of the BRICS countries for market seeking investors (targeting both domestic and regional markets).

Despite the growth in intra-BRICS investment in recent years, the potential for further investment within the group remains to be tapped, in particular in view of the larger weight of intra-regional trade. Strengthened investment cooperation can play an instrumental role in expanding economic collaboration within the group, with the potential to drive sustainable and inclusive domestic economic development, through increased capital formation, technology spillovers and job creation.

In particular, intra-group investment in manufacturing could be further encouraged, especially in processing activities to increase value added in the host country, and along the value chains of certain manufacturing sectors showing strong complementarities among the BRICS countries. For example, investment opportunities in the renewable energy sector, including solar and wind, could be further explored. Research has shown that a number of BRICS countries have developed capacities in certain segments of the sector's value chain and show promising potential for intra-bloc investment. [10]

[10] C. Prinsloo (2022). Tangible Economic Cooperation for South Africa and the BRICS: Taking Stock and Looking Forward. Chapter 9, The Political Economy of Intra-BRICS Cooperation. Palgrave Macmillan.

However, intra-regional investment in the sector is currently relatively small, despite the larger flows of international investment to the sector coming from outside the BRICS economies.

Infrastructure is another important area for intra-regional investment that is also critical for long-term development. This has been recognized by the BRICS countries, as highlighted by the work of the BRICS Task Force on Public-Private Partnerships (PPPs) and Infrastructure. With increasing demand for infrastructure, on the one hand, and increasing fiscal constraints on the other, governments have been encouraging the participation of private investment, including FDI, in the sector. The regulatory framework for PPPs is improving in all members of the bloc (see annex 3). Intra-regional investment in infrastructure, including through PPPs, can be encouraged, for example by leveraging the financial power of the New Development Bank and national development banks, and enhancing coordination on investment promotion and facilitation.

Table 4. The 20 largest intra-BRICS greenfield investments between 2017 and 2021

Year	Investor	Source country	Destination country	Investment ($ million)	Sector	Business activity
2019	Sirius Holding	China	Russia	11100	Natural, liquefied and compressed gas	Manufacturing
2017	China Chengtong Holding	China	Russia	1500	Pulp, paper, & paperboard	Manufacturing
2019	Great Wall Motors (GWM)	China	India	975	Light trucks & utility vehicles	Manufacturing
2018	Tsingshan Holding	China	India	926	Iron & steel mills & ferroalloy	Manufacturing
2019	Rosneft	Russia	India	850	Other petroleum & coal products	Manufacturing
2019	Huawei Technologies	China	Brazil	800	Communications equipment	Manufacturing
2021	Jingan	China	Russia	769	Other petroleum & coal products	Manufacturing
2017	Zhongding Dairy Farming	China	Russia	750	Animal production	Manufacturing
2018	Gazprom	Russia	China	740	Fossil fuel electric power	Electricity
2018	Sberbank	Russia	China	730	Commercial & institutional building construction	Construction
2018	Tata Group	India	China	700	Automobiles	Manufacturing
2019	Great Wall Motors (GWM)	China	Russia	656	Automobiles	Manufacturing
2018	Marcopolo	Brazil	China	615	Heavy duty trucks	Manufacturing
2018	Haier Group	China	India	427	Household appliances	Manufacturing
2019	Shanghai Automotive Industry Corporation (SAIC)	China	India	418	Motor vehicle & parts dealers (Automotive OEM)	Maintenance & Servicing
2021	Aditya Birla	India	China	375	Alumina & aluminum production and processing	Manufacturing
2019	China Communications Construction Company	China	Brazil	371	Iron & steel mills & ferroalloy	Manufacturing
2019	Tsaishen	China	Russia	357	Wood products	Manufacturing
2020	Liwei	China	Russia	335	Crop production	Manufacturing
2019	Xiaomi (Beijing Xiaomi Technology)	China	India	332	Communications equipment	Manufacturing

Source: UNCTAD FDI database.

2.6. Significance of FDI to the BRICS

As described above, BRICS economies are among the main recipients of global FDI inflows, and some of them are also important sources of FDI, making the BRICS economies both significant as investment host countries and as home countries. For the BRICS as a bloc, the average (inward) FDI stock, as a share of GDP, rose from 20 per cent in 2011 to 27 per cent in 2021. At an individual economy level, the FDI stock to GDP ratio varies considerably among the BRICS, ranging from 12 per cent in China and 16 per cent in India to 37 per cent in Brazil and 41 per cent in South Africa. Russia's inward FDI stock/GDP ratio, at 29 per cent, is closest to the BRICS average.

Despite the differences within the bloc, it is clear that FDI plays a major and increasing role in economic growth in all of the BRICS, as evidenced by the contribution of FDI to Gross Fixed Capital Formation (GFCF). Brazil traditionally has the highest share of FDI inflows to GFCF (above 10 per cent since the creation of the group and reaching more than 22 per cent in 2019). In the past year, South Africa had a FDI to GFCF ratio of almost 75 per cent, where usually it does not exceed 10 per cent. In India, the share of FDI inflows to GFCF over the past 3 years was 6.7 per cent, slightly higher than the world average of 5.7 per cent.

The only BRICS country where the ratio of FDI inflows to GFCF has been consistently below the world average is China. This does not necessarily mean that FDI plays a less important role in China's economy, but rather that domestic investment is relatively more significant. In 2021, for example, China's total GFCF amounted to $7.2 trillion, while in the United States (with the world's second highest GFCF) it totaled $4.9 trillion. As a group, it is clear that FDI in the BRICS plays a very meaningful role not only in GFCF, but also in the GDP growth of the bloc.

3. FDI trends by mode of entry

3.1. Greenfield Projects

Greenfield investment in the BRICS witnessed big fluctuations during the period 2011–2021. Greenfield investment began the decade at a high level, as a result of the strong recovery of greenfield investment in the bloc after the global financial crisis, before dropping significantly from 2019 to 2021, due to the impact of the COVID pandemic. Despite a 24 per cent drop in the value of global greenfield projects during the decade, the decline in the BRICS was deeper, in particular in the last three years (table 5). However, the decline in greenfield investment was offset by other sources of FDI inflows, such as increased reinvested earnings and intra-company loans, which helped keep overall FDI inflows to the bloc at a relatively stable level (see section 2).

Table 5. Announced greenfield FDI projects in the BRICS, 2011–2021 (millions of dollars)

Region/economy	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
World	867 464	630 067	801 886	714 025	757 772	808 386	699 077	982 455	845 921	575 069	659 426
Brazil	12 815	6 219	7 496	12 117	5 237	7 516	3 560	4 812	4 115	5 599	6 459
China	46 658	31 271	24 711	28 058	62 568	61 942	26 896	54 140	29 788	23 976	15 727
India	25 351	16 039	18 435	12 791	14 675	14 662	17 548	18 352	24 602	8 058	14 923
Russian Federation	45 405	27 168	21 448	15 592	16 740	10 212	9 643	15 412	30 814	17 212	23 250
South Africa	106 774	80 975	87 063	83 687	60 920	65 983	54 180	111 464	61 999	31 948	31 500
BRICS Total	237 004	161 672	159 154	152 245	160 140	160 314	111 826	204 180	151 318	86 793	91 859

Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com).

