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Investment Flows into Commonwealth Small States: Trends, Challenges and Implications

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Abstract

This paper, the first of a two-part series, unpacks key trends in investment flows to Commonwealth small states, identifying the factors and challenges influencing their ability to attract investment, and exploring innovative models, policies and practices to help grow inward investment. These countries face an array of structural handicaps and vulnerabilities that not only hold back their growth and development but also dampen their prospects for attracting investment at scale. Even so, as this paper stresses, small states can work proactively to place themselves in a more competitive position to attract sustained inward investment in the future. Attracting larger and more stable flows of efficiency-seeking, high quality inward investment – particularly productive foreign direct investment – and channelling such flows strategically into existing and newly emerging priority sectors with rapid growth potential, while leveraging this as a springboard to growth in other sectors, can make a significant contribution to efficiently optimising inward investment flows with a view to diversifying small states' economies. To incentivise and retain this sort of inward investment, the paper argues small states need to create a more conducive environment for investment underpinned by sound investment fundamentals, position themselves better to capitalise on evolving global investment dynamics and trends, and devise, strategically deploy, review and improve innovative measures to attract and retain investment – such as citizenship/resident by investment schemes or alternative financing arrangements to mobilise private sector investment.

Contents

1. Introduction

Most small states face unique structural handicaps and challenges that hamper efforts to grow and transform their economies. Boosting foreign direct investment (FDI) and other forms of investment inflows could help to overcome these difficulties and accelerate their economic growth and development. Empirical evidence from several studies shows that – under the right conditions – FDI can have positive effects on economic growth in these countries, including small island developing states (SIDS) (Ragimana, 2012; Fauzel et al., 2017; Roudi et al., 2019; Yusheng et al., 2019; Tandrayen-Ragoobur and Fauzel, 2021). FDI can support the development of domestic industries by raising efficiency, reducing costs and introducing new activities, and through demonstration effects and knowledge spillovers generated via interactions with foreign managers and buyers (OECD, 2002; Read, 2007; IMF, 2023).[1]

It has a potentially significant role to play in small states as a conduit for technology transfer and diffusion (OECD, 2002; Read, 2007). For example, FDI may have favourable environmental impacts in these countries if it facilitates the transfer of cleaner technologies or generates positive spillovers through knowledge and demonstration effects and supply chain requirements (OECD, 2002).

In some circumstances, FDI may also complement or crowd-in domestic investment and create new jobs. It can also lead to improvements in aggregate productivity by encouraging domestic firms and industries to become more productive and reduce costs in response to greater competitive pressure (Read, 2007). Finally, FDI can play a critical role in aiding integration into global value chains (GVCs), international trade and the world economy. These effects may be especially pronounced in small states given their generally high degree of openness to trade.

Despite the potential for inward investment to support economic growth and diversification in small states and expand their integration into the global economy, many struggle to attract sufficient levels of investment due to their unique structural handicaps. At the same time, few studies have explored the dynamics of investment flows into small states, meaning insights into the effectiveness of measures to boost investment in these countries remain limited. Most existing theoretical and empirical studies have focused on the trends, drivers and implications of investment in larger developing countries, emerging markets or developed economies.

This paper, the first[2] of a two-part series,[3] addresses this gap by unpacking key trends in investment flows to small states, identifying the factors and challenges influencing their ability to attract investment, and exploring innovative models, policies and practices to help grow inward investment. While the paper focuses on the 33 small states that are members of the Commonwealth,[4] the broader insights and messages presented herein are applicable to the wider group of 42 small states spread across the world.[5]

2. Economic Challenges and Investment Needs in Small States

The unique and challenging circumstances facing small states are widely documented. While the countries in this category are diverse and include both developed and developing economies, least developed countries (LDCs), islands and landlocked countries, they all share similar structural characteristics which create vulnerabilities that threaten their development prospects.

2.1 Persistent challenges

With small populations, limited human capacity and narrow economic bases, production structures in small states tend to be poorly diversified and dominated by micro, small and medium-sized enterprises, and they have limited scope to achieve economies of scale. A lack of diversification in exports, which tend to be concentrated in primary commodities and a small range of services, combined with high levels of openness to trade, render their economies heavily exposed to broader trends affecting world trade and highly vulnerable to exogenous shocks emanating from global markets (Briguglio et al., 2006; Commonwealth Secretariat, 2017; Baldacchino, 2020; Keane et al., 2020). The concentration of economic activity and trade exposes them to more volatile business cycles, characterised by deeper cyclical contractions and shorter expansions (Blanco et al., 2020). Moreover, many small states – especially SIDS – are geographically isolated and located far from major markets, making their exports subject to high transport and logistic costs.

