DECEMBER 2020 SPECIAL ISSUE 5

INVESTMENT POLICY MONITOR

INVESTMENT POLICIES RELATED TO SDG SECTORS

RECENT DEVELOPMENTS

HIGHLIGHTS

- From January to November 2020, 27 countries and the European Union took 36 policy measures directed at foreign investment in various SDG sectors. Almost all those measures address several SDG sectors and activities simultaneously. De facto, they therefore have the same effect as if 116 separate measures had been adopted for each individual SDG sector. The main target sectors were health, transportation, food and agriculture. Not included in the counting are investment policy measures of a general nature that are not limited to SDG sectors.

- 58 percent of these policy measures were regulatory or restrictive in nature, reflecting national security-related concerns about foreign investment in individual SDG sectors. These measures were primarily adopted in response to the COVID-19 pandemic and focus on the establishment of new or the extension of existing screening mechanisms for foreign investment in various SDG sectors, particularly the health sector.

- Six countries liberalized foreign investment in some SDG sectors, including transportation, telecommunication, water and sanitation, food and agriculture, health and education. These measures constitute 17 percent of all measures taken.

- Eight countries adopted new policies for promoting or facilitating investment in a variety of SDG sectors, including energy, transportation, telecommunication, agriculture, water supply, health, science and education. These measures account for 25 percent of the total.

- In view of the drastic decline in international private investment in SDG sectors since the outbreak of the pandemic (see UNCTAD's SDG Investment Trends Monitor, December 2020), more needs to be done to encourage investment in this area, while addressing security concerns and ensuring that goods and services remain affordable and accessible for the poor and vulnerable.

A. Investment policy tools for SDG sectors[1]

Host countries may encourage and promote investment in SDG sectors through a variety of policy instruments. These include measures aimed at liberalising, incentivising and facilitating investment in these sectors. Vice versa, host countries may also regulate or restrict investment in SDG sectors.[2]

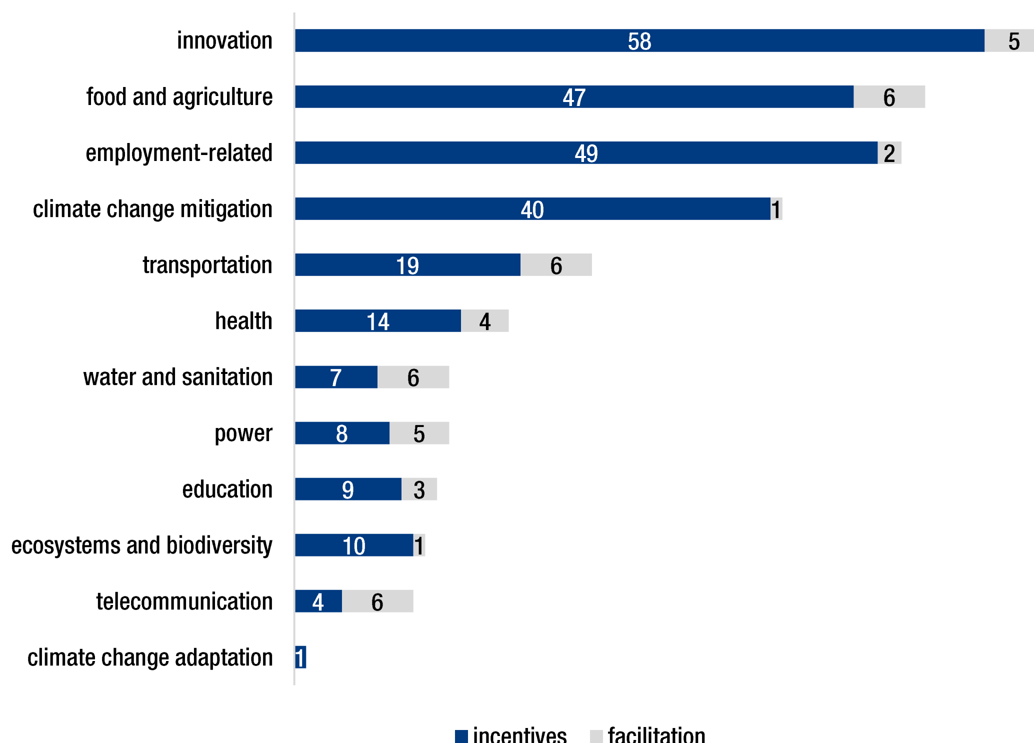
1. Less than half of UN Member States have established promotion schemes for inward investment in SDG sectors

