World Investment Report 2024: Investment facilitation and digital government

DOI:
10.1057/s42214-024-00208-0

Document Version
Accepted author manuscript

Citation for published version (APA):
Giroud, A., & Bonilla-Feret, S. (2025). World Investment Report 2024: Investment facilitation and digital government: United Nations Conference on Trade and Development, Geneva and New York, 2024, ISBN 978-9210031349. *Journal of International Business Policy*. Advance online publication. https://doi.org/10.1057/s42214-024-00208-0

Published in:
Journal of International Business Policy

Giroud Axèle, Bonilla-Feret Stephania (2025) World Investment Report 2024: Investment Facilitation and Digital Government – A Review.

Cite this article: Giroud, A., Bonilla-Feret, S. (2025) World Investment Report 2024: Investment facilitation and digital government. *Journal of International Business Policy*. https://doi.org/10.1057/s42214-024-00208-0

Published online 9 January 2025

Every year, the United Nations Trade and Development's (UNCTAD) publishes its annual World Investment Report (WIR). The WIR is a flagship publication that reviews global investment trends and policies, multinational enterprises' (MNEs) activities, global sustainable finance, with a focus on investment and finance to achieve Sustainable Development Goals (SDGs) and explores a thematic issue of importance for the year of publication (see Giroud & Ivarsson, 2020; Azémar & Giroud, 2023; Giroud, 2024). This year's 34th report includes three recurring chapters and one thematic chapter. Chapter 1 presents recent trends in foreign direct investment (FDI) and an overview of MNEs strategies, with a focus on SDG Investments. Chapter 2 reviews national and international investment policies adopted by countries around the world. Chapter 3 covers latest progress with sustainable finance and responsible investment. The thematic chapter (Chapter 4) focuses on Investment Facilitation and Digital Government. In this review, we first introduce the recurring chapters before critically evaluating the thematic Chapter 4.

Recent trends in foreign direct investment

Chapter 1 shows global FDI has stagnated at $1.3 trillion in 2023, following a decline of 2% from 2022, amid the global economic slowdown and rising geopolitical tensions (UNCTAD, 2024, p.3). However, global FDI flows dropped by more than 10%, if flows to conduit economies are excluded. By type, cross-border M&As fell sharply by 46%, mostly in the services sector (especially the ICT sector, ibid, p. 23). The growth of 2% in announced greenfield projects occurred predominantly in manufacturing – global value chain (GVC)-related sectors such as automotives, textiles, machinery and electronics, with supply chain diversification pressures as a key driver (ibid, p.22). The value of international project finance deals dropped sharply, including in SDG-related sectors such as in renewable energy (ibid, p.23). Investments in sectors linked to the Sustainable Development Goals (SDGs) were down for renewable energy and for water, sanitation and hygiene (WASH), but increased in infrastructure, agrifood systems and health and education (ibid, p. 29). The report mentions that the decline in SDG investment will exacerbate the annual $4 trillion gap in investment needed for developing countries to meet the SDGs by 2030.

By region, FDI flows to developing countries fell by 7% to $867 billion (ibid, p.6). Developing Asia experienced a decline by 8% (ibid, p.13), including a decline in flows to China (for the first time in a decade); nonetheless the region still accounts for almost half of global inflows (with FDI totalling $621 billion). In Africa, FDI was down 3%, but the number of greenfield projects increased by 7% (ibid, p.12). The continent attracted global megaprojects - 6 were valued above $5 billion (e.g., an announced $34 billion green hydrogen project in Mauritania, and a $6.4 billion electric vehicle battery project in Morocco by a Chinese manufacturer, ibid, p. 13). FDI to Latin America and the Caribbean remained stable overall. Greenfield projects in the region resulted from rising demands for commodities and minerals critical for clean energy technologies. Flows to least developed countries' (LDCs) increased by 17%. Nonetheless, their share in global FDI is still very small (2.4%), especially relative to the size of their population (14% of world's population, ibid, p.15), and it is also highly concentrated in only 5 (out of 45) countries (namely Cambodia, Ethiopia, Bangladesh, Uganda and Senegal).

FDI flows to developed countries are up 9%, but this hides fluctuations due to MNEs' ongoing financial transactions (in part the result of efforts to implement a global minimum tax rate on the corporations' profits). For Europe, excluding investment to conduit economies, FDI is down 14% (ibid, p. 6). Prospects for 2024 are uncertain. MNEs adopt a cautious approach in the face of rising trade and geopolitical risks, changing industrial and investment policies and concerns over global economic fracturing (ibid, p. xi).