Note: Data refer to estimated amounts of capital investment. Totals exclude the financial centres in the Caribbean.

Nevertheless, looking at the value of announced greenfield projects by country during the past three years (since the beginning of the COVID crisis), Brazil, the Russian Federation and South Africa did saw a recovery from the pandemic in 2021, with increase of 35 per cent, 85 per cent and 15 per cent respectively (table 6).

Table 6. BRICS announced greenfield projects, 2019-2021 (billions of dollars and number)

Region / selected economies	Announced greenfield investment projects: Value 2019	2020	2021	2020-2021 growth rate (%)	Number of projects 2019	2020	2021	2020-2021 growth rate (%)
BRICS	**151**	**87**	**92**	**6**	**2 311**	**1 317**	**1 391**	**6**
Brazil	31	17	23	35	355	222	184	-17
China	62	32	32	-1	835	412	481	17
India	30	24	16	-34	701	403	455	13
Russian Fedration	25	8	15	85	290	176	156	-11
South Africa	4	6	6	15	130	104	115	11
Memorandum								
World	846	575	659	15	18 261	13 248	14 710	11
Developed economies	382	316	401	27	10 976	8 993	9 790	9
Developing economies	464	259	259	0	7 285	4 255	4 920	16

Source: UNCTAD based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com)

With regard to FDI by sector, greenfield investment in manufacturing was hit hard during the pandemic, dropping by more than 50 per cent from $94 billion in 2019 to $42 billion in 2021, due to increased uncertainties associated with lockdowns and supply chain disruptions. Meanwhile, the services sector performed relatively well in terms of greenfield investment during the pandemic, and as a result overtook manufacturing as the largest sector for greenfield investment. This also points to the growing importance of the services sector in the BRICS economies, and the relative resilience of business activities in the sector despite supply chain shocks. Among the top 10 greenfield investment industries, energy and gas, electronics and electrical equipment, information and communication, and automobiles attracted by far the largest flows of greenfield investment (table 7).

Table 7. BRICS: announced greenfield projects, by sector and selected industries, 2019-2021 (billions of dollars and number)

Sector/Industry	Value (Billions of dollars) 2019	2020	2021	2020-2021 growth rate (%)	Number of projects 2019	2020	2021	2020-2021 growth rate (%)
Total	151	87	92	6	2 311	1 317	1 391	6
Primary	6	8	7	-17	19	15	17	13
Manufacturing	94	38	42	10	1 208	659	647	-2
Services	55	47	44	-8	1 084	643	727	13
Top 10 industries in value terms								
Energy and gas supply	15	11	13	13	74	46	49	7
Electronics and electrical equipment	15	7	11	57	229	102	108	6
Information and communication	8	12	10	-13	409	228	324	42
Automotive	23	7	10	42	190	67	71	6
Extractive industries	1	0	6	1.376	7	7	8	14
Transportation and storage	6	4	5	10	86	51	68	33
Chemicals	6	6	5	-22	139	81	80	-1
Construction	4	2	4	87	18	13	13	0
Finance and insurance	6	8	4	-49	95	79	56	-29
Trade	5	4	3	-14	68	45	27	-40

Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com).

3.2. M&A Deals

Cross-border M&A deals have traditionally been less significant to the BRICS than to developed economies. From 2011 to 2021, the value and number of deals of BRICS cross-border M&A sales declined, despite a significant increase in global M&A sales (tables 8 and 9). In 2021, the value of cross-border M&A sales in the BRICS was $15 billion, a sharp decline from $44 billion in 2019 before the outbreak of the COVID pandemic.

Table 8. BRICS: net cross-border M&A sales, 2011-2021 (millions of dollars)

Region/economy	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
World	553442	328224	262517	428126	735126	886901	693962	815726	507396	474864	727880
Russian Federation	29859	7201	-55040	5659	7224	4712	12585	2668	970	10929	-403
South Africa	6673	-968	109	387	21027	8665	449	-708	4629	2239	280
China	11501	9524	31066	56775	12439	11057	8255	7646	9760	19217	4305
India	12795	2805	4644	7857	1323	7958	22763	33178	14887	27211	8136
Brazil	15107	17316	10826	14340	1643	9849	25462	14336	13833	4962	2696
BRICS Total	75934	35879	-8395	85017	43657	42242	69513	57119	44079	64560	15014
Developing economies	81 352	55 342	88 227	123 418	90 858	75 909	105 561	123 607	78 928	86 283	112 797
Developed economies	472 090	272 882	174 289	304 709	644 268	810 992	588 401	692 119	428 468	388 581	615 083

Source: UNCTAD cross-border M&A database (www.unctad.org/fdistatistics).

Table 9. BRICS: net cross-border M&A sales, 2011-2021 (number of deals)

Region/economy	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
World	5 916	5 455	4 936	6 090	6 364	6 607	6 967	6 821	7 118	6 201	8 846
Brazil	129	195	148	150	182	166	138	106	149	107	102
China	149	117	138	192	144	124	112	100	115	84	76
India	134	133	142	125	139	128	134	126	158	110	136
Russian Federation	229	176	125	136	135	101	82	50	78	34	28
South Africa	64	23	30	44	54	19	33	25	41	19	34
BRICS Total	705	644	583	647	654	538	499	407	541	354	376
Developing economies	1 385	1 234	1 163	1 334	1 270	1 189	1 127	1 039	1 169	868	1 008
Developed economies	4 531	4 221	3 773	4 756	5 094	5 418	5 840	5 782	5 949	5 333	7 838

Source: UNCTAD cross-border M&A database (www.unctad.org/fdistatistics).

Despite a significant drop in M&A sales in the BRICS in the last three years, a number of large deals were announced, in each of the five economies. The five biggest deals involved: Naspers Ltd. (South Africa) as ultimate target, an intrafirm operation which resulted in a large increase in South African FDI inflows in 2021 (from $5 billion to $41 billion); Petroleo Brasileiro S.A. (accounting for most of the value of M&As in Brazil); ROSNEFTEGAZ AO (Russia); Hanergy Thin Film Power (China); and Essar Steel India Ltd. (India).

With respect to sectors, services witnessed a decrease of more than 60 per cent in net cross-border M&A sales, falling from $32 billion in 2019 to $10 billion in 2021 (table 10). Such a decrease was mainly due to falling M&A activities in utilities (down from $11 billion to $4 billion), transportation and storage (from $5 billion to $1 billion), real state (from $4 billion to $1 billion) and administrative and support services (from $3 billion to $1 billion). However, the services sector remains the largest sector for M&As in the BRICS.

Both the value and number of cross-border M&A sales in manufacturing also dropped significantly during the COVID pandemic, while the primary sector experiencing the largest decline.