Existing investment promotion instruments applicable to the SDGs are limited in number and follow a piecemeal approach. UNCTAD's global review of national investment policy regimes shows that less than half of UN Member States maintain specific promotion tools for investment in areas that are relevant to the SDGs (UNCTAD, WIR 2020, chapter V.D). In addition, most countries maintain some general promotion schemes of a broad nature that extend to investment in SDG sectors (not covered by this Monitor).

Overall, at least 311 investment policy instruments targeting the SDGs are in place in 97 economies. Among them, specific SDG incentives – either fiscal or financial in nature – amount to 268 instances in 90 economies. Investment facilitation in SDG sectors is less common, with only 45 examples recorded in 11 countries.

Investment promotion and facilitation measures cover a broad variety of SDG sectors (figure 1).

Figure 1: Specific investment promotion programmes in SDG sectors (by sectors)



Source: UNCTAD.

[1] To identify SDG sectors and activities, this Monitor follows the methodology of UNCTAD's publication – *SDG Investment Trends Monitor*, UNCTAD 2019, which specifies the following 10 SDG investment sectors: power, transport Infrastructure, telecommunication, water and sanitation, food and agriculture, climate change mitigation, climate change adaptation, ecosystems and biodiversity, health and education. Additionally, this Monitor covers two important cross-sectoral SDG-related investment policy areas - innovation and employment-related investment promotion programs. They are directly relevant for the SDGs No. 8 (Decent work and economic growth) and No. 9 (Industry, Innovation and Infrastructure).

[2] Part A of this Investment Policy Monitor is an abbreviated version of the section V.D. of the *World Investment Report 2020*.

The highest number of investment promotion schemes – more than 20% - is directed towards innovation activities linked to SDG 9, which promotes inclusive industrialization, technological update, research and development together with industrial diversification. This is followed by programmes in food and agriculture (17%) and employment-related promotion schemes (16%). A significant number of promotion schemes also applies to climate change mitigation (13%).

Nevertheless, other important sectors from a sustainable development perspective – including health, water and sanitation, education, ecosystems and biodiversity as well as climate change adaptation – do not seem to receive much attention for investment promotion, amounting to less than 18% of all investment promotion regimes in SDG sectors. This is reflected in the relative FDI attraction performance of those sectors, as highlighted in UNCTAD's World Investment Report 2020. In the health sector, however, investment promotion has intensified in some countries recently (see below).

Most investment incentives for SDG purposes take the form of fiscal incentives. They are either granted for investments in specific SDG sectors or require certain SDG-related performances in the operation of the investment, independent of the sector where it was made.

2. Many countries regulate the entry of investment in SDG sectors

Numerous countries fully or partially exclude foreign companies from investing in certain SDG sectors. These limitations typically manifest themselves in "negative lists" in investment laws or in national security-related foreign investment screening mechanisms.

At least 17 countries worldwide maintain 47 investment restrictions in SDG sectors. Most of them exist in developing economies (44 restrictions in 15 countries), including LDCs (3 countries with 6 restrictions). These restrictions take the form of a ban on foreign investment in specified sectors or foreign ownership caps, including joint venture requirements.

