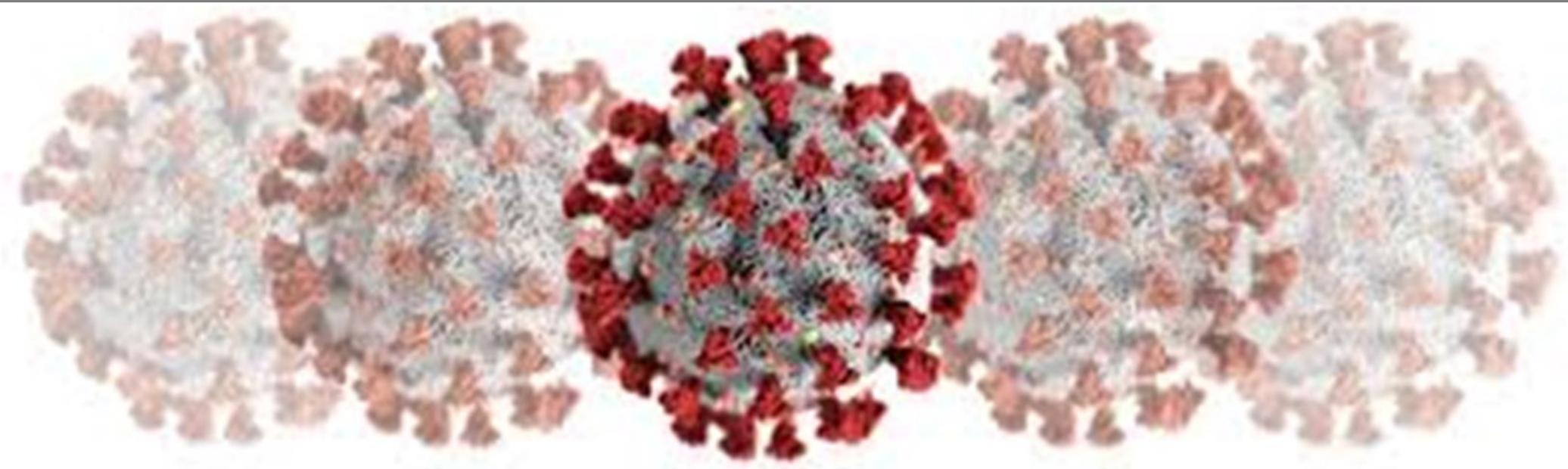




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# COVID-19: Investment Promotion Guide for Africa

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# Covid-19 has immediate and long-term implications for Foreign Direct Investment (FDI) flows

## Covid-19 Implications for Investment

### Immediate

- Investors redirect funds to their home/local markets.
- Foreign capital projects are slowed or deferred, jeopardising future investment reliant on them.
- Investors focus on ensuring liquidity in their existing portfolios, with only limited expansion into new geographies/sectors. Travel restrictions delay visits.
- Increased interest in counter-cyclical industries and firms weakened by the pandemic.

### Longer-Term

- Quality of government responses used to gauge risks associated with long-term investment.
- Opportunities created from the preference for shortened supply chains (to minimise vulnerabilities during recurring outbreaks and future emergencies).



The effectiveness of measures to protect earnings of multinational enterprises (MNEs) in countries with the largest investments in Africa will be central to the impact on African FDI inflows after the pandemic.



As FDI inflows in Africa have been increasingly shaped by consumer markets, especially hospitality, automobiles and technology, national/regional demand shocks will affect the viability of existing investments.

	2019 Total FDI Flows	2020 Forecast Pandemic to June		2020 Forecast Pandemic Beyond
<b>Global</b>	\$1,390bn (-1%)	<b>Best Case</b>	\$1,320bn (-5%)	\$973bn (-30%)
<b>Africa</b>	\$49bn (+3%)	<b>Worst Case</b>	\$1,181bn (-15%)	\$834bn (-40%)



# Best-practice principles for investment management during crises

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## Manage disruption

- Identify key staff dependencies, particularly in relationship management and public-private institutional engagement, and mitigate against absentees. Manage for scenario where relied-upon intermediaries may be preoccupied with health response.
- Engage staff in scenario planning exercises at the project/investor level and organisation-wide.

02

## Communicate, communicate, communicate

- Set up investor support dialogue team.
- Maintain and continue to communicate your positive long-term vision. Emphasise your edge through targeted retention campaigns.
- Conduct outreach campaign to investors in investible sectors during and after crisis.
- Share notices of business climate and new priorities (trends and practices) by sector, including through virtual workshops.

03

## Prioritise aftercare

- Build intelligence on and document the challenges individual investors face. Communicate with your finance ministries so these concerns can be considered in economy-wide responses, including social security and workers' protection.
- Consider Covid-19 tailored legal framework for emergency investments, including relaxed ownership caps, simplified documentation and fast-tracked approval. Combine all Covid-19 investment-specific regulations into an accessible repository.