Investment policy trends

Chapter 2 examines national and international investment policy developments, focusing on measures explicitly targeting FDI as well as broader investment policies that indirectly affect FDI. In 2023, investment policymaking was shaped by two contrasting trends: most measures (72%) were favourable to investors, reflecting a growing emphasis on investment facilitation, while there was also a notable increase in entry restrictions, particularly in developed countries.

Policy measures that are favourable to investors include liberalization, promotion, facilitation measures as well as incentives for investment (ibid, p.48). Among these, liberalization measures—such as the opening of sectors to FDI, privatization, and the removal of screening requirements—continued to decline globally, while investment incentives have grown significantly, to account for one-third of favourable measures, despite ongoing international tax reforms that may reduce their effectiveness in attracting MNEs (ibid, p. 50, 51).

Investment facilitation (the report's main theme) measures accounted for a record 39% of globally implemented investor-friendly policies in 2023 (ibid, p. 52). Facilitation measures include streamlining procedures related to investment (e.g., single windows), facilitation services including support to investors provided by investment promotion agencies or special economic zones (SEZs), and transparency measures such as online information portals to improve regulatory clarity. Countries use facilitation measures to both attract inward FDI and promote outward FDI (OFDI). To promote OFDI, countries offer support such as advisory assistance, coordination of economic missions abroad, and preparation of feasibility and risk analyses.

Investment facilitation has gained momentum at the multilateral level. For instance, the Investment Facilitation for Development Agreement was recently finalized by World Trade Organization participating members (ibid, p.71). New-generation international investment agreements (IIAs) increasingly emphasize facilitation, sustainable development, and cooperation (ibid, p. 66-67). A notable example includes the Investment Protocol of the African Continental Free Trade Area (AfCFTA).

Although most investment measures adopted globally are favourable to investors, the geopolitical landscape has influenced a rise in the adoption of FDI-specific entry restrictions, notably screening mechanisms in critical sectors. In 2023, countries that adopt screening mechanisms citing national security concerns together represent half of global FDI flows and three-quarters of global FDI stock (ibid, p. 57).

FDI restrictions are increasingly embedded in policies that aim to regulate OFDI, shaped by a mix of geopolitical and sustainability objectives (to advance the 2030 Sustainable Development Agenda) (ibid, p.61). Many OFDI schemes now incorporate criteria that prioritize benefits to host countries, such as promoting economic development or addressing sustainability goals, and are increasingly integrated as part of broader development assistance strategies.

There is a clear divergence in the policy approaches of developed and developing countries. Developing countries remain focused on investment attraction, with favourable measures accounting for 86% of their policies in 2023, compared to just 43% in developed countries (ibid, p. 49). While developing economies prioritize facilitation and incentives to attract FDI, developed countries are increasingly cautious, placing greater emphasis on entry restrictions in critical sectors, frequently invoking national security concerns.

Sustainable finance trends

Chapter 3 describes recent trends in sustainable finance. It mentions that in 2023, the mobilization of funds for SDG investment through sustainable finance products increased 20% to over $7 trillion (ibid, p. 79), and there were positive trends in sustainable finance policymaking and standards setting. The increase was driven primarily by sustainable bonds, mostly in green bonds (ibid, p. 81-82). Overall, global issuers remain concentrated in developed countries, for instance, nearly half are in Europe.

Governments increasingly integrate sustainable finance in their national development strategies (e.g., in countries tracked by UNCTAD, one third of new finance measures relate to sustainability disclosure). New measures mostly tend to integrate climate change and green transition considerations, but some policies that address social sustainability and inclusive development are emerging (ibid, p. 103). Despite challenges (e.g., lack of human resources and knowledge, weak market infrastructure, or – for international standards - fragmentation and inconsistency – ibid, p.106), developing countries are catching up and account for over half of new sustainable finance policy measures in 2023.

Turning to standards' development, a major milestone was the launch of the first two of the International Financial Reporting Standards (IFRS)' Sustainability Disclosure Standards. The IFRS Foundation created by the International Sustainability Standards Board (ISSB) in 2021 to develop standards that meet the needs of stakeholders for disclosure of sustainability-related risks and opportunities (ibid, p. 98). As well as voluntary reporting initiatives, the shift towards mandatory reporting continues and , acts as an impetus to examine the consistency, interoperability in reporting and closer alignment in standards setting across jurisdictions, including in jurisdictions that do not adopt these standards (e.g. given the potential spillover effects across borders as part of global supply chain practices).