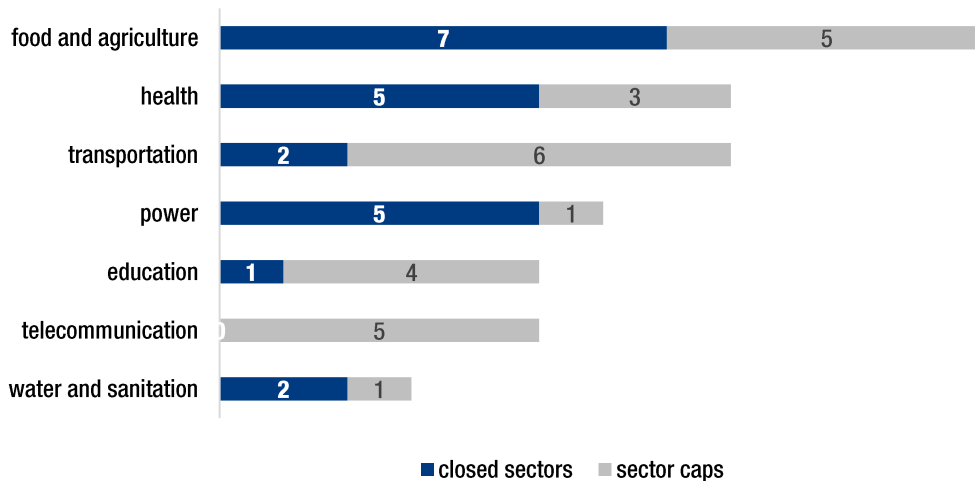
A few economies close certain SDG sectors completely to foreign investors. UNCTAD has identified 22 instances of SDG sectoral prohibitions in 14 economies. This policy approach is most frequent in Asia (10 examples from 5 different economies), followed by Latin America (7 examples from 5 different economies).

Some countries apply foreign ownership ceilings in specific SDG sectors (figure 2). UNCTAD counts a total of 25 such restrictions in 8 countries. They exist exclusively in developing economies, with Asian countries recording the most (20 instances in 6 economies). In some economies, SDG-related sectors – particularly those relating to the provision of basic utilities like water, electricity or heating – are designed as public monopolies. In these cases, neither domestic nor foreign private investment is possible.

Rather than restricting all investments in specific SDG sectors, several countries have opted for examining individual foreign investment projects in the framework of their national security-related screening procedures.

Investment restrictions affect numerous SDG sectors, above all food and agriculture, health and transportation. By contrast, no restrictions have been found in climate change mitigation and adaptation and in ecosystems and biodiversity (figure 2).

Figure 2: Specific investment restrictions in SDG sectors (by sectors)



Source: UNCTAD.

B. Recent investment policy developments in SDG sectors

In its WIR 2020, UNCTAD has provided an overview of investment policy trends concerning investment in the SDG sectors since the adoption of the SDGs in September 2015. The following gives an update on latest developments from January to November 2020.

1. Overview

According to UNCTAD's count, between 1 January and 30 November 2020, 27 countries and the European Union adopted 36 investment-related measures affecting 9 SDG sectors or activities (table 1). Almost all those measures address several SDG sectors and activities simultaneously. *De facto*, they therefore have the same effect as if 116 separate measures had been adopted for each individual SDG sector.

Table 1. Summary of national investment policy measures related to SDG sectors (January – November 2020)

	food and agriculture	power	transportation	telecommunications	water and sanitation	climate change mitigation	health	education	innovation
Algeria		1	1				1		
Argentina	1						1		1
Austria	1	1	1	1	1		1		1
Canada							1		
China	1		1		1		1	1	1
Colombia									1
Ethiopia			1				1	1	
France	1						1		1
Germany							1		
Hungary	1	1	1	1			1		