With their limited productive capacity and heavy reliance on international trade, small states tend to be disproportionately dependent on strategic imports of essential goods such as energy, food and fuel (Rustomjee, 2016; Commonwealth Secretariat, 2017; World Bank, 2023). This heightens their vulnerability to external trade shocks and volatility in international commodity prices and contributes to high levels of energy and food insecurity.

Many small states are also disproportionately exposed to climate change and natural disasters, with severe economic implications. Key sectors of their economies – particularly agriculture, fisheries and tourism – are climate sensitive (Commonwealth Secretariat, 2017). Natural disasters impacting small states, and especially SIDS, are increasing in both frequency and intensity, with many suffering huge financial losses and major damage to critical infrastructure alongside disruptions to productivity, output and trade. Since 1990, damages and losses suffered by small states resulting from natural disasters have amounted to the equivalent of 5 per cent of gross domestic product (GDP) annually (Kirby et al., 2023). Many small states are forced to raise borrowing in the wake of natural disasters to cope with the crippling burden of reconstruction costs and surging demand for public services, both of which place considerable pressure on their already limited institutional and financial resources.

These impacts, coupled with high fixed and variable costs for public service provision and disproportionately high levels of government spending relative to GDP, contribute to elevated debt levels in many small states, made worse by high debt-servicing costs, weak debt management systems, limited institutional capacity and generally poor fiscal discipline (Zhu, 2013; Beuermann and Schwartz, 2018; OECD et al., 2019). On average, small states have higher public debt to GDP ratios compared to other developing countries and less fiscal space to fund key development priorities.[6] They thus tend to be heavily dependent on various forms of external finance, even as some small states are not eligible for concessionary financing due to their designation as middle- or high-income countries (Box 2.1).