Table 10. BRICS: net cross-border M&A sales, by sector and selected industries, 2019-2021 (billions of dollars and number)

Sector/Industry	Value (Billions of dollars) 2019	2020	2021	2020-2021 growth rate (%)	Number 2019	2020	2021	2020-2021 growth rate (%)
Total	44	65	15	-77	541	354	376	6
Primary	2	15	0	-98	26	32	9	-72
Manufacturing	10	18	4	-76	112	54	59	9
Services	32	32	10	-67	403	268	308	15
Top 10 industries in value terms								
Utilities	11	6	4	-26	14	18	28	56
Financial and insurance	4	9	4	-63	73	36	39	8
Transportation and storage	5	2	1	-39	28	15	23	53
Real estate	4	5	1	-69	45	19	18	-5
Basic metal and metal products	7	3	1	-65	9	5	3	-40
Entertainment	0	0	1	..	3	0	8	..
Administrative and support services	3	1	1	15	22	12	9	-25
Non-metallic mineral products	1	0	1	5.054	4	3	- 4	..
Chemicals	0	-1	1	..	16	3	10	233
Pharmaceuticals	1	11	1	-94	16	19	15	-21

Source: UNCTAD, cross-border M&A database (www.unctad.org/fdistatistics).

3.3. Project Finance Deals

Project finance is an important source of international capital for the BRICS as a group. Despite significant fluctuations in terms of both value and the number of deals, the value of project finance has been consistently larger than M&As in the bloc during the last decade (table 11). When the COVID-19 crisis erupted, project finance deals in the group declined in value in 2020, followed by a strong rebound in 2021. International project finance reached $108 billion in 2021, the highest level since 2012. Russia was the only BRICS country to undergo a decrease in announced international project finance deals from 2020 to 2021 both in terms of number of deals and total value.

Table 11. BRICS: announced international project finance deals, by value and number of projects, 2011-2021 (billions of dollars and number)

Region/economy	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Value											
World	722	673	769	487	404	608	524	669	682	484	1 188
Brazil	45	22	18	6	11	14	12	22	25	26	43
China	30	4	6	11	2	5	33	27	4	3	8
India	17	15	2	3	8	3	4	37	12	18	47
Russia	2	35	49	13	11	12	29	2	14	13	2
South Africa	18	17	11	2	4	1	2	5	48	0	7
BRICS Total	112	93	88	35	36	35	80	94	102	61	107
Number of Projects											
World	653	631	673	686	654	837	887	1 143	1 303	1 262	2 115
Brazil	41	21	24	20	36	28	32	59	79	74	98
China	24	7	12	10	5	12	14	15	18	7	25
India	25	15	16	14	17	14	28	26	18	36	109
Russia	5	11	11	14	13	15	15	6	13	11	9
South Africa	9	28	6	3	18	3	4	13	9	7	10
BRICS Total	104	82	69	61	89	72	93	119	137	135	251

Source: UNCTAD.

In terms of sectors, renewable energy, industrial real estate and petrochemicals received the largest flows of project financing in the last three years. Most notably, the renewable energy and the industrial real estate sectors saw significant increases both in the value and in the number of announced international project finance deals (table 12).

Table 12. BRICS: announced international project finance deals, selected industries, 2019-2020
(billions of dollars and number)

Sector/Industry	Value (Billions of dollars)			2020-2021 growth rate	Number of deals			2020-2021 growth rate
	2019	2020	2021	(%)	2019	2020	2021	(%)
Total	102	61	107	75	137	135	251	86
Top 10 industries by number of deals								
Renewable energy	14	14	34	143	84	85	130	53
Industrial real estate	3	19	26	34	16	9	29	222
Residential/commercial real estate	0	1	4	159	2	5	24	380
Oil and gas	17	17	8	-50	9	7	13	86
Transportation infrastructure	11	1	6	378	11	4	13	225
Mining	1	1	2	46	4	13	9	-31
Petrochemicals	6	1	18	2.427	4	2	9	350
Telecommunications	47	4	5	41	1	2	8	300
Power	3	2	1	-31	5	4	7	75
Agriculture		0	0	-30		2	3	50

Source: UNCTAD, based on data from Refiniv SA.

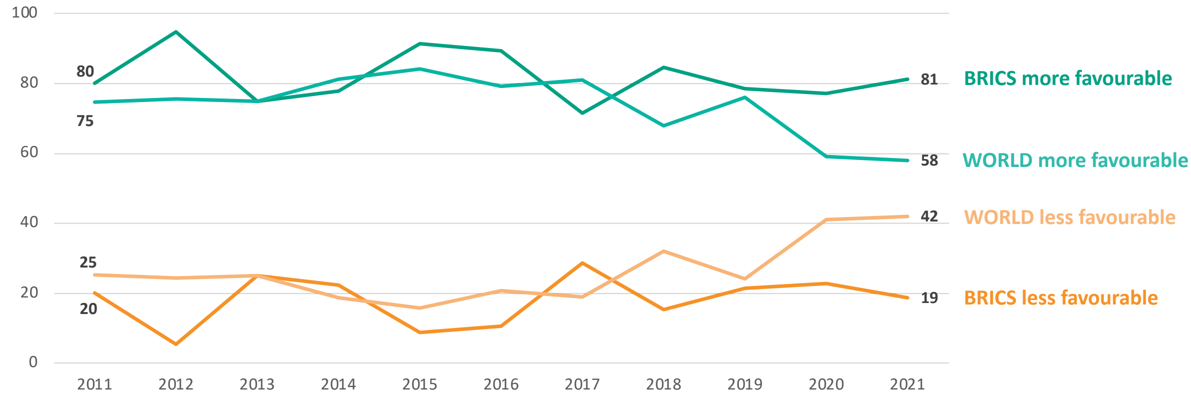
4. Developments in investment policies and regulatory frameworks in the BRICS

To cope with the recent challenges arising from the changing international investment landscape and the restructuring of global value chains, and also in response to the need for more sustainable investment, BRICS countries have taken measures to improve their investment environment and reform their international investment agreements (IIAs). Many of these measures focus on leveraging the potential of FDI to finance sustainable development, while safeguarding necessary policy space to mitigate any negative effects of foreign investment (for example for national security and the protection of strategic industries and resources).

4.1. Recent developments in national investment policies

The overall investment environment in the BRICS points to continued improvement in recent years, with most of the policymaking and regulatory activities in these countries helping to facilitate investor entry and provide clarity on establishment and other aspects relevant to business operations. The vast majority of measures introduced by BRICS economies were favorable to investment, and the balance of measures between those that are more favorable or less favorable to FDI has remained almost unchanged over the last decade, but tended towards more favourable over the last five years (figure 5).

Figure 5. Changes in national investment policies, 2011-2021, BRICS and the world (per cent)



Source: UNCTAD.

These trends contrast with the global trend, which has been moving in a less favorable direction in terms of measures affecting FDI. The global trend towards tighter regulation of investment continued in 2021, and the ratio of measures less favourable to investment over those more favourable was the highest on record,[11] rising from 41 per cent in 2020 to 42 per cent in 2021. In the BRICS, the Russian Federation and South Africa adopted a more balanced approach, introducing policy measures to promote and facilitate investment while strengthening regulations at the same time (table 13).

Table 13. BRICS: Cumulative number of national investment measures, 2011-2021

	More favourable	Less favourable	Neutral/indeterminate
Brazil	23	4	4
China	61	10	17
India	69	10	9
Russia	24	22	7
South Africa	7	5	2
TOTAL	184	51	39

Source: UNCTAD.