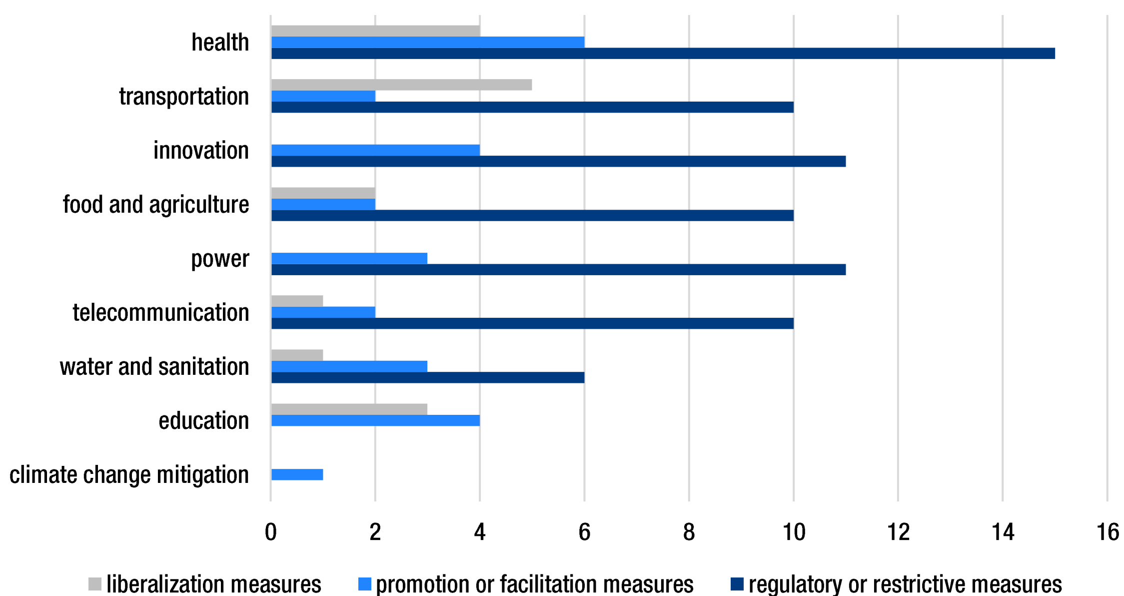
India			1						
Italy	1	1	1		1		1		1
Japan		1	1	1	1		1		1
Malta	1	1	1	1	1		1		1
North Macedonia	1	1	1	1	1		1	1	1
Poland	1	1	1	1			1		
Republic of Korea									1
Russian Federation	1						1	1	
Saudi Arabia							1		
Slovenia	1	1	1	1	1		1		1
Spain	2	2	1	2	1		1		2
Sri Lanka							1		
United Arab Emirates	1		1	1			1	1	
United Kingdom							1		1
United States		1	1	2					1
Uzbekistan					1		1		
Viet Nam		2	2	1	1	1	2	2	
European Union							1		
Total	14	14	17	13	10	1	25	7	15

Source: UNCTAD.
Note: The above list includes multiple counting in case that a measure applies to more than one SDG sector.

58 percent of the measures aimed at regulating or restricting investment in one or several SDG sectors. This category of measures was dominant in all SDG sectors except education and climate change mitigation. In total, UNCTAD identified 6 liberalization measures, 9 investment promotion or facilitation policies and 21 instances when existing investment regimes were tightened in respect of individual SDG sectors through restrictive or regulatory measures.

Most policy changes affected the health sector (25), the transportation sector (17), as well as innovation (15) (figure 3).

Figure 3: Investment policy measures in SDG sectors and activities (January – November 2020)



Source: UNCTAD.

New regulations or restrictions concerning investment in the SDGs were adopted primarily in the health sector and are a response to the COVID-19 pandemic. Almost all newly adopted regulatory or restrictive measures reflect national security-related concerns of host countries (see below).

Investment was liberalised primarily in the transportation sector and health industries, but the share of these measures was far below the respective share of new regulatory or restrictive policies (29% and 16% respectively). Investment promotion or facilitation policies were adopted mostly in health, education and innovation. No measures in the reporting period relate to climate change adaptation or ecosystems and biodiversity.

2. Investment policy developments related to national security

Policy measures aimed at strengthening national security-related screening mechanisms for foreign investment in SDG sectors have been dominant during the reporting period (56%). 14 countries and the European Union adopted 20 such measures in the review period, affecting 7 SDG sectors. Almost all those measures address several SDG sectors and activities simultaneously. *De facto*, they therefore have the same effect as if 68 separate measures had been adopted for each individual SDG sector (table 2).

In the context of the current COVID-19 pandemic, numerous countries introduced foreign investment screening regulations particularly covering the health sector. From January until November 2020, at least 13 such measures expanding FDI screening regimes to include health services, medical equipment and pharmaceuticals manufacturing were implemented. However, several other SDG sectors (innovation, power, telecommunication) were also strongly affected by reinforced investment screening policies.

Table 2. National security-related investment policy measures affecting SDG sectors (January – November 2020)

	food and agriculture	power	transportation	telecommunications	water and sanitation	health	innovation
Austria	1	1	1	1	1	1	1
Canada						1	
France	1					1	1
Germany						1	
Hungary	1	1	1	1		1	
Italy	1	1	1		1	1	1
Japan		1	1	1	1	1	1
Malta	1	1	1	1	1	1	1
Poland	1	1	1	1		1	
Republic of Korea							1
Slovenia	1	1	1	1	1	1	1
Spain	2	2	1	2	1	1	2
United Kingdom						1	1
United States		1	1	2			1
European Union						1	
Total	9	10	9	10	6	13	11

Source: UNCTAD.
Note: The above list includes multiple counting in case that a measure applies to more than one SDG sector.