2.2 The compounding impacts of multiple recent crises

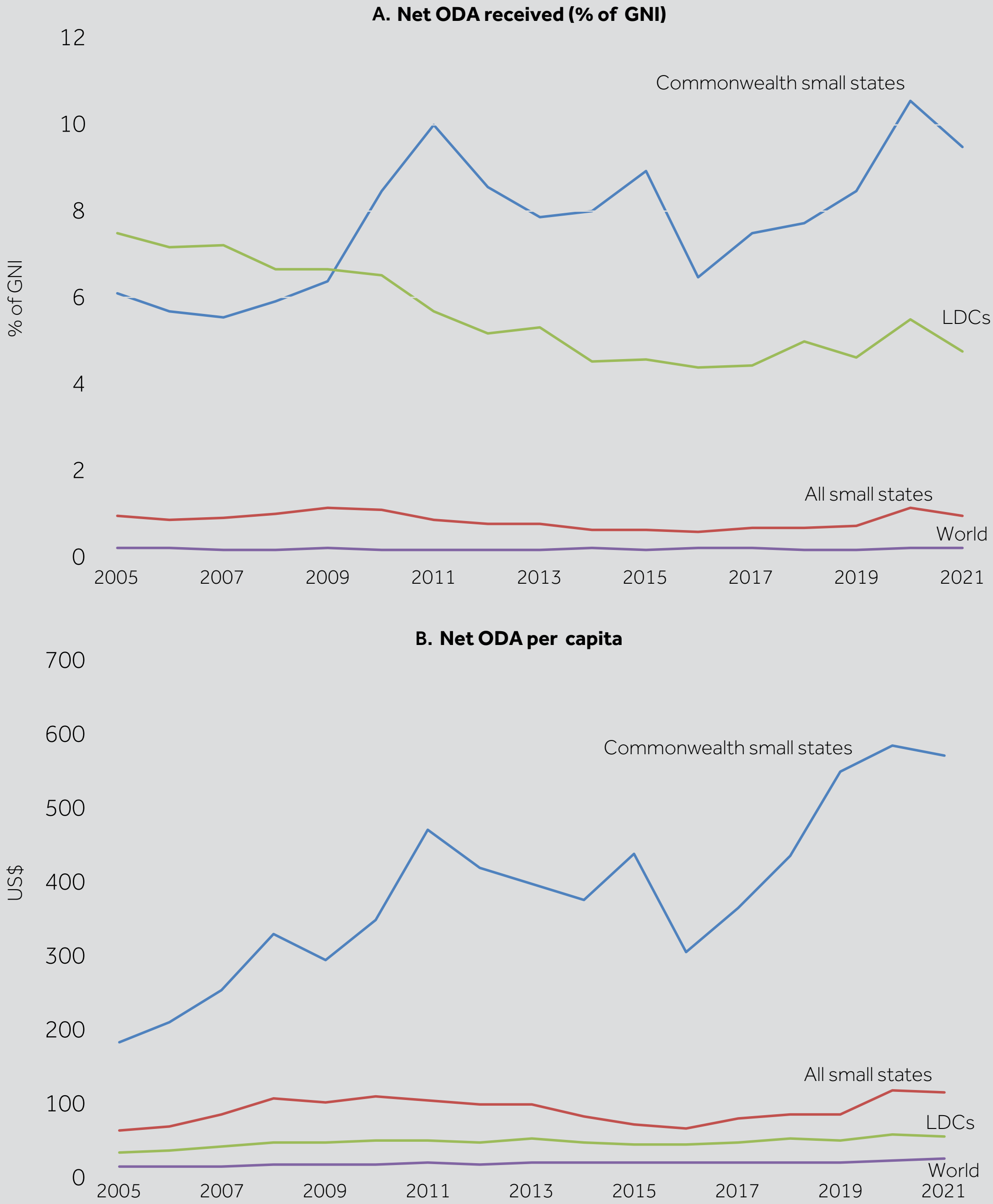
The impacts of COVID-19 have aggravated the challenges faced by small states and amplified their fragilities and structural weaknesses. GDP contractions suffered by small states during the pandemic were generally more severe compared to most emerging and developing economies and growth has been slower to rebound (World Bank, 2023). In 2020, GDP growth rates contracted by 33.5 per cent in the Maldives and by more than 20 per cent in another three Commonwealth small states (Saint Lucia, The Bahamas and Antigua and Barbuda), along with reductions of 10 per cent or more in a further eight countries (Fiji, Dominica, Mauritius, St Kitts and Nevis, Grenada, Belize, Barbados and Jamaica), while only six Commonwealth small states recorded positive GDP growth.[12] The economic fallout from the pandemic also led to a sharp decline in FDI inflows to small states. Net inflows of FDI relative to GDP declined, on average, by 10.2 per cent from 2019 to 2020 across Commonwealth small states, falling for nearly two-thirds of the 33 countries in this group.[13] Efforts to curb the impacts of the pandemic have worsened fiscal imbalances and debt vulnerabilities in many small states on the back of higher international borrowing costs, while resource constraints have limited the effectiveness of government interventions.

Box 2.1 External financing challenges for small states

As a result of shortfalls in domestic revenues and high unit costs for providing public services, small states – and especially SIDS – tend to rely heavily on external financial flows to plug financing gaps. These inflows are critical to build productive capacity, for infrastructure development, to combat climate change and to address the impacts of frequent economic shocks and natural disasters (Asian Development Bank, 2019).

Despite their importance, small states encounter a range of challenges securing external finance. Inflows of FDI and other private finance are limited and tend to be highly volatile, with small states facing major difficulties attracting stable inflows of external private financing (OECD, 2018; 2020). In turn, concessional finance is heavily concentrated in a few small states; and those in higher income categories face restrictions on their eligibility for, and allocations of, certain types of concessional resources.[7] This is especially problematic for Commonwealth SIDS, many of which are classified as either middle-[8] or high-income[9] countries and hence not eligible for International Development Association (IDA) support.[10] Some of the ineligible small states also

Figure 2.1 Net ODA received by Commonwealth small states in comparative perspective, 2005–2021



Source: Commonwealth Secretariat (calculated using World Bank World Development Indicators data).

face major debt challenges, including Commonwealth SIDS such as Antigua and Barbuda, Belize, Jamaica, Seychelles and St Kitts and Nevis, which impacts their creditworthiness and affects their access to finance through capital markets (OECD, 2018; Asian Development Bank, 2019). These countries must borrow on commercial (non-concessional) terms from multilateral lenders through the IBRD (Quak, 2019).

Variable access to concessional development finance restricts the fiscal space of small states and weighs heavily on their economies. This has led to widespread calls to revisit the current financial architecture to ensure that it is inclusive and considers the multitude of emerging challenges and vulnerabilities faced by small states. A number of organisations, including the Commonwealth Secretariat, are spearheading discussions and advocacy for the development of better criteria for access to development finance which actively consider these countries' real circumstances and vulnerabilities.