The report points to remaining challenges ahead, and suggests it is important to continue integrating sustainable finance frameworks within national sustainable development strategies; and prioritize the impact and effectiveness of sustainable finance policymaking. The report also proposes attention can be given to ways of increasing spillover effects when standard settings are applied by firms through investment abroad and across global supply chain activities. Action is also needed to increase the credibility of sustainable finance and address concerns of greenwashing. These suggestions are essential for many developing countries where sustainable investment remains persistently low – because this impedes their ability to reach the SDGs.

Investment facilitation and digital government

Chapter 4 examines the interplay between investment facilitation and digital government and highlights their combined potential to enhance a country's governance, business formalization, and FDI attraction. Business facilitation aims to create a favourable environment for all firms to start, operate and grow, while investment facilitation focuses on easing processes specific to foreign investors. Both are central to private sector development and FDI attraction strategies (ibid, p.109). Digital tools, such as information portals and single windows, have become essential for modern investment facilitation, enhancing transparency and improving the predictability of the policy environment and the accountability and efficiency of government institutions.

Already, much progress has been made in digital investment facilitation (ibid, p. 114). Digital tools to simplify business registration and investment procedures are now present in most countries. The number of developing economies using information portals for business and investment processes has grown from 82 in 2016 to 124 in 2023 (ibid, p. 116); those using online single widows from 13 to 67 (ibid, p.117). The quality, service coverage, accessibility and user-friendliness of these tools has also improved. While developed countries lead in advanced online single windows, some LDCs rank among the world's best. One example is Benin's online single window which helps businesses complete all registration steps (including for tax and social security) within two hours. Since the implementation of the digital platform, business registrations have nearly tripled (ibid, Box IV.12, p.145). To date, only a third of LDCs have implemented single windows (ibid, p. 117). Many face challenges, including costs and skills gaps, which limit their ability to consolidate administrative processes.

Administrative procedures for businesses and investors are often the first government services to be digitalized (ibid, p.113) and could be a stepping-stone towards the adoption of more comprehensive digital government systems. The report advocates a bottom-up, "sandbox" approach to digitalization, where basic services are gradually expanded into full-fledged digital governance systems (ibid, p. 146).

The impact of investment facilitation and digital tools on FDI is difficult to quantify, but their role in creating a conducive business and investment environment is widely recognized (ibid, p. 134). Governments increasingly aim to promote investment that contributes to sustainable development objectives. This can be done through investment promotion tools that target specific investment, such as the adoption of sector-specific incentives or incentives tied to specific sustainability criteria. Although facilitation measures tend to be applied broadly, they can also have an impact on sustainability by reducing entry barriers (e.g. for selected investors to boost inclusiveness) and improving transparency of the overall business environment. As such, the report suggests that digital facilitation measures can support sustainable development objectives, for instance, as they (a) greatly benefit smaller and resource-poor economies due to their relatively low costs compared to subsidies or incentives; (b) strengthen governance and reduce administrative hurdles that disproportionately affect SMEs; and (c) promote diversification by supporting FDI in manufacturing and services relatively more than in extractives (ibid, p.135).

Implications for policymaking

From our review, we believe this year's focus on investment facilitation and digital government is particularly relevant for policymakers navigating an increasingly competitive and uncertain global investment landscape. One the one hand, the report highlights how these tools may have a positive effect on FDI attraction, while also contributing to business formalization and inclusivity. As these tools continue to develop globally, we propose that policymakers explore ways to enhance their positive FDI benefits. For instance, beyond providing information about procedures, information portals can provide details about technical and financial partners, local suppliers and talent pool, fostering stronger FDI spillovers and linkages with the local economy. Online single windows could similarly promote spillovers by streamlining access to local resources and stakeholders, supporting both entry and ongoing aftercare facilitation services. Digital investment facilitation tools can also generate data on investor needs and activities, aiding policy advocacy efforts for more targeted and effective policies aligned with development goals.

On the other hand, the report highlights several challenges for policymakers. First, digital tools alone do not guarantee higher FDI inflows, as evidenced by some LDCs with advanced information portals and online single windows but persistently low levels of FDI (ibid, p.136). The contribution of digital tools to sustainability is not automatic, just as higher FDI inflows do not necessarily result in strong spillover effects to the local economy. To be effective, digital tools must be integrated into broader efforts to enhance the overall enabling environment for sustainable investment. Second, the value of these tools relative to other FDI determinants, may vary by investor type - such as small and medium enterprises (SMEs) versus large MNEs - and by investment motivations, including resource, efficiency or market-seeking FDI. In addition to these, another challenge to consider is the effectiveness and relevance of digital tools like single windows, which may depend on the broader investment context, increasingly shaped by geopolitical tensions and rising protectionism.