The following measures have been taken:

- On 25 July 2020, ***Austria*** passed the ***Investment Control Act***, which implemented the EU Regulation on FDI screening and expanded the foreign investment review in comparison to the previous regime under the Foreign Trade Act. The law applies only to sectors and activities enumerated in the annex and covers various SDG sectors (e.g. critical infrastructure for food, power and water supply, transportation, telecommunication, health and innovation).
- On 18 April 2020, ***Canada*** published its Policy Statement on Foreign Investment Review and COVID-19 that announced an ***"enhanced scrutiny" of "foreign direct investments*** of any value, controlling or non-controlling, in Canadian businesses that are related to public health or involved in the supply of critical goods and services to Canadians or to the Government".
- On 25 March 2020, the ***European Commission*** issued ***Guidelines*** calling upon Member States to implement rigid foreign investment screening "in a time of public health crisis and related economic vulnerability", aimed at safeguarding EU critical companies and assets from foreign acquisitions. This applies particularly to the public health, pharmaceutical, medical research, infrastructure and the biotechnology sectors.
- On 20 May 2020, ***Germany*** amended the ***Foreign Trade and Payments Ordinance***, focusing on critical public health services. It stipulates that foreign acquisitions of at least 10 per cent of the share capital in German companies developing, manufacturing or producing vaccines, medicines, protective medical equipment and other medical goods for the treatment of highly infectious diseases require prior governmental authorization.
- On 1 April 2020, the Decree No. 2019-1590 entered into force in ***France***. It ***broadens the sectoral scope of the FDI review mechanism*** by adding, inter alia, food safety, and critical technologies (e.g. cybersecurity, artificial intelligence, robotics, additive manufacturing, semiconductors, quantum technologies, and energy storage) to the sectors and activities subject to review.
- On 29 April 2020, ***France*** announced an ***amendment to its foreign investment screening regime*** as a response to the COVID-19 pandemic. By decree of 27 April 2020, the list of sectors and critical technologies subject to review has been extended to include biotechnology.
- On 26 May 2020, ***Hungary*** implemented Governmental Decree no. 227/2020, which introduced a ***temporary foreign investment screening mechanism*** applicable to investors from both inside and outside the EU. Prior governmental approval is needed in 21 industries, including health care, pharmaceutical, medical device manufacturing, telecommunications, power generation and distribution, processing of food, agriculture, transportation and storage, among others.
- On 6 April 2020, ***Italy*** expanded the ***special power regime for investment in strategic sectors*** requiring prior approval. The scope of the FDI screening now also covers, inter alia, critical infrastructure (health, water, energy, transportation), food security sectors, and high-tech (e.g. artificial intelligence, robotics, biotechnologies, nanotechnologies and cybersecurity), as well as banking and insurance. The regime applies to acquisitions exceeding 10% of the share capital and a threshold of EUR 1 million.
- On 7 May 2020, an ***amendment of the Foreign Exchange and Foreign Trade Act*** entered into force in ***Japan***. It requires overseas investors to seek prior notification before obtaining at least 1% (previously 10%) stake in Japanese listed companies in specified 'core' sectors due to national security reasons. SDG sectors among them include telecommunication, electricity, water supply, railway transportation and technologies. In addition, the Government of Japan published a list of 518 companies (e.g., Toyota, Sony, Mitsubishi Heavy Industries, Hitachi, Tokyo Electric, Central Japan Railway, SoftBank) that fall under new regulations.