Where small states are able to access external finance, inflows tend to be more erratic and volatile compared to other developing countries (OECD, 2018). Many depend on a narrow range of external financing flows and are heavily reliant on official development assistance (ODA). This is especially evident among Commonwealth small states. During the last decade and a half, they have, on average, recorded much higher levels of ODA when measured as a percentage of gross national income (9.5 per cent in 2021) or per capita[11] (US$537 in 2021) compared to LDCs, the world average and small states overall (panels A and B in Figure 2.1). ODA to these countries has grown considerably in relative terms since 2005 and, among the various Commonwealth regions, was highest by a large margin for Pacific small states in recent years (averaging $862 in 2021).

Small states often rely on a small pool of sources for concessional and other forms of external finance, rendering them vulnerable to shifts in the priorities, policy positions and development budgets of donors and other providers (OECD, 2018). There is an urgent need to mobilise more financing from a wider range of public and private sources (including FDI and other private flows), and through new and innovative approaches, to support their sustainable development. In a significant step in this direction, the ambitious Bridgetown Initiative calls for the reform of international financial institutions – such as the International Monetary Fund and the World Bank – to better address the burdens of persistently high debt levels, climate change and slower growth affecting many countries, particularly small states.

The multiple and overlapping global crises following in the wake of the pandemic have exacerbated many of these difficulties. The conflict in Ukraine has constrained the supply of food imports and raised their cost significantly, while wider supply chain disruptions have put upward pressure on prices and highlighted the risks associated with relying heavily on imports of essential goods. Slower growth across the world, and especially in advanced and emerging economies, has impacted demand for small states' exports and reduced inflows of finance through ODA and FDI (World Bank, 2023). At the same time, the trend of synchronised monetary policy tightening across the world has raised debt-servicing costs for small states (ibid.).

2.3 Investment-driven solutions and needs

Investment can play a vital role in tackling many of these challenges. The limited scope to mobilise domestic financial resources to support economic and social development in small states means it is necessary to draw on diverse resource flows, including through remittances from small states' vast global diaspora networks (Box 2.2) and via private sector investment from international sources, to make up shortfalls and meet urgent financing needs. However, FDI inflows to small states and other structurally weak and vulnerable economies have been dwindling in recent years, especially into key sectors such

Box 2.2 Calling home – the importance of remittances for small states

In the absence of sizeable inflows of other forms of external financing, small states generally rely more heavily on remittances compared to other developing countries. They represent the largest source of external finance for SIDS and tend to be a major component of these flows to small states in general (OECD, 2018; Quak, 2019).

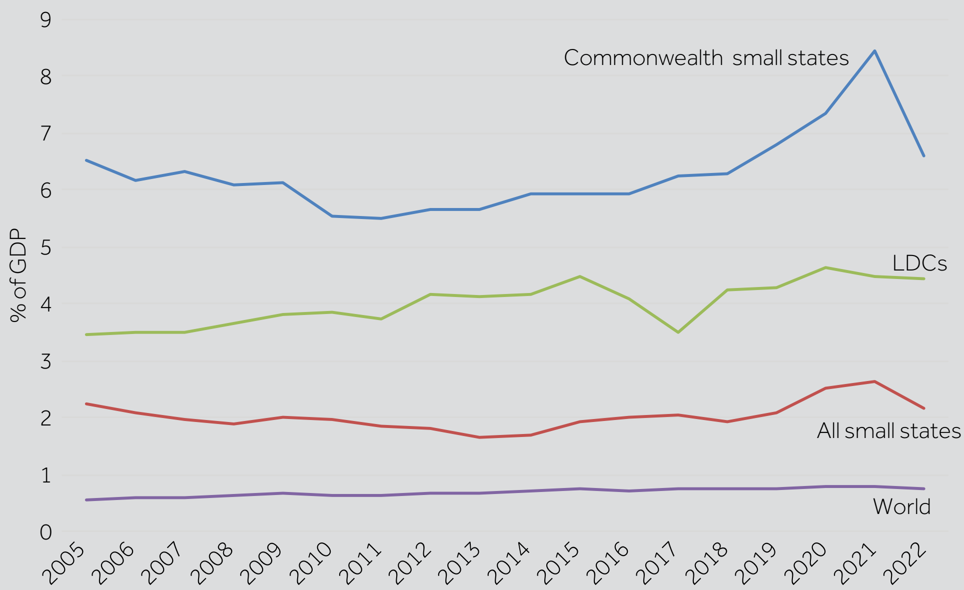
Remittances have the potential to provide a range of developmental benefits for small states. They can boost economic growth by stimulating private household consumption and providing funds to finance business investments and support education (Edwards and Ureta, 2003; Amuedo-Dorantes and Pozo, 2006;