04

## Support investor adaptation

- Engage the business sector responsibly to ascertain capacity.
- Provide guidance for due diligence in supply chains.
- Pool raw materials and equipment sourcing.



# How can investment policy adapt to Covid-19?

**UNCTAD's new Investment Policy Monitor documents the latest policy responses to the economic fallout from the pandemic.**

## Before Covid-19

- According to UNCTAD's Investment Policy Monitor, between November 2019 and February 2020 28 countries took investment policy measures, and 75% of those measures were designed to create more favourable investment conditions.
- This pre-crisis review, investment liberalisation, promotion and facilitation accounted for three-quarters of newly adopted policy measures – a ratio broadly in line with the longer-term policy trend.

These measures include:

- Supporting investors and domestic economies in general, and policies to protect critical domestic infrastructure and industries – particularly in the health sector.
- At the international level, the Group of Twenty (G20) and Group of Seven (G7) leading economies issuing statements in support of investment and global value chains.

## After Covid-19

- The global spread of Covid-19 will impact foreign direct investments, although its full impact remains to be seen. UNCTAD's recent Global Trends Investment Monitor predicts a drastic drop in global FDI flows by up to -40% during 2020-2021, reaching the lowest levels in the past two decades.
- Numerous countries have begun to adopt policy measures aimed at supporting investors. Some measures have included protecting critical domestic industry and infrastructures – in particular, the health sector. More generally, there has been wider support to protect investors.

These include:

- Direct government support to foreign-invested projects to bounce back production.
- Counselling for investors around various government policies and measures.

## Shaping the future policy agenda on investments

Investment policy and promotion reforms are not static, one-off changes. They require a continuous process of learning and adapting. Adaptability requires constant vigilance.



## 3 key actions countries are taking to mitigate the impact of Covid-19

### Protect Existing Strategic Investors

1. New legal/policy framework
2. Incentivisation schemes
3. Engagement plans
4. Tax system
5. Workers' security

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### Attracting new investors in investible sectors, such as:

- Agriculture, agro-processing, horticulture
- Education: providers of mass e-learning tools
- Pandemic-proof housing

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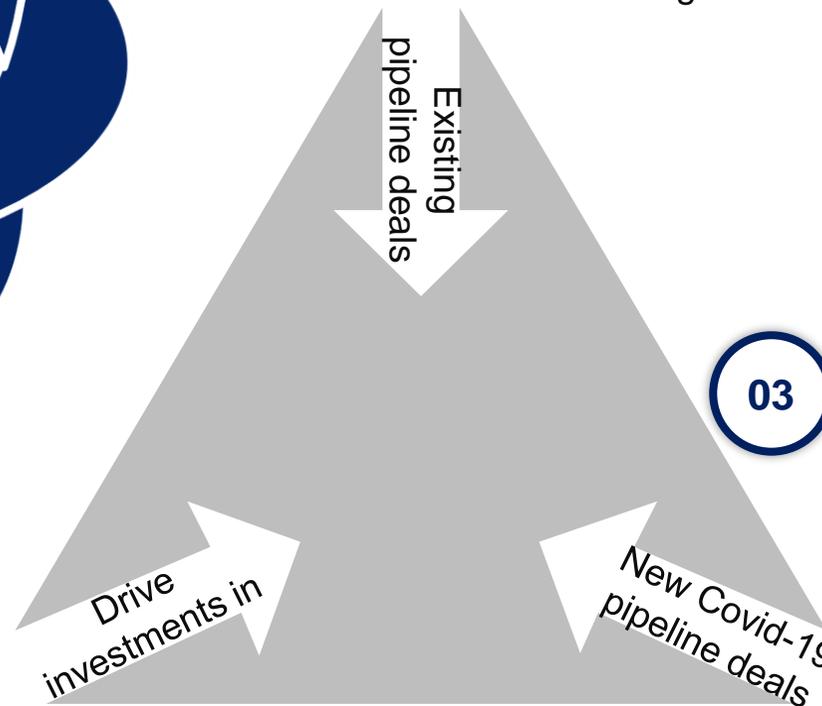
### Keeping momentum in existing deals:

- Trade financing/facilitation
- Digital/physical/logistical manufacturing infrastructure

03

### Structuring new Covid-19-specific deals:

- Manufacturing: PPE, health textile gears, medicines
- Services: testing, diagnostics and treatment labs
- Covid-19 tailored political risk insurance





# It is also key to take care of existing investors and plan for the future

## 1. Aftercare – support existing strategic investors

- 01 Provide information via email and/or website on new Covid-19-related measures enacted by your government.
- 02 Help businesses in applying new measures.
- 03 Be proactive – contact your clients and ask them what you can do for them.
- 04 Virtual support – provide an online platform for dealing with Covid-19-related issues. Organise e-meetings and webinars to discover investors' needs and how to tackle them.
- 05 Provide businesses with e-guidelines on how to act during the pandemic.
- 06 Advocate for offering/offer special incentives for the most vulnerable sectors in your country.