- On 15 June 2020, ***Japan added the manufacturing of pharmaceuticals for specific infectious diseases*** and of "specially-controlled" medical devices to the core designated business sectors, which are subject to a prior-notification requirement under the Foreign Exchange and Foreign Trade Act.
- On 5 August 2020, amendments to the Enforcement Decree of the Foreign Investment Promotion Act entered into force in the ***Republic of Korea***. Among other things, the changes seek to extend the ***scope of review of foreign investments*** to any operation where there is a "high" possibility of leakage for core national technologies, as defined by the Act on the Prevention of Divulgence and Protection of Industrial Technology.
- On 12 July 2020, ***Malta*** announced the ***establishment of a National Office for Foreign Direct Investment Screening*** as implementing entity for the EU Regulations on FDI screening. The Office shall review foreign investment when a potential owner, title holder or ultimate beneficial owner comes from a non-EU country. It applies to the supply of critical inputs and covers, inter alia, food, water and power supply, transportation, telecommunication, health and innovation.
- On 24 June 2020, ***Poland*** brought into force a ***new legislation extending significantly the FDI screening mechanism*** in the country for 24 months. A foreign acquisition from non-EEA countries requires prior clearance from the President of the Polish Competition Authority, if it targets a company generating turnover exceeding EUR 10 million that, inter alia, develops or maintains software crucial for vital processes or conducts business in one of 21 specific industries. These include, inter alia, food and power supply, transportation, telecommunication and health.
- On 31 May 2020, ***Slovenia*** implemented the Law on intervention measures to mitigate and eliminate the consequences of the COVID-19 pandemic. It ***introduces a foreign investment screening mechanism***. Foreign investment in specified sectors or activities is subject to review whether it poses a threat to public order or security. The mechanism applies, amongst others, to food, water and power supply, transportation, telecommunication, health and innovation.
- On 18 March 2020, ***Spain*** implemented the Royal Decree-Law No. 8/2020, ***suspending the investment liberalization regime regulated in Law 19/2003***. All foreign investors from outside the EU now require prior governmental authorization for acquiring 10% or more of the share capital or effective control of a Spanish company engaged in sectors or activities that "affect public order, safety and health". This includes food, water and power supply, transportation, telecommunication, health and innovation.
- On 19 November 2020, the Royal Decree-Law 34/2020 relating to urgent measures against the COVID-19 pandemic entered into force in ***Spain***. Inter alia, it ***prolongs the regime of suspension of liberalization of certain foreign direct investments*** until 30 June 2021. Furthermore, it ***specifies sectors***, in which foreign investment is subject to advance screening. New additions include, inter alia, critical and dual-use technologies, key technologies for industrial leadership (telecommunications, AI, robotics, semiconductors, energy storage, quantum and nuclear technologies, nanotechnologies, biotechnologies), supply of fundamental inputs, in particular energy, and food security.
- On 23 June 2020, the ***United Kingdom*** amended the ***Enterprise Act 2002***, extending the scope of public interest considerations against which foreign acquisitions are scrutinized. It requires the UK government to also consider the "need to maintain in the United Kingdom the capability to combat, and to mitigate the effects of public health emergencies".
- On 20 July 2020, the ***United Kingdom modified*** its FDI ***screening regime*** by including the business activities "artificial intelligence, cryptographic authentication, and advanced materials" into the list of sectors subject to review with a lower minimal turnover threshold (£1 million rather than £70 millions).

- On 13 January 2020, the ***United States*** released regulations implementing the ***Foreign Investment Risk Review Modernization Act*** of 2018 (FIRRMA) that strengthened the Committee on Foreign Investment in the United States (CFIUS) and its jurisdictions. Under the new regime, the CFIUS is competent to screen non-controlling investment in critical technology and critical infrastructure in such sectors as telecommunication, power, transportation and innovation.
- On 4 April 2020, the ***United States*** established the ***Committee for the Assessment of Foreign Participation in the United States Telecommunications Services Sector*** to assist the Federal Communications Commission (FCC) "in its public interest review of national security concerns that may be raised by foreign participation in the United States telecommunications services sector.

3. Other Investment policy developments in individual SDG sectors

Other policy measures taken in the review period primarily aimed at promoting, facilitating or liberalising investment. However, there have also been cases where an existing investment promotion scheme has been revoked or where foreign ownership restrictions in certain SDG sectors were reinforced.

The measures targeted, inter alia, a variety of SDG sectors, including energy, transportation, telecommunication, agriculture, water supply, health, science and education.[3] Combined, these measures account for 42 percent of the total, with investment promotion/facilitation featuring a little more prominent place in most recent investment policy making.

a. Promoting investment in SDG sectors

Six countries adopted seven policy measures in this area, with most of them targeting several SDG sectors simultaneously.