4.1.1. Investment entry and establishment measures

Several BRICS countries, especially Brazil, China and India, adopted policies to further expand market access to foreign investors in the last five years.

Brazil

- Brazil introduced measures to expand market access to foreign investors in industries such as airport operations and electricity.
- In 2018, the country approved a bill allowing 100 per cent of foreign capital in airlines, and in 2019, opened the domestic air transport services market to foreign-owned operators.

[11] UNCTAD World Investment Report 2022: International tax reforms and sustainable investment. United Nations: New York and Geneva. https://unctad.org/system/files/official-document/wir2022_en.pdf

- In 2022, the country introduced liberalizing measures on the exploitation of offshore wind energy production.

China

- In 2018, China revised its foreign investment negative list for 11 pilot free trade zones, relaxing or removing restrictions on foreign investment in several industries.
- In 2019, China amended its national negative list and its negative list for free trade zones, lifting several restrictions on FDI in industries such as financial services, manufacturing, agriculture, radioactive mineral smelting and the pharmaceutical industry. Furthermore, China released the Special Administrative Measures for the Access of Foreign Investment in the Hainan Free Trade Port, enumerating industries and sectors that are restricted or prohibited for foreign investment in Hainan.
- In 2021, China further reduced the number of sectors restricted or prohibited for foreign investors from 33 to 31. China also abolished the restrictions on foreign shareholding in joint-venture life insurance companies and encouraged foreign investors to establish regional headquarters in China for fund management, procurement and sales. Comprehensive pilot programmes were approved on the opening of 12 services sectors to FDI in the Tianjin, Shanghai and Chongqing municipalities and in Hainan Province.

India

- In January 2018, India liberalized rules on inward investment in several industries including single-brand retail trading, airlines and power exchanges.
- In January 2019, India abolished the approval procedure used for foreign companies in defense, telecommunication and private security, among other industries, wishing to open branch offices under certain conditions.
- In 2020, India liberalized the digital news media industry and the defense sector: foreign ownership was allowed up to 26 per cent through the government approval route in the former industry and up to 74 per cent under the automatic route in the latter. India also amended its FDI policy on civil aviation, permitting non-resident Indian nationals to own up to 100 per cent (up from 49 per cent previously) of the stakes of Air India under the automatic route.
- In 2021, India increased the FDI ceiling on insurance companies from 49 per cent to up to 74 per cent. The country also shifted to allow 100 per cent foreign participation in the telecommunication services industry, including all services and infrastructure providers, through the automatic route. Thus, non-resident investors or Indian companies do not require any approval from the Government of India for the investment.

4.1.2. Investment promotion and facilitation

All BRICS countries introduced new measures to promote and facilitate foreign investment, including through simplification of registration and licensing procedures and strengthened investor protection.

Brazil

- In 2019, the Central Bank of Brazil simplified procedures for foreign investors in the financial sector.

- In 2020, Brazil simplified the entry procedures for foreign financial institutions and foreign investors and abolished the different treatment of foreign and domestic investors in the licensing process.
- In December 2021, Brazil enacted a new Law for the Foreign Exchange Market and International Capital (FX Law), regarding the elimination of unnecessary barriers to international capital and FDI flows. This law will come into force in December 2022.

China

- In 2019, China passed a new Foreign Investment Law, which entered into force on 1 January 2020, with an aim to improve the transparency of FDI policies and investment protection.
- In January 2020, China introduced regulations on the implementation of the new Foreign Investment Law, which emphasized equal treatment of domestic and foreign enterprises.
- In 2020 and 2021, China published a set of trial measures to promote foreign investment in the Yangtze River Delta area.

India

- In 2020, India eased the administrative regulations for foreign investors in certain industries by abolishing the requirement for approval from the Reserve Bank of India under certain conditions. The country also eliminated the approval procedure for foreign companies in defense, telecommunication and private security, among other industries, that wish to open branch offices.
- In 2021, India launched a national single window system to improve ease of doing business.

Russian Federation

- In 2020, the Russian Federation introduced agreements on the protection and promotion of investment as a new investment policy instrument. These agreements, to be concluded between public entities and private investors, were to provide stabilization clauses relating to import customs duties, measures of state support and rules regulating land use and ecological and utilization fees and taxes. Eligible investments need to fulfil certain minimum capital requirements, depending on the sector.

South Africa

- In 2018, South Africa launched the “InvestSA One-Stop Shop Initiative” as a focal point of the Government, coordinating and facilitating registration and licensing procedures for all investors.
- In 2019, the Protection of Investment Act entered into force in South Africa, as an important measure to strengthen investment protection, in particular following the termination by that country of a series of investment treaties.

During the COVID pandemic, investment promotion agencies in BRICS initiated various tools and programmes to support the operation of foreign investors. APEX-Brasil, the national trade and investment promotion agency of Brazil, developed a comprehensive online platform to provide exporters and investors with market intelligence on economic and trade information. China took steps to alleviate the administrative burden for firms and to reduce bureaucratic obstacles, including faster approvals for health care and medical equipment businesses, and the reduction of investment application fees. Invest India launched the Business Immunity Platform, as a comprehensive portal devoted to pandemic-related news and tools targeted at the investment community.

4.1.3. National security-related and other investment restriction measures

Several BRICS countries adopted new measures to address national security and related concerns and introduced restrictions on foreign investment in certain sectors that are deemed important for the economy.

China

- In 2019, China put in place national security review procedures for the acquisition by foreign investors of domestic enterprises and for the outbound transfer of intellectual property in the context of exporting technologies. In 2021, China's new Regulation on the Unreliable Entity List establishes a framework of restrictions or penalties on foreign entities deemed to endanger China's national sovereignty, security or development interests. Furthermore, the country strengthened its national security review of foreign investment by mandating pre-closing filings and authorizing the Government to review foreign investments in various sectors, including military, agriculture, energy, transportation and information technology.

India

- In 2020, India introduced several restrictive changes in its FDI policy for e-commerce. The new rules are reported to aim at safeguarding the interests of domestic offline retailers. In 2020, the country introduced a requirement that all investment originating from countries that share land borders with India must obtain prior governmental approval, to curb opportunistic takeovers or acquisitions of Indian companies during the pandemic.

Russian Federation

- In 2018, The Russian Federation introduced certain prohibitions for inward investment by offshore companies. It now also requires prior Government approval for foreign investment in certain transactions involving assets of strategic importance for national defense and state security. Russia is among the countries which have started reporting official data on FDI screening.

South Africa

- In 2021, South Africa introduced a screening mechanism for foreign investments in 2020, with the establishment of a special committee responsible for assessing whether a merger involving a foreign acquiring firm may have an adverse effect on national security.

