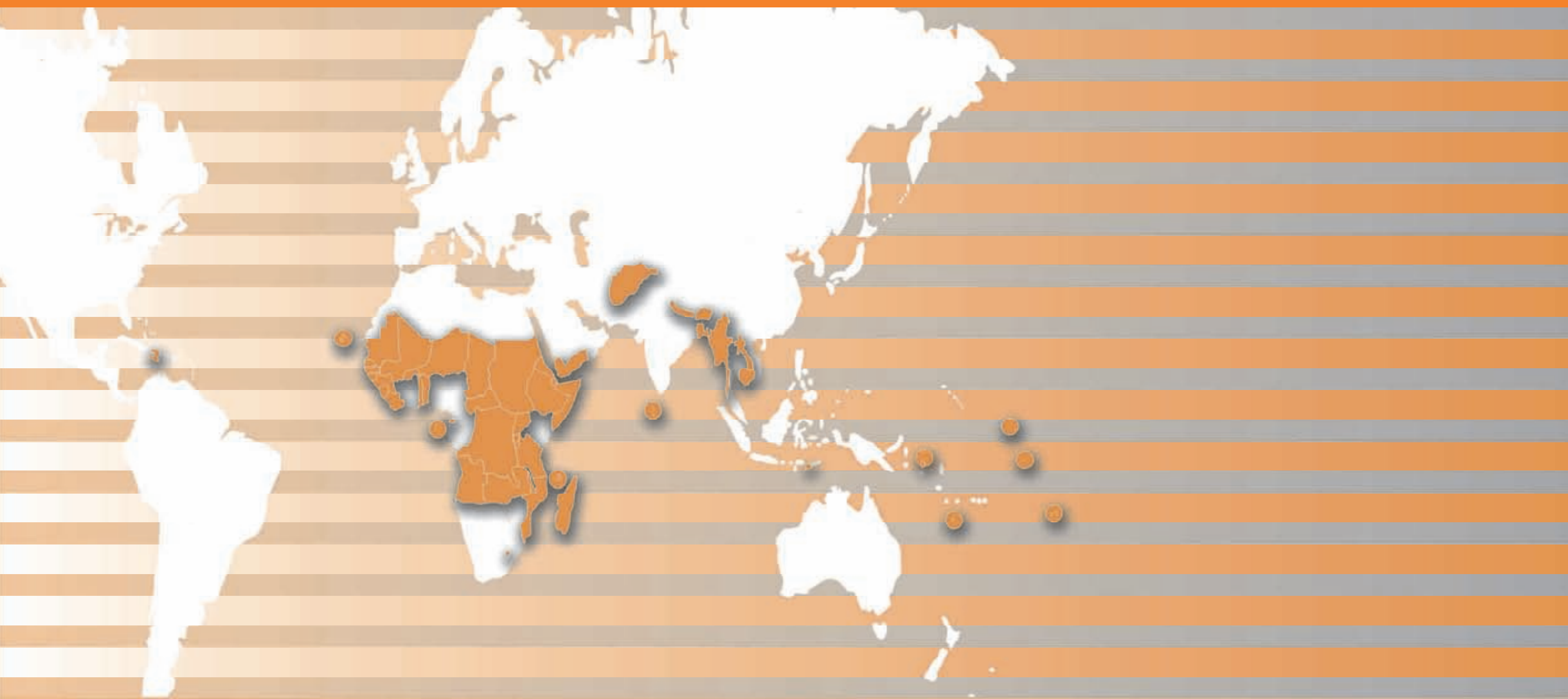
UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

FDI in Least Developed Countries at a Glance: 2005/2006



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United Nations
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NOTE

As the focal point in the United Nations system for investment and technology, and building on 30 years of experience in these areas, UNCTAD, through its Division on Investment, Technology and Enterprise Development (DITE), promotes understanding of, and helps build consensus on matters related to foreign direct investment (FDI), transfer of technology and development. DITE also assists developing countries to attract and benefit from FDI and to build their productive capacities and international competitiveness. The emphasis is on an integrated policy approach to investment, technological capacity building and enterprise development.

The term "country" as used in this study also refers, as appropriate, to territories or areas; the designations employed and the presentation of the material do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. In addition, the designations of country groups are intended solely for statistical or analytical convenience and do not necessarily express a judgement about the stage of development reached by a particular country or area in the development process. The reference to a company and its activities should not be construed as an endorsement by UNCTAD of the company or its activities.

The boundaries and names shown and designations used on the maps presented in this publication do not imply official endorsement or acceptance by the United Nations.

The following symbols have been used in the tables:

Two dots (..) indicate that data are not available or are not separately reported. Rows in tables have been omitted in those cases where no data are available for any of the elements in the row.

A dash (-) indicates that the item is equal to zero or its value is negligible.

A blank in a table indicates that the item is not applicable, unless otherwise indicated.

A slash (/) between dates representing years, e.g., 1994/95, indicates a financial year.

Use of a hyphen (-) between dates representing years, e.g., 1994-1995, signifies the full period involved, including the beginning and end years.

Reference to "dollars" ($) means United States dollars, unless otherwise indicated.

Annual rates of growth or change, unless otherwise stated, refer to annual compound rates.