- On 21 August 2020, ***Colombia*** introduced a ***special tax regime for mega-investments*** by providing tax breaks and other fiscal incentives. Among the covered investments are those exceeding 30 million tax value units (a value set by the Colombian tax authorities that is updated every year in order to achieve standardization and homogenization of the different tax values) and generating at least 250 new jobs in the high technology and electronic commerce sector.

- On 20 January 2020, ***North Macedonia*** published the ***Law on Strategic Investment.*** It introduces the category "strategic investment", entitled to special treatment. The status is awarded to investment projects of at least EUR 100 million on the territory of at least two or more municipalities, at least EUR 50 million in the municipalities with seat in a city, municipalities in the City of Skopje, and the City of Skopje, or at least EUR 30 million in municipalities with a seat in a village. An investment has to be made, inter alia, in one of the following SDG sectors: energy, transportation, telecommunication, agriculture and food, forestry and water economy, health, technological parks, wastewater and waste management, science and education.
- On 1 April 2020, the ***Russian Federation*** brought into force Federal Law № 69-ФЗ on the Protection and Promotion of Investment, which introduces a new instrument to incentivize investment - a contract to be concluded between public entities and private investors, either domestic or foreign. It is to contain stabilization clauses. Their terms depend on the value of an

[3] The policy measures compiled in this section often also apply to non-SDG sectors. Since this Monitor focuses on SDG sectors, the following overview highlights only them when describing the content of the measure.

investment and range from 6 to 20 years. To qualify, an investment project needs to meet a minimum capital of 250 million rubles in, inter alia, the health sector and education, and 500 million rubles in, inter alia, digital economy, ecology and agriculture.

- On 11 November 2020, ***Sri Lanka established a pharmaceutical manufacturing zone*** in the southern coast of Hambantota and invited global pharmaceutical companies to set up companies there. All infrastructure facilities would be provided by the Sri Lanka Board of Investment.
- On 17 June 2020, ***Viet Nam*** amended the ***Law on Investment***, adding more business lines eligible for investment incentives, covering, inter alia, manufacture of products to the list of industries prioritized for development such as preservation of drugs, manufacture of medical equipment, university education, clean and renewable energy, waste collection and treatment.
- On 18 June 2020, ***Viet Nam*** passed the ***Law on Public-Private Partnership Investment.*** The law regulates investment activities and private investment attraction in some important and essential infrastructure areas under the PPP model. The law focuses on five essential areas: transportation; power grid and plants; irrigation, clean water supply, water drainage, and wastewater and waste treatment; healthcare and education – training; and information technology infrastructure.

One policy measure in this category terminated an existing investment promotion scheme:

- On 20 January 2020, ***Argentina*** announced the ***suspension of the incentives scheme*** under Law Nº 27.506 for promoting investment in R&D and technological know-how. It applied to economic activity in, inter alia, biotechnology, neurotechnology, genetic engineering, agricultural sciences, and R&D in medical sciences.

b. Facilitating investment in SDG sectors

Only two policy measure in this category was adopted during the review period:

- On 1 November 2020, the ***Shanghai Regulations on Foreign Investment*** entered into force that apply to all foreign investment projects (existing or potential) located within Shanghai, including the ***China*** (Shanghai) Pilot Free Trade Zone and the New Lingang Area. Inter alia, foreign-invested R&D centres will gain greater access to services provided by the local authorities to facilitate their participation in government-funded R&D programmes, the marketing of the fruits of R&D, prosecution (both in China and worldwide) of patents, and the import of equipment and appliances for the purposes of R&D.
- On 31 January 2020, ***Uzbekistan*** issued Presidential Decree No. UP-5930, which, amongst other, sets the programme for further digitization and introduction of information systems in the public administration. It covers, inter alia, environmental permits, licenses in the health sector, ICT, and all matters relating to electricity, heating and water supply.

c. Liberalising investment in SDG sectors

Some countries – ***China, Ethiopia, India, Saudi Arabia, United Arab Emirates, Viet Nam*** – relaxed entry restrictions for foreign investors in various SDG sectors, including transportation; telecommunication; water and sanitation, food and agriculture; health; and education.