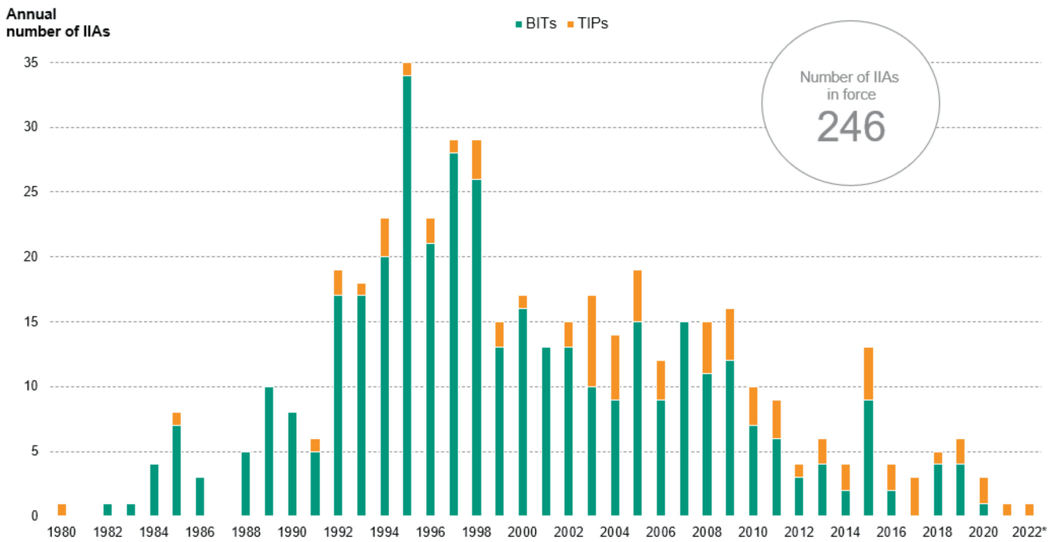
4.2. International Investment Agreements (IIAs) reforms in the BRICS

4.2.1. Overview of IIAs concluded by BRICS

The BRICS countries have collectively concluded a total of 460 international investment agreements (IIAs), including bilateral investment treaties (BITs) and treaties with investment provisions (TIPs) (Figure 6). Out of the 460 IIAs, 350 are signed or in force (table 14), and 110 have been effectively terminated. China has the largest IIA network among the BRICS, with a total of 150 IIAs (128 of which are in force), and the Russian Federation, the second highest number of IIAs with 85 signed (of which 69 are in force). India has the lowest number of IIAs, with only 25 signed (of which 17 are in force, after termination of a large number of old-generation IIAs). Brazil and South Africa have signed 46 and 49 IIAs, respectively, but only 17 and 19 of which, respectively, are in force.

BRICS economies have signed four BITs among them, including: the Brazil - India BIT (singed but not yet in force), the China - Russian Federation BIT (in force), the Russian Federation - South Africa BIT (in force), and the China - South Africa BIT (in force).

Figure 6. Number of IIAs concluded by BRICS, 1980–2021



Source: UNCTAD, IIA Navigator.[12]
Note: The annual numbers include all 460 IIAs (signed, in force or terminated).

Table 14. BRICS: 350 IIAs (BITs and TIPs) signed or in force

Economy	Total BITs (signed or in force)	Total TIPs (signed or in force)	Total IIAs (signed or in force)
BRICs	**275 (185 in force)**	**75 (61 in force)**	350 (246 in force)
Brazil	27 (2 in force)	19 (15 in force)	46 (17 in force)
China	125 (106 in force)	25 (22 in force)	150 (128 in force)
India	10 (6 in force)	15 (11 in force)	25 (17 in force)
Russian Federation	79 (63 in force)	6 (6 in force)	85 (69 in force)
South Africa	38 (11 in force)	11 (8 in force)	49 (19 in force)

Source: UNCTAD, IIA Navigator.[13]
Note: These numbers do not include IIAs that have been effectively terminated.

[12] UNCTAD Investment Policy Hub. International Investment Agreements Navigator. https://investmentpolicy.unctad.org/international-investment-agreements/by-economy
[13] UNCTAD Investment Policy Hub. International Investment Agreements Navigator. https://investmentpolicy.unctad.org/international-investment-agreements/by-economy

4.2.2. IIA reforms in the BRICS

The stock of IIAs (signed or in force) of the BRICS mostly consists of old-generation agreements that are in urgent need of reform. In particular, about 80 per cent of the IIAs (286 out of 350) were concluded before 2010, with 50 per cent of them dating back to the 1980s and 1990s (169 out of 350). These IIAs signed before 2010 typically feature broad provisions and include few exceptions or safeguards, and lack the sustainable development dimension that are usually featured in modern IIAs.

The BRICS countries, in particular Brazil, India and South Africa, have been making systematic efforts to reform their IIA regimes by terminating or renegotiating old-generation agreements and moving towards a new generation of IIAs.

IIA Reform in Brazil

Brazil developed a new BIT model, the Cooperation and Facilitation Investment Agreements (CFIAs) model, focusing on investment promotion and facilitation. The CFIAs include innovative articles dedicated to improving institutional governance, in particular through the establishment of Focal Points and Joint Committees to prevent and address disputes and advise on improvements in the business environment. It also features investment facilitation measures, for example through cooperation on business visas and transparency of procedures. In addition, the model includes substantive provisions dealing with expropriation, national treatment and most-favoured-nation (MFN) treatment, compensation for losses, and transparency.

Brazil operationalized a dispute prevention and State-State dispute settlement mechanism in its recent treaties, in line with the main pillars of its CFIAs model. Since 2015, Brazil concluded 13 BITs (most recently with India, Ecuador, Morocco, United Arab Emirates) and 3 TIPs. Brazil's CFIA model omits ISDS and was developed in the context of constitutional requirements that impeded the ratification of BITs signed by the country in the 1990s.

IIA reform in India

Following the adoption of the new Indian model BIT in 2015,[14] India initiated the termination of its existing BITs with a view to replace them with agreements aligned with its new model BIT. So far, over 70 treaty terminations have entered into effect. India has since signed 5 IIAs using its new model.

India's new model BIT includes a chapter on investor obligations, requiring investors to comply with host State legislation and voluntarily adhere to internationally recognized standards of corporate social responsibility (CSR). In addition, it includes an ISDS mechanism that provides, amongst others, for exhaustion of local remedies prior to commencing arbitration and strict timeframes for the submission of a dispute to arbitration.

IIA Reform in South Africa

South Africa initiated a review of its international investment policy in 2008. Consultations involving a wide range of stakeholders took place over a three-year period. The review identified a range of concerns associated with BITs, notably the broadly drafted standards of protection and the risk of investment disputes. The review led to a decision by the South African government in 2010 to develop

[14] UNCTAD. Model Text for the Indian Bilateral Investment Treaty. https://investmentpolicy.unctad.org/international-investment-agreements/treaty-files/3560/download

a new investment bill to codify investment protection provisions into domestic law, to terminate BITs and offer partners the possibility of renegotiating their IIAs and, to refrain from entering into BITs in the future, unless there are compelling economic and political reasons for doing so. The Promotion and Protection of Investment Bill was published in 2013 for public comment and was passed by the National Assembly in 2015. The new law includes important investment protection commitments while preserving the right of South Africa to pursue legitimate public policy objectives.

