Have you noticed? In response to your feedback, we have a new name: “North American Affairs News”. We are always looking for advice on how we can improve. Please contact us.

Financial Crisis and Foreign Direct Investment

Foreign direct investment in emerging and transition economies is down as a result of the global financial crisis. Many economies could experience significant cuts in FDI, if market confidence doesn't recover soon.

The world economy, mired in a severe financial and credit crisis, is moving into the danger zone, threatening development progress of the last decade in many countries. The World Bank's Global Economic Prospects report expects developing country growth to decline from 7.9 percent in 2007 to 4.5 percent this year. Investment growth in the developing world is projected to fall from 13 percent in 2007 to 3.5 percent in 2009, due to tighter credit conditions and less appetite for risk. More >>

Dampening Effect on Global FDI

A change in lending behavior and a general reassessment of credit risk has added new uncertainties and risks to the world economy, resulting in a negative impact on foreign direct investment (FDI). Economic growth in developed countries—one of the key drivers of FDI flows in past years—has slowed markedly since the fourth quarter of 2007. As a result, FDI flows in 2008 saw a 10 percent decline from 2007. This was highlighted by the UN Conference on Trade and Development (UNCTAD) in its World Investment Report 2008.

FDI is a very powerful engine of development and growth in emerging and transition economies. However, current international financial market sentiment is contributing to uncertainty in long-term investment decisions.

Need for a Fast, Flexible and Coordinated Response

A crisis of this magnitude calls for an energetic and coordinated response from all relevant institutions. The World Bank Group is using all its resources—financing, advice, guarantees, partnerships to mobilize assistance from others, and more—to help countries manage this downturn and minimize its impact.

MIGA's Role

As the leading international institution promoting FDI in emerging and transition economies, Multilateral Investment Guarantees Agency (MIGA) has a unique capacity to play an important role in...
helping countries improve their business climate and attract investors so that developmentally beneficial investment may continue.

“Our priority in these turbulent times is clear: to help restore confidence in financial markets and empower the private sector to participate in the development of countries in need,” says James Bond, Chief Operating Officer of MIGA. More >>

Please let us know your questions and comments.