Due to the spread of COVID-19 at global level, global foreign direct investment (FDI) flows are predicted to decline up to 40% in 2020, with a further 5% to 10% reduction in 2021.
A recovery is expected only in 2022, led by global value chains (GVCs) restructuring for resilience, replenishment of capital stock and the expected world economy rebound once the crisis will end. Developing economies are expected to see the biggest fall in FDIs because they rely more on investment in GVC-intensive and extractive industries, which have been severely hit, and because of their limited capacity of putting in place the same economic support measures that have been adopted by developed economies. Anyway, all will depend on the duration of the health crisis and on the effectiveness of policies aimed at mitigating the pandemic's economic effects.

A new report from UNCTAD reveals how the lockdown measures are slowing down existing investment projects. The deep recession caused by COVID-19 will lead in particular multinational enterprises (which account for most of global FDI), to reassess new projects because of the lower profits that will compel them to revise plans for reinvesting theirearnings. Both new greenfield investment project announcements and cross-border mergers and acquisitions (M&As) dropped by more than 50% in the first months of 2020 compared with 2019. From the governments' side, measures and restrictions taken during the crisis will further slow down new investment. The vast majority of countries in the world attracts international investors in priority sectors through changes in investment laws, facilitation measures, incentives schemes and Special Economic Zones (SEZs), the latter being an industrial policy tool that continues to proliferate and diversify around the world. Although a universal definition for SEZs is lacking, to date, there are more than 5,400 SEZs across nearly 150 economies and hundreds more are in the planning stage. Only 5 years ago (in 2015) they were 4,000.

The previous World Investment Report (2019) calculated that the highest numbers of SEZs are in China, the Philippines, India, the United States, the Russian Federation, Turkey, Thailand, the Dominican Republic, Kenya and Nicaragua. In Africa, where SEZs were adopted relatively late, they have been gaining increased traction recently with Kenya leading the standings (61 SEZs in total), followed by Nigeria (38), Ethiopia (18) Egypt (10), and Cameroon (9).The term "special economic zones" in the UNCTAD report covers all types of facilities responding to the following 3 criteria:

- they are characterised by a clearly demarcated geographical area;
- they have a regulatory regime distinct from the rest of the economy (most often customs and tax rules, but potentially covering other relevant regulations, such as foreign ownership rules, access to land or employment rules), or offer special incentives and exemptions from customs, fiscal or other regulatory obligations to investors settling therein;

- they are served by high-quality infrastructure (transport, water, wastewater, electricity and gas).