The AfCFTA Protocol on Investment, currently under negotiation, aims at promoting, facilitating and protecting intra-African investment that fosters sustainable development while safeguarding the State Parties' right to regulate. The Negotiating Principles for the Protocol recognize UNCTAD's work on IIA reform and refer to its Investment Policy Framework for Sustainable Development and its IIA Reform Accelerator. UNCTAD continues to provide technical support to the African Union and the AfCFTA Secretariat in the process leading to the conclusion of the Protocol.

China and the RCEP

In addition to its efforts to reform its national investment regime, China proactively participated in the conclusion of regional IIAs, in view of the rising importance of these IIAs in the global investment governance. Most notably, China is a member of the Regional Comprehensive Economic Partnership (RCEP) and negotiated the China-EU Investment Agreement.

The RCEP agreement contains a chapter on investment that features reform-oriented provisions such as the inclusion of a refined definition of investment, specifying in a non-exhaustive manner the characteristics that a covered investment should have (such as commitment of capital or other resources, expectation of gain or profit, and the assumption of risk) and the forms that an investment may take. Provisions on investment promotion and facilitation are included, which include simplification of procedures for investment approvals and the establishment of one-stop investment facilitation centers.

5. Policy coordination and the way forward

The BRICS have seen both their FDI flows and their share in global flows substantially increase over the past 20 years. This is true for all BRICS economies even accounting for the weight of China and to a lesser extent India as global destinations for investment. While FDI to the BRICS was negatively impacted by the COVID-19 pandemic, the grouping showed more resilience than other economies. The BRICS recovered well, in 2021, achieving record highs both for FDI inflows and outflows. The overall trend of favorable investment policy measures over the past 10 years has played an important role in attracting international investment to the bloc.

It is important to note that, in addition to the coordination of policies at the international level, the BRICS countries have adopted a number of important initiatives to strengthen cooperation on promoting intra-group investment in recent years, in particular in view of the impact of the pandemic and increasing uncertainties in the world economy and associated challenges faced by the group. These initiatives cover a number of key policy areas, in particular in investment facilitation, climate change and investing in sustainable development. These initiatives, among others, include: the Outlines for BRICS Investment Facilitation (2017), the BRICS MoU Trade and Investment Promotion (2019), the Strategy for BRICS Economic Partnership 2025 (2020), Intra-BRICS Cooperation for Continuity, Consolidation and Consensus (2021), and the Initiative on Trade and Investment for Sustainable Development (2022) (see annex 1).

Since the outbreak of the COVID-19 pandemic, the BRICS trade and investment workstream also made efforts to improve the functioning of global and regional supply chains and the promotion of investments in key sectors such as manufacturing and transportation. Recognizing the importance of improving resilience of the BRICS as favoured destinations for investment in spite of the COVID-19 pandemic, the BRICS Contact Group on Economic and Trade Issues (CGETI) also encouraged further efforts to promote a favorable environment for investments for sustainable development, in particular in enhancing transparency and streamlining national administrative procedures and requirements.

Looking ahead, it is expected that the group will continue building on the commitments and recommendations from previous years and strengthening investment cooperation in areas such as investment facilitation and financing, the digital economy, and improving the resilience and stability of global and regional supply chains. A challenge is how to operationalize existing initiatives agreed by the BRICS and generate visible benefits for sustainable and inclusive development in all its members through capital formation, job creation and more balanced trade among the BRICS.

Meanwhile, it would be important that the work being developed under the Trade and Investment Ministers' track is coordinated with the work being undertaken by the Finance Ministers and Central Bank Governors' track related to investment. The BRICS Task Force on PPPs and Infrastructure, under the finance track has produced positive results, such as the Technical Report on "Social Infrastructure: Financing and Use of Digital Technologies". Such joint efforts by the BRICS, aligned with development policy recommendations from organizations such as UNCTAD, can create the conditions for sustainable economic recovery, growth and investment.

Towards this end, UNCTAD provides a set of recommendations that can positively impact the investment climate and contribute to win-win outcomes for BRICS economies in terms of raising the level of investment and improving its contribution to sustainable development.[15] The recommendations broadly fall into four categories: i) investment promotion and facilitation; ii) sustainable financial products and projects; iii) infrastructure investment; and iv) investment in a new generation of manufacturing. The emphasis is on practical measures that can accelerate implementation.

i. *Further institutionalize collaboration on investment promotion and facilitation.* Since it may be premature to formalize investment cooperation through an IIA agreement at the group level, cooperation on investment issues could be better served by focussing on investment promotion and facilitation. This is already happening at the multilateral level, for example in the negotiations on investment facilitation at the WTO, but as concrete efforts to implement BRICS' existing initiatives on investment facilitation, the group could already move ahead with the establishment of a cooperation mechanism at the group level, complemented by bilateral arrangements. Key to the success of cooperation is a clear mandate for such a mechanism. The BRICS Investment Facilitation Action Plan can serve as guidelines. Existing bilateral cooperation, for example, between APEX and the China Council for International Investment Promotion (CCIIP), the national IPAs of Brazil and China, as well as between Brazil and India, through their recently signed Investment Cooperation and Facilitation Treaty (2020), can be further strengthened and serve as a model. Practical activities and measures could include the exchange of information and market intelligence, promotion of investment in prioritized sectors, joint facilitation of key projects, and dispute prevention and settlement.
ii. *Leverage sustainable finance for investment in green projects.* BRICS economies are now important financial markets, both globally and especially in the developing world. Moreover,

[15] The recommendations are in light of the outcomes and policy proposals of previous BRICS Summits and the work of the BRICS Trade and Investment Working Group.

sustainable finance has been growing rapidly in BRICS economies.[16] China has become a leading issuer of green bonds. The green bond market is also developing rapidly in some other BRICS countries and can be leveraged to encourage investment in sustainable infrastructure and in green projects. Sustainable financial products could be further jointly developed and distributed by BRICS financial institutions. Cooperation of this kind should also focus on the harmonization and mutual certification of green project standards, as well as disclosure standards and requirements (at project and product levels). The development of mutually certified green financial products can be an important tool to mobilize investment by BRICS as well as attract investment from international financial institutions and other investors. Such steps are also aligned with the BRICS' objectives of transitioning to low carbon economies and can help meet the BRICS' international commitments in this area.

iii. *Promote investment in infrastructure.* With an enhanced policy framework on public-private partnerships (PPPs) at the national level in all BRICS countries (see annex 2), BRICS could more effectively collaborate on increasing investment in infrastructure. One avenue to explore is how to leverage the role of the New Development Bank, and its relationship with national development banks. Once more experience is gained in debt financing and blended finance with private partners, equity investment in infrastructure can also be explored, with the participation of financial institutions as long-term investors. In order to leverage institutional investment in infrastructure, market access needs to be addressed at the national level.

iv. *Support investment in new manufacturing.* The BRICS economies can identify manufacturing sectors with high complementarities, such as renewable energy, where all the economies in the BRICS have already developed capacities along various links in the renewables value chain. The BRICS could ensure mutual market access in these industries to address trade barriers and encourage intra-BRICS investment in the sector. Priority industrial segments could include processing activities (value chain upgrading in natural resource markets), and market seeking investments (producing near the end consumption market).