Details and percentages in tables do not necessarily add to totals because of rounding.

The material contained in this study may be freely quoted with appropriate acknowledgement.

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Definition of least developed countries (LDCs)

Fifty countries are currently designated by the United Nations as "least developed countries" (LDCs): Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sudan, Timor-Leste, Togo, Tuvalu, Uganda, the United Republic of Tanzania, Vanuatu, Yemen, Zambia. The list of LDCs is reviewed every three years by the Economic and Social Council of the United Nations, in the light of recommendations by the Committee for Development Policy.

The criteria underlying the current list of LDCs are:

(a) ***A low-income criterion***, as measured by the gross national income (GNI) per capita;

(b) ***A weak human assets*** criterion, as measured by a composite index (the Human Assets Index) based on indicators of (i) nutrition (per capita calorie intake as a percentage of the relevant requirement); (ii) health (child mortality rate); (iii) school enrolment (secondary school enrolment ratio); and (iv) literacy (adult literacy rate); and

(c) ***An economic vulnerability*** criterion, as measured by a composite index (the Economic Vulnerability Index) based on indicators of (i) instability in agricultural production; (ii) instability in exports of goods and services; (iii) the economic importance of non-traditional activities (share of manufacturing and modern services in GDP); (iv) economic concentration (UNCTAD's merchandise export concentration index); and (v) economic smallness (population in logarithm).[1]

Different thresholds are used for addition to, and graduation from, the list of LDCs. A country qualifies for addition to the list if it meets inclusion thresholds on all three criteria, and if its population does not exceed 75 million. A country qualifies for graduation from LDC status if it meets graduation thresholds under at least two of the three criteria in at least two consecutive triennial reviews of the list.

At the time of the 2003 review of the list of LDCs, the low-income threshold for addition to the list was a GNI per capita of $750, and the threshold for graduation was $900.

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[1]As a supplement to data on the instability of agricultural production, the percentage of population displaced by natural disasters has been added to these five components, thereby creating a modified Economic Vulnerability Index.

Source: UNCTAD, *The Least Developed Countries Report 2004* (New York and Geneva: United Nations), United Nations publication, sales no. E.04.II.D.27.

PREFACE
(2005/2006 edition)

The Monterrey Consensus adopted in 2002 reconfirmed the need to mobilize international resources for development. This is particularly important for the 50 least developed countries (LDCs), the special group of countries as defined by the United Nations. The Consensus highlighted the importance of private international capital, particularly foreign direct investment (FDI), in development finance. Moreover, at UNCTAD XI, which took place in 2004 in São Paulo, FDI was stressed in the context of addressing the need to build internationally competitive productive capacity in developing countries, including LDCs.

The year 2004 saw a rebound in world FDI inflows after three consecutive years of decline, owing to a strong growth in FDI flows to developing countries. This upturn, however, was marked by an uneven distribution of flows among host countries, including LDCs. Indeed, although record FDI inflows into LDCs were registered in 2004 and efforts have been made to improve the investment climate in those countries through promoting privatization and establishing a legal framework for FDI, this group of countries remains marginalized within global production networks: they received less than 5 per cent of FDI inflows into developing countries and less than 2 per cent of the world total in that year.

It was against this background and in order to provide the reader with a general picture of FDI in LDCs that the third edition of this publication was prepared. The basic structure is the same as in previous editions. The first part examines recent trends in FDI flows to LDCs as well as policy developments with regard to the regulatory framework concerning FDI at the national and international levels. The second part consists of 50 country profiles. It covers for the first time data on greenfield FDI projects, in addition to the regular data on inward FDI flows and stock (with breakdowns by industry and by country of origin), cross-border mergers and acquisitions (M&As), and the largest foreign affiliates and their operations in host economies. It also provides information on investment promotion agencies and on developments in the international legal framework as well as bilateral and institutional agreements.

Supachai Panitchpakdi
Secretary-General of UNCTAD

Geneva, February 2006

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As in the previous editions, the primary sources of information are the UNCTAD databases on foreign direct investment, transnational corporations, cross-border mergers and acquisitions, greenfield investments, bilateral investment treaties and double taxation treaties. Every reasonable effort, including a request to the Governments concerned to verify the data included in this volume, has been made to ensure that each country profile is accurate and up to date.

ABBREVIATIONS

AGOA	African Growth and Opportunity Act (of the United States)
BIT	bilateral investment treaty
DAC	Development Assistance Committee
DTT	double taxation treaty
EU	European Union
FDI	foreign direct investment
FTA	free trade agreement
GATS	General Agreement on Trade in Services (WTO Agreement)
GDP	gross domestic product
GFCF	gross fixed capital formation
ICSID	International Centre for Settlement of Investment Disputes
IPA	investment promotion agency
ISDS	investor-State dispute settlement
LDC	least developed country
M&A	merger and acquisition
MIGA	Multilateral Investment Guarantee Agency
ODA	official development assistance
TNC	transnational corporation
TRIMs	Agreement on Trade-Related Investment Measures (WTO Agreement)
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights (WTO Agreement)
WAIPA	World Association of Investment Promotion Agencies
WTO	World Trade Organization