Implications for research

For scholars of international business (IB) and cognate disciplines, we believe this year's thematic chapter points to useful avenues for future research on the interplay between MNE strategies and government FDI policies. The focus on Investment Facilitation *and* Digital Government is new for IB researchers, since IB research has paid more attention to government effectiveness and investment policies in attracting FDI (Contractor et al., 2020), rather than on the role of investment facilitation and government digital platforms (e.g., information portals and single windows) in attracting sustainable investment. In this review, we offer two main suggestions for future research that arise from WIR 2024's focus on investment facilitation and digital government. These suggestions focus (1) on the interplay between investment facilitation, digital government and FDI attractiveness, and (2) on the link between digital government tools and the SDGs.

First, IB research has long informed policy actors on the interplay between policy and MNE strategies by investigating how policies influence firms' locational choice, entry mode and activities within host economies, either viewing investment facilitation as one of the key attractive factors for FDI or including investment facilitation as one of the drivers explaining shifts in bargaining power between governments and firms (Bhaumik et al., 2024), especially in regions where institutional voids tend to prevail (Nachum et al., 2024). This opens several avenues for future research, to identify whether digital policy tools do indeed constitute a distinct driver for FDI location and to investigate whether they present opportunities for countries to be attractive and facilitate foreign investment in specific sectors and/or sub-regions. This could include cases when low-income countries have successfully used digital policy tools as a leapfrogging opportunity or when the development and rise of digital tools has failed.

Widening the scope of the relationship between investment facilitation and FDI attractiveness, more recently, IB research enriched the debate by focusing on supra-national policies and MNE strategies (Getachew et al., 2023). Linked to this, future research could question whether, and if so, how, digital government can ease complexity for MNEs to understand policies across countries, within regional agreements, or in terms of home-host relationships (e.g., through IIAs or other supra-national agreements). This could complement the rising body of literature exploring the role of cross-border tensions in shaping FDI trends (Altman et al., 2024). Here future research could explore whether liberalisation trends will persist in time of increasing nationalist feelings and rising populism (see for instance Hartwell et al., 2024). Finally, future research could also investigate whether digital government help raise trust by foreign investors in investment-related regulatory environments. For instance, how will governments ensure inclusive data gathered from these tools are handled ethically (e.g., how to address the privacy and data security issues of these tools?)? Or how will governments ensure such data feed efficiently into policymaking? Altogether, IB scholarship could then inform practitioners on ways to refine existing investment facilitation and digital policy tools to increase countries' attractiveness.

Second, IB researchers have intensified efforts to better understand whether, and how MNEs help – or not - governments to achieve the SDGs (van Zanten & van Tulder, 2018), and the IB community and UNCTAD have established relationships to promote FDI research on sustainable development. Building on these, and on recently published research into governments' efforts to promote *sustainable* investment (see for instance Olabisi & Wei, 2024; Giroud et al., 2024), future research could first identify the extent to which digital government tools help countries attract FDI in specific SDG sectors, or whether facilitation services are provided beyond administrative investment procedures to include services and information related to the fostering of positive FDI externalities (e.g., Montiel et al., 2021). Several related avenues for future research on these concepts include: do government digital platforms help countries be more selective of sustainable investment by specifically targeting SDG sectors or by facilitating screening procedures? The report suggests digital government may widen the potential for countries to attract a greater variety of investors and investment diversification across sectors (UNCTAD, 2024: p.135). This raises key questions about whether digital tools help inclusiveness in FDI attraction. For instance, can online investment platforms lower barriers and make it easier for a wider variety of potential investors (e.g. SMEs, social investors, women-owned companies, etc…) to invest, thereby fostering a more inclusive investment landscape? Do digital policy tools present opportunities for *all* countries? The question is especially relevant for poorer countries that often have enacted favourable FDI policies and adopting digital investment facilitation portals or one-stop shops, yet - to date - attracted fewer FDI. Also, since the link between digital tools and sustainable development is not automatic, what are the boundary conditions explaining when these tools can, and will, help sustainable development? Such research would help policy makers tailor policies and government frameworks for the achievement of the SDGs.

Given the regained appetite in the IB field to explore the relationship between shifts in the geo-political environment and MNE activities, this year's report and the future directions suggested in this review will help guide IB research that matters to inform policy. The *Journal of International Business Policy* is the perfect outlet for such high-quality, relevant research, as it continues to link IB researchers with policy decision makers (Van Assche & De Marchi, 2024).

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