The group should continue to move forward with regards to investment cooperation, as well as wider south-south assistance to developing economies and LDCs, and UNCTAD stands ready to support future collaboration among the BRICS economies in that direction. UNCTAD can provide technical assistance to the BRICS regarding some of the recommendations above, such as those related to the implementation of investment facilitation measures and sustainable finance. UNCTAD will also continue to provide assistance in promoting investment in the SDGs, including through cooperation among BRICS countries and between the bloc and the rest of the world.

[16] UNCTAD World Investment Report 2022: International tax reforms and sustainable investment. United Nations: New York and Geneva. https://unctad.org/system/files/official-document/wir2022_en.pdf https://unctad.org/system/files/official-document/wir2022_ch04_en.pdf

Annex 1 – Background on BRICS economic collaboration

A meaningful coordination mechanism supporting the progress regarding economic relations in the BRICS was the establishment of the mechanism of Trade Ministers Meeting in 2011 – the same year in which South Africa joined the group. Since then, this mechanism has focused on addressing joint challenges and objectives, with the efforts of all members, helping to steadily improve BRICS economic cooperation and, specifically trade and investment cooperation. Some results from this collaboration can be seen in the outcomes achieved at the Summit level of the bloc since then:

- 3rd Summit – Sanya, China (2011): South Africa officially enters (BRICS). The need to reform global governance in the area of economics and finance is reaffirmed; encouraging the use of renewable energies and the peaceful use of nuclear energy; commitment to the UN Millennium Development Goals (MDGs).
- 4th Summit – New Delhi, India (2012): Start of discussions for the creation of the New Development Bank. Agreement for facilitating credit in local currency (promoting trade and investment between members) signed.
- 5th Summit – Durban, South Africa (2013): theme "BRICS and Africa: Partnership for Development, Integration and Industrialization". It marked the beginning of the BRICS external dialogue exercise, known as “outreach”, for greater cooperation with emerging economies, developing countries and IOs. On the Trade Ministers’ level, recognizing that investment and investment facilitation is an important area of cooperation in BRICS, they agreed upon the BRICS Trade and Investment Cooperation Framework.
- 6th Summit – Fortaleza, Brazil (2014): theme “inclusive growth, sustainable solutions”. Creation of the New Development Bank (NDB), with the objective of mobilizing resources for the financing of infrastructure and sustainable development projects in developing countries, and of the Contingent Reserve Arrangement (CRA), a reserve fund for mutual support/liquidity to the BRICS in possible scenarios of crisis in the Balance of Payments, providing more security for investments in the member economies. On the Trade Ministers’ level, there was agreement on the BRICS Trade and Investment Facilitation Action Plan in 2014.
- 7th Summit – Ufa, Russia (2015): theme “BRICS Partnership – A thriving factor in global development”. The NDB and CRA agreements were signed, after ratification by the five countries. The “Strategy for the BRICS Economic Partnership” (for the diversification of trade and investment between members, also highlighting the importance of investment facilitation). Cooperation agreement was signed between the Development Banks of BRICS countries and the NBD.
- 8th Summit – Goa, India (2016): Theme "Building Inclusive and Collective Solutions". Discussion on world economic recovery was held, including: fiscal and social responsibility, NDB development, investment attraction and economic growth.
- 9th Summit – Xiamen, China (2017): Theme "BRICS: Stronger Partnership for a Brighter Future". Action Plan for Cooperation in Innovation (2017-2020), BRICS Action Plan on Economic and Trade Cooperation, BRICS Strategy for Customs Cooperation and MoU between the NDB and the BRICS Business Council were signed. On the Trade Ministers’ level, the economies endorsed the Outlines for BRICS Investment Facilitation. The Outlines compiled some existing good practices of BRICS countries to enhance transparency, improve efficiency and promote cooperation.
- 10th Summit – Johannesburg, South Africa (2018): Theme “BRICS: Collaboration for Inclusive Growth and Shared Prosperity in the 4th Industrial Revolution”. The Agreement on the Installation of the Headquarters of the NBD Americas Regional Office in Sao Paulo and the MoU on the

Regional Aviation Partnership were signed. The BRICS Innovation Network, iBRICS, was created.

- 11th Summit – Brasilia, Brazil (2019): Theme "BRICS: economic growth for an innovative future". Commitment to transparent, non-discriminatory, open, free and inclusive international trade (with greater participation of developing countries in global value chains). Main outcomes: MoU between Trade and Investment Promotion Agencies, and formalization of the BRICS Innovation Network (iBRICS); New Architecture in Science, Technology and Innovation (ST&I), BRICS Women's Business Alliance; Terms of Reference of the BRICS Energy Research Cooperation Platform; BRICS Business Forum brought together around 500 businessmen.
- 12th Summit – Moscow, Russia (virtual, 2020): Theme "BRICS Partnership for Global Stability, Shared Security and Innovative Growth". Cooperation to address the COVID-19 crisis, recognizing the importance of coordinated action, apart of immunization. They welcomed efforts to support low-income countries such as the Debt Service Suspension Initiative (DSSI), approved at the IMF with the bloc's support, in addition to emergency credit measures from the IMF and the World Bank. Support for the NDB expansion process (geographically balanced). At the 10th Meeting of the BRICS Trade Ministers, It was highlighted that the BRICS strengthened its position in world economy despite the pandemic, maintaining their investment attractiveness, and the bloc signed the BRICS Understanding on Investment Facilitation.[17] There was also the approval of Guidelines for Promoting Effective Participation of Micro, Small and Medium Enterprises (MSMEs) in International Trade and the adoption of the Joint Statement on Multilateral Trading System and the WTO Reform.
- 13th Summit – New Delhi, India (virtual, 2021): Theme "BRICS @ 15: Intra-BRICS Cooperation for Continuity, Consolidation and Consensus". Finalization of the Agreement on BRICS Cooperation and Mutual Administrative Assistance in Customs Matters; adoption of the Action Plan 2021-2024 for Agricultural Cooperation, Innovation Cooperation Action Plan 2021-2024 and the BRICS Alliance for Green Tourism. Commitment to implement the Strategy for BRICS Economic Partnership 2021-25. Recognizing that we are entering the "Decade of Action" for the implementation of the SDGs, the BRICS agreed to prioritize the effective and efficient use of technology and data for development. There was advancement of BRICS investment cooperation through initiatives such as the BRICS Partnership on New Industrial Revolution (PartNIR) and cooperation for the establishment of the Center for Industrial Competences, as well as the BRICS PartNIR Innovation Centre in China and BRICS PartNIR Startup events from India. Additionally, Workshops in Services Trade Statistics enabled sharing of best practices and learning from each other to bridge the gap in services data compilation methodologies (which includes mode 3: FDI). The MSME Roundtable was held to promote best practices amongst BRICS countries. India has also organized a number of B2B events through the BRICS Business Council and the BRICS Women's Business Alliance to advance business cooperation.
- The 12th Meeting of BRICS Trade Ministers, which recently happened in China, showed the continuation of such developments, which also demonstrate alignment of UNCTAD policy recommendations on the area of investments, such as the UNCTAD Global Action Menu for Investment Facilitation,[18] the IPA Observer edition on Promoting Green FDI,[19] the recent

[17] BRICS Understanding on Investment Facilitation, 2020. https://brics-russia2020.ru/images/53/21/532176.pdf
[18] UNCTAD (2017). Global Action Menu for Investment Facilitation. https://investmentpolicy.unctad.org/uploaded-files/document/Action%20Menu%2023-05-2017_7pm_web.pdf
[19] UNCTAD (2016). IPA Observer. Promoting Green FDI: Practices and Lessons from the Field, n.5. 2016.. https://unctad.org/system/files/official-document/webdiaepcb2015d6_en.pdf

UNCTAD eWeek,[20] focusing on data and digitalization for development, as well as the most recent Investment Trends Monitor (Issue 41),[21] on Digital MNEs and the need for global digital governance.