## 2. Prepare for the future, post Covid-19

- 07 Work on a plan to tackle post-crisis issues, such as supply chain shifts and possible rise of protectionism.
- 08 Protect innovation and emerging sectors.
- 09 Create a closer connection to the local ecosystem and existing investors.
- 10 Institutionally strengthen investment promotion agencies (IPAs) – professional development of employees, digitising investment promotion by upgrading websites, mastering digital marketing for location promotion, e-registration of businesses, etc.
- 11 Revise target strategies. In the post-Covid-19 period it will be necessary to update your target strategies and adapt them to be in line with the market outlook.



# Covid-19 also creates investment opportunities that countries should seize

## Where to get investment support

World Association of Investment Promotion Agencies  
[www.waipa.org](http://www.waipa.org)

United Nations Conference on Trade and Development  
[www.unctad.org](http://www.unctad.org)

Investment Policy Hub  
[www.investmentpolicy.unctad.org](http://www.investmentpolicy.unctad.org)

International Finance Corporation  
[www.ifc.org](http://www.ifc.org)

OECD  
[www.oecd.org](http://www.oecd.org)

Development Finance Institutions like European DFI Association and the United States Development Finance Institution:  
[www.edfi.eu](http://www.edfi.eu)  
[www.dfc.gov](http://www.dfc.gov)

StartUp East Africa  
[www.sea.africa](http://www.sea.africa)

Usaid Trade and Investment Hubs  
<https://www.usaid.gov/africa/trade-and-investment/hubs>

01

### New Sectors

New sub-sectors will emerge. Cybersecurity and AI will gain in importance, while IPAs will need to further include technology to remain competitive and to optimise their performance. In the health sector, there will be opportunities to help find additional workforce, or aid government in bringing measures to remove the sector's main bottlenecks.

02

### New Investors

Given the major disruption and vulnerability of the global value chain (GVC), reshoring will likely become a major practice in the years to come, such as to produce medical equipment and mobile phones locally. Developing a rapid market intelligence tool to provide sector updates could be valuable.

03

### Strengthened Local Ecosystem

Covid-19 will lead IPAs to create a closer connection to their local ecosystem and existing investors. This can be aided by the setting up of Investor Support Units and webinars for investor feedback; and of online platforms to target investors for Covid-19-tailored investments, including a business continuity planning toolkit.



# Various sectors are likely to become more attractive due to Covid-19

## Investment promotion efforts can be redirected to:

### Health

Medical equipment and personal protective equipment  
Pharmaceuticals  
Healthcare and biotechnology  
Health Innovation  
Testing equipment

### Social

Education  
Housing  
Water installations  
Sanitary solutions  
Disinfectants

### Economic

Trade: Goods and services exports  
Agriculture: Agribusiness, agro-processing, agri-chemicals  
Manufacturing: plastics, electronics, chemicals, garments  
Infrastructure: Digital technologies, renewable energy, logistics  
Small businesses: informal, women, technology  
Financial markets

## Notable investment options

Short term  
1. Manufacturing PPE and health-system capacity building  
2. Health screening equipment/devices/clinical labs/self-triage  
3. Preventative virtual analytical and data-processing platforms

Long term  
1. Vaccines  
2. Medical technical textiles  
3. Online medical consultations and guides  
4. Blockchain communicating for demand and supply actors

Short term  
1. Virtual learning providers and tools for schools  
2. Rapid response team capacity training  
3. Online degrees and courses

Long term  
1. Pandemic-proof town planning/housing development  
2. Sector-specific national mass skills development for job and career acceleration  
3. Urban infrastructure adapted to social distancing

Short term  
1. Ecommerce/digital technologies  
2. Supply chain logistics  
3. Interim industrial storage/reshoring

Long term  
1. Trade financing lines of credit/Covid-19 risk insurance  
2. Markets infrastructure (cross-border, wholesale)  
3. Industrial storage for raw materials



## Some leading examples of IPAs' progressive actions in response to Covid-19 country cases





# Recent examples of promotion and facilitation of investment

## **North Macedonia**

Adopted a new law to encourage, attract and create favourable conditions for strategic investments.

## **Algeria**

Introduced a set of fiscal incentives to attract foreign investors into its oil and gas sector.

## **Colombia**

Set a preferential tax regime for investments that would create sizable tax income and jobs.

## **Azerbaijan**

Expanded tax incentives for industrial and high-tech parks.

## **Panama**

Amended its incentive regime for investments in tourism to promote financing of new, or extension of old, projects.

## **Kenya**

Revised its taxation systems to provide incentives in various sectors.

## **Oman**

Established an investment portal for local business to attract investors from across the world.

## **Indonesia**

Sets out targeted tax incentives for investments in particular industries and provinces.