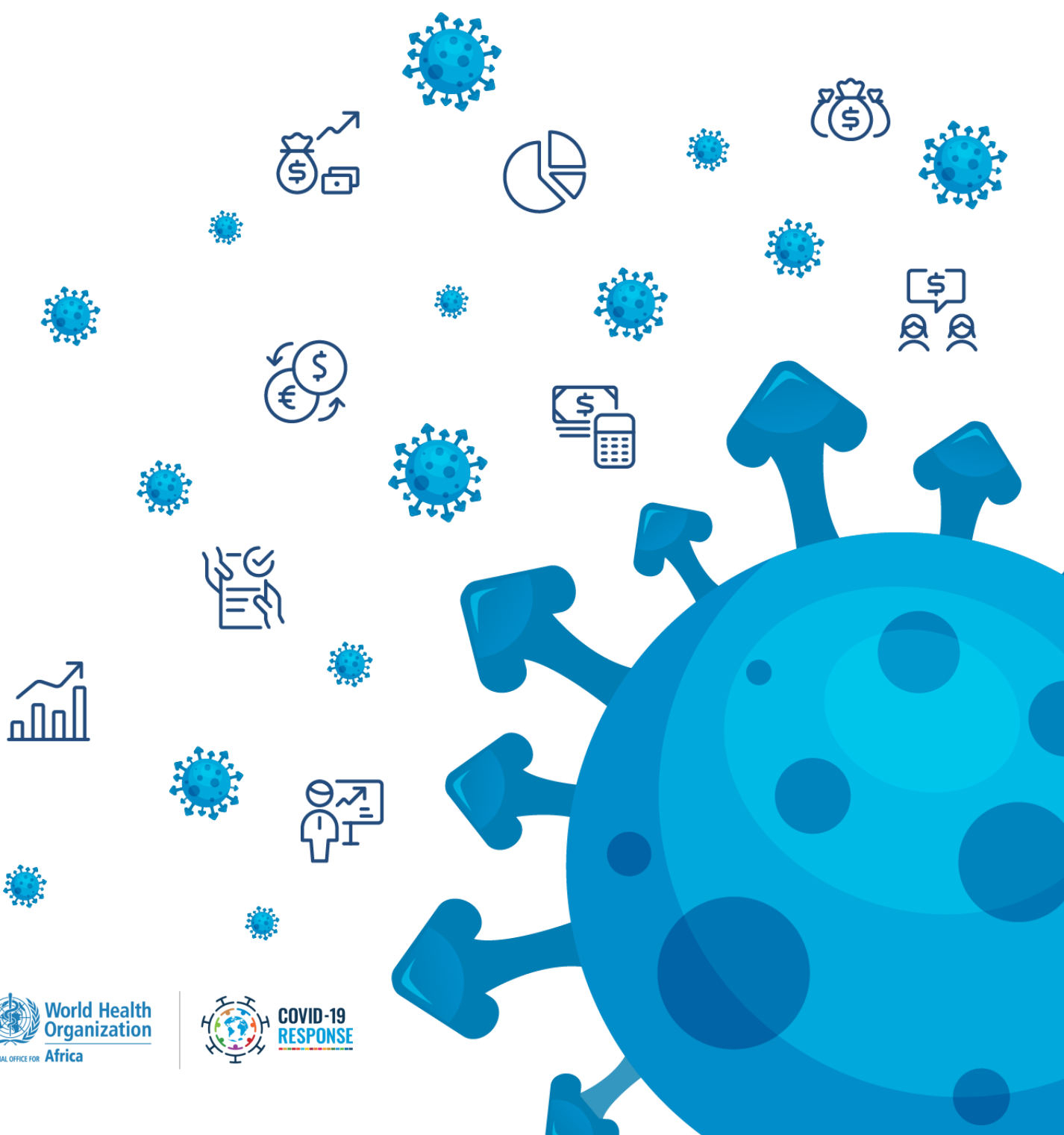


Investment





In addition to the health emergency, the COVID-19 pandemic has led to a profound economic crisis in many economies¹ and a rapid drop in investment flows across the globe hitting developing countries the hardest. The health and economic crises in turn led governments to take mitigation measures as a response including lockdown measures but that slowed existing investment prospects and caused multinational enterprises to reassess new projects². The economic crisis in Africa is exacerbated by lower trade and investment from China in the immediate term, a demand fall associated with the lockdowns in the European Union and OECD countries, and a continental supply shock affecting domestic and intra-African trade³.

Global flows of Foreign Direct Investment (FDI) have been significantly reduced and, in 2020, it fell by one third to \$1 trillion, well below the low point reached after the last global financial crisis. In Africa, UNCTAD estimates FDI flows to the continent to have declined by 16% in 2020 to \$40 billion, from \$47 billion in 2019 while FDI outflows from Africa fell by two thirds in 2020 to \$1.6 billion, from \$4.9 billion in 2019⁴. The decline in investment flows in Africa primarily affected tourism, leisure, energy, aviation, hospitality, and manufacturing sectors⁵ and the trend is projected to persist into the future⁶.

Given international investment flows are vital for sustainable development in the poorer regions of the world⁷, the dramatic fall in FDI is a major concern. The pandemic has rolled back progress made in reducing the investment gap achieved following the adoption of the SDGs. SDG-relevant greenfield investment in developing regions is now 33% lower than before the pandemic, and international project finance is down by 42%. This decline is much larger in developing countries than in developed countries⁸ and IMF estimates that delivering on the SDG agenda will require additional spending in 2030 of US\$0.5 trillion for low-income developing countries and US\$2.1 trillion for emerging market economies⁹.

¹ <https://www.oecd.org/investment/investment-responses-to-covid-19.htm>

² <https://sdg.iisd.org/news/unctad-report-details-covid-19-impacts-on-investment-flows/>

³ <https://www.oecd.org/coronavirus/policy-responses/covid-19-and-africa-socio-economic-implications-and-policy-responses-96e1b282/>

⁴ <https://unctad.org/news/covid-19-slashes-foreign-direct-investment-africa-16>

⁵ ECA. 2021. Africa's quarterly economic performance and outlook January–March 2021. Addis Ababa, Ethiopia

⁶ <https://sdg.iisd.org/news/unctad-report-details-covid-19-impacts-on-investment-flows/>

⁷ <https://unctad.org/webflyer/world-investment-report-2021>

⁸ https://unctad.org/system/files/official-document/wir2021_en.pdf

⁹ IMF. 2019. Fiscal Policy and Development: Human, Social, and Physical Investment for the SDGs. Also available on: <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2019/01/18/Fiscal-Policy-and-Development-Human-Social-and-Physical-Investments-for-the-SDGs-46444>



Many African governments have adopted emergency policy measures to protect public health and to support investors and investments during the pandemic (e.g. finance assistance programs). However, some policy measures such as company closures, export control measures, and lockdown regulations have negative impacts on investments¹⁰. While economic and FDI recovery depends on the duration of the health crisis and on the effectiveness of the policies mitigating the pandemic's economic effects¹¹, there is improvement projection for 2021 although that is primarily driven by developed economies and by East and South-East Asia¹².

¹⁰ https://unctad.org/system/files/official-document/wir2021_en.pdf

¹¹ <https://sdg.iisd.org/news/unctad-report-details-covid-19-impacts-on-investment-flows/>

¹² https://unctad.org/system/files/official-document/wir2021_en.pdf