- On 23 July 2020, ***China*** revised ***the Special Administrative Measures on Access to Foreign Investment*** (2020 edition) and the ***Free Trade Zone Special Administrative Measures on***

Access to Foreign Investment (2020 edition) liberalizing foreign investment in the several SDG sectors. In the transportation sector, foreign investors are no longer prohibited from investing in air traffic control systems. In the water sector, the construction and operation of urban water supply and drainage pipeline networks in a city with a population of more than 500,000 has been partially liberalised. In the agricultural sector, the selection and breeding of new wheat varieties and the production of the seeds no longer require control by a Chinese party. In the health sector, prohibitions for foreign investment in traditional Chinese medicine have been removed. In the education sector, foreign-owned enterprises are now allowed to establish vocation training institutions in Chinese free trade zones.

- On 7 September 2020, *Ethiopia* adopted the Investment Regulation No. 474/2020, ***liberalizing foreign investment in three SDG sectors***. Foreign investment is now allowed in transportation by railway, cable cars, cold-chain and freight transportation. In the health sector, foreign investment is now only restricted in small and medium health services. In the education sector, foreign investment restrictions have been removed.
- On 4 March 2020, ***India*** permitted non-resident Indian nationals to own up to 100% of the stakes of Air India under the automatic route.
- On 15 April 2020, *Saudi Arabia* issued the *Pharmaceutical and Herbal Establishments and Substances Regulation*, under which the restrictions on foreign ownership of certain pharmaceutical businesses have been removed, thereby allowing foreign investors to directly own any of the specified pharmaceutical businesses.
- On 17 March 2020, the *United Arab Emirates* issued Cabinet Resolution No. (16) of 2020, setting out the 'Positive List of Economic Sectors and Activities in which Foreign Direct Investment is Permitted.' The list includes, inter alia, ***agriculture***; manufacturing; ***transportation*** and storage; hospitality and food services; ***information and communications***; science and technology; ***healthcare; education***; art and entertainment; and construction. The Resolution also provides, on a case-by-case basis, minimum share capital requirements to be met by companies that are or become fully owned by foreign investors.
- In January 2020, *Viet Nam* increased the foreign ownership ceiling in ***air transport business*** to 34 percent from the previous 30 percent.

d. Enhancing foreign investment restrictions in strategic sectors

- On 4 June 2020, the *Law 20-07 on the 2020 Additional Finance Act* was published in *Algeria*. Although its main aim is to remove restrictions in foreign investment in many sectors, it also introduced the category of ‘strategic sectors’, in which foreign ownership is limited to 49% of the company shares. These sectors include, inter alia, the upstream energy sector, distribution and transportation of electrical energy and hydrocarbons (gas and liquids), railways, ports and airports, and the pharmaceutical industry, except for investments related to the manufacturing of ‘essential innovative, high value-added products, requiring complex and protected technology’.

C. Conclusion

In its WIR 2020, UNCTAD has analyzed global SDG investment trends and concluded that some progress was made during 2015-2019, but that it remains far from the target to meet the $2.5 trillion annual financing gap for developing countries. Signs of progress in SDG investment are evident in six out of 10

sectors: transport infrastructure, telecommunication, food and agriculture, climate change mitigation, ecosystems and biodiversity, and health.

However, international private sector investment flows to developing and transition economies in SDG sectors are on course to fall by about one third in 2020 because of the COVID-19 pandemic. In the first three quarters of the year, the value of newly announced greenfield investments shrunk by 40% and that of international project finance (used for large infrastructure projects requiring multiple investors) by 15%. The COVID-19 pandemic is likely to undo the progress made in promoting SDG investment since 2015 (see UNCTAD's SDG Investment Trends Monitor, December 2020) [https://unctad.org/system/files/official-document/diaemisc2020d3_en.pdf].

Policy measures to promote and facilitate investment in SDGs, as well as development cooperation and financing support to developing countries will be important in determining the trajectory of investment in the SDGs. However, policy trends in the first 11 months of 2020 rather go into the opposite direction, as numerous countries have reinforced their screening systems for foreign investment in numerous SDG sectors.

Countries may have good reasons for a more cautious approach in this area. These include the need to ensure universal access to basic health services, the goal to prevent predatory acquisitions in the health sector and - more generally - concerns related to their national security. UNCTAD's Investment Policy Framework for Sustainable Development (UNCTAD, 2015) and UNCTAD's Action Plan to facilitate a "Big Push" in private sector investment in the SDGs can provide guidance in this regard (UNCTAD, 2020, World Investment Report).

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