Annex 2. BRICS national initiatives on PPPs and infrastructure investment

While clearly recognizing the importance of investment, and more specifically FDI, the BRICS countries have recognized infrastructure investment as playing a central role in sustainable development, as highlighted by the work of the BRICS Task Force on PPP and Infrastructure. With the increasing demand and the expanding areas of infrastructure on the one hand, and the increasing fiscal constraints on the other, governments encourage the participation of private sector investors, leveraging their capital, technology and management expertise. The PPP regulatory framework is under ongoing improvement in all the members of the bloc.

Brazil

In 2020, Brazil government linked the Special Secretariat for Investment Partnerships (PPI) – specific administrative structure focused on PPPs – to the Ministry of the Economy (MoE), streamlining management related to it. PPP projects are given top priority in a wide range of infrastructure sectors, taking private investment as a priority. PPI acts as a governmental facilitator of main infrastructure projects.

The MoE also launched the Investment Monitor, which is a digital platform aiming at disseminating important information on investment and sustainability in key economic sectors and disclosing information of projects under development and at operational stages from several electronic platforms (including the PPI, the Ministry of Infrastructure, the BNDES Projects' Hub and Regulatory Agencies). Furthermore, the Ministry of Infrastructure's website now displays an interactive national map, in which users can seek out projects under development through information filters, such as its sector and status.

Brazilian National Congress had also issued Law No 13655 of 2018, which established guidelines for decision-making processes, promoting a more efficient environment for the creation and application of regulations and making it easier and safer for authorities to take technical-based investment decisions (as opposed to pure low-cost decisions). It also updated its procurement law, through Law 14.133/21 ("New procurement Law"), improving and simplifying regulations related to procurement and positively impacting the PPP sector.

China

China has established a comprehensive PPP regulatory framework in recent years, including policies, guidelines, laws, model contracts, standards and laws since 2014, when PPP policies began to be made, and mechanisms are being improved to regulate PPP project process, disclose information on projects, experts and agencies, and fairly select private sector partners.

China's 13th and 14th Five-year Plans (2016-2020 and 2021-2025) have vigorously focused on attracting investments and promoting the PPP model. The National Development and Reform Commission and the Ministry of Finance are both in charge of investment policies with coordinated

[20] UNCTAD eCommerce Week 2022: Data and Digitalization for Development, 2022. https://unctad.org/eweek2022
[21] UNCTAD (2022). Global Investment Trends Monitor, n. 41. https://unctad.org/webflyer/global-investment-trends-monitor-no-41

efforts. The country has also upgraded the National PPP Integrated Information Platform under the Ministry of Finance with modern IT technologies such as artificial intelligence, blockchain, cloud computing and big data, comprehensively improving services and supervision.

In recent years, the country has issued a series of policies to encourage financial institutions to adopt green finance, encouraged banks and other financial institutions to finance PPP projects, and boosted the supporting and guiding role of the China PPP Fund and provincial PPP funds. At the third quarter of 2022, the country also intends to launch a state infrastructure investment fund worth 500 billion yuan ($74.69 billion) to spur infrastructure spending.

India

India has a robust PPP ecosystem recently developed at the sub-national and national levels, with a Public Private Partnership Appraisal Committee to streamline evaluation of all PPP projects. In 2019, the Project Monitoring Group (PMG) was merged with Invest India, linked to the Department for Promotion of Industry and Internal Trade (DPIIT) of the Ministry of Commerce, helping streamlining management and decision making related to PPP projects. Additionally, three National level programs launched in 2021 – National Monetization Pipeline (NMP), National Infrastructure Pipeline (NIP), and PM Gati Shakti Master Plan for Multi-Modal Connectivity – have strengthen the overall approach to infrastructure with an impetus to attract private investments to complement governmental initiative.

In 2021, India has also set up a new Development Financial Institution (DFI), the National Bank for Financing Infrastructure and Development, to provide infrastructure financing for long-term infrastructure projects under National Infrastructure Pipeline, which can also stimulate FDI in the sector. India now also offers Viability Gap Funding (VGF) as financial support in the form of grants to infrastructure projects undertaken through PPPs which are economically justified but commercially unviable.

Furthermore, the Indian government has recently developed various platforms that provide information about the investment projects and opportunities, and allow to monitor the progress of projects, apart of improving and linking to the PPPinIndia Website. The platforms include National Infrastructure Pipeline Portal (2021), Unified Logistics Interface Platform (2021), Asset Monetization Portal (2021).

Russia Federation

Russia's government has introduced an "infrastructure menu", which is a new measure to develop infrastructure, regulated by numerous legal acts. The "infrastructure menu" is tailored to solve issues related to the development of social and urban infrastructure, as well as the transportation, using tools such as infrastructure bonds and loans. Such measures can also be used to finance PPP projects implementation.

Russia has developed the ROSINFRA digital platform, where regional PPP information is published, domestic PPP priorities are analyzed and research reports are complied. In 2021, a digital project office was launched on this platform, allowing regional and municipal authorities, investors, consultants and financing organizations to jointly participate in investment projects preparation and implementation.

In September 2021 the Russian Green Taxonomy was adopted, covering industry, transport, water supply, waste management, energy, construction, biodiversity and agriculture. Such taxonomy helps the issuance of green bonds, which are actively issued by several regions, including the city of Moscow, and state companies.

South Africa

South Africa has developed a detailed legislative framework for international and partnership investments, which is currently undergoing update and review, with the support of the World Bank. In September, the National Treasury started this review, aiming at improving effectiveness and encouraging private sector participation. The National Treasury has presented the recommendations in a first round in March 2021. Such recommendations are currently under implementation.

The Government also announced an Infrastructure Fund in 2018, which creates an opportunity for more partnerships between government and the private sector through the use of blended finance. It follows a pipeline of projects for PPP, which was developed with the private sector. In South Africa, the majority of investment projects now use project finance structuring, and the departments with investment initiatives can apply for Project Development Facility to cover development costs for the project, strengthening the potential of the project to attract investors.

The South African Economic Reconstruction and Recovery Plan[22] presented to Congress by President Cyril Ramaphosa in 2020 emphasizes green economy interventions, which shows a recent focus on the environmental sustainability of investments, including through PPP.

[22] President Cyril Ramaphosa: South Africa's Economic Reconstruction and Recovery Plan https://www.gov.za/speeches/president-cyril-ramaphosa-south-africa%E2%80%99s-economic-reconstruction-and-recovery-plan-15-oct