

ECOSOC High Level Segment - 2004

Issues Paper for ECOSOC Investment Forum Roundtable B: “Attracting foreign direct investment in LDCs”

Hosted by UNCTAD

28 June 2004

3:35 p.m. – 5:30 p.m.

Conference Room 6

Foreign direct investment (FDI) can make a contribution to development by bringing capital, technology, skills and access to markets. Global FDI flows were around \$650 billion last year, and are expected to be of a similar magnitude this year. Flows to developing countries are about \$160 billion this year. This compares to some \$40 billion world FDI flows during the beginning of the 1980s.

The least developed countries (LDCs), too, receive FDI – some \$ 5 billion this year. This corresponds to 3% of flows to developing countries. This amount is not insignificant: it represents some 7% of the gross domestic capital formation of LDCs (compared to 11% for the developing countries as a group) and is about three fifths of the bilateral official development assistance these countries receive.

But it is not enough to help accelerate the development process of LDCs. Hence all LDCs seek to attract FDI, as a complement to domestic investment. This is not an easy task: the world market for FDI is highly competitive as virtually all countries (and frequently also provinces and cities) seek to attract FDI and, equally important, seek to benefit from it as much as possible.

In this context, this Roundtable seeks to focus on the following three sets of questions:

1. What can be done – by host countries, home countries, transnational corporations (TNCs), the international community – to reduce the risk of investing in LDCs? This is a question of particular importance as regards capital intensive infrastructure projects and in the context of sudden and steep devaluations.
2. What can investment promotion agencies (IPAs) of LDCs do – beyond what they are already doing – to attract more FDI, especially of the type they seek most? Are there any niches LDCs should explore? How can they benefit from the offshoring of services?
3. What can be done – by host and home countries, TNCs, the international community, – to increase the benefits LDCs derive from FDI?

More specifically, the Roundtable seeks to develop, in an interactive manner, concrete new ideas for each of these three sets of questions – and each of the panelists is invited to contribute in this respect.