Gitter and Barham, 2007; Woodruff and Zenteno, 2007; Amuedo-Dorantes et al., 2008; Feeny et al., 2014; Hahm et al., 2021).[14] Inflows of remittances may also help to reduce macroeconomic volatility and stabilise output and investment (Feeny et al., 2014; Jackman et al., 2009). This stabilising effect is especially important for small states, whose economies are highly exposed to external market forces owing to their openness to trade and international capital flows and, as a result, generally experience significant volatility in inflows of FDI and other private finance. Remittances may help to reduce poverty by acting as a de facto social safety net (Feeny et al., 2014),[15] and they can promote gender equality by supporting women's economic empowerment and enabling greater financial autonomy for women (Hahm et al., 2021).

Despite these positive effects, heavy reliance on remittances, as is the case in many small states, can also have negative consequences for economic growth and development. Individuals receiving remittances may have fewer incentives to work, which negatively affects labour supply and labour force participation (Dridi et al., 2019). Sizeable inflows of remittances can also cause the real exchange rate to appreciate, prompting resource reallocations from tradable to non-tradable sectors, harming export competitiveness and fuelling inflation (Amuedo-Dorantes and Pozo, 2023). Moreover, transaction costs to send remittances to small states are often very high, particularly for low-value transactions. For instance, on average it cost around US$19 to send $200 in remittances to Vanuatu in 2023, representing 9.5 per cent of the amount sent, and nearly $17 (8.4 per cent) and $16 (7.9 per cent) to send the same amount to Botswana or Guyana, respectively;[16] this is far above the target of 3 per cent (or $6) set in Sustainable Development Goal (SDG) 10c. These high costs drain resources and place an additional financial burden on migrant remitters and their recipients in small states, while also potentially discouraging larger remittances flows.

In spite of these challenges, the significance of remittances as a source of external finance is clear among Commonwealth small states, and these inflows were especially critical at the height of the COVID-19 pandemic. In 2021, the combined value of inflows of personal remittances to Commonwealth small states was equivalent to 8.4 per cent of GDP, on average; and this share increased steadily over the last decade, exceeding the averages for LDCs and small states in general as well as the worldwide average by clear margins (Figure 2.2). Remittance inflows to some Commonwealth small states are equivalent to very large shares of GDP: more than 33 per cent for Samoa, 28 per cent in The Gambia, close to 26 per cent in Lesotho, nearly 22 per cent in Jamaica and 14 per cent in Vanuatu in 2022.

Figure 2.2 Personal remittances as a percentage of GDP for Commonwealth small states and comparators, 2005–2022



Source: Commonwealth Secretariat (calculated using World Bank World Development Indicators data)

as agriculture, food, education and health (UNCTAD, 2021). Investment to support the development of productive capacity has also been sluggish, with greenfield FDI to small states following a downward trajectory since the global financial crisis (Goel, 2017).

3. Understanding Investment Flows to Commonwealth Small States

The structural handicaps outlined above mean small states face unique challenges in attracting investment. Many of them are perceived as high-risk markets because they lack the characteristics traditionally recognised as important for attracting FDI, such as large markets and significant potential for market growth, scope for agglomeration (through clustering of producers and suppliers) and economies of scale, high incomes, abundant natural, physical or human resources, good quality infrastructure and favourable geographic locations in proximity to key markets and/or production or logistical hubs (Read, 2007; Teixeira and Nascimento, 2019).

Instead, fixed costs to establish and operate businesses tend to be high in small states relative to the size of their markets, which lowers potential returns and undermines the business case for investment (World Bank, 2023). Similarly, some small states are situated in remote locations and isolated from centres of commercial activity with poor shipping connectivity, resulting in high transport, communication and trade costs that affect producer and export competitiveness and make it more challenging to link into global production networks (Arvis et al., 2013; UNCTAD, 2014; Goel, 2017). These factors represent significant impediments to participation and upgrading in GVCs (Razzaque and Keane, 2016; Sturgeon et al., 2017) and may undermine the appeal of small states as locations for productive greenfield investment.

Some small states have successfully overcome these difficulties and attracted high levels of FDI relative to their size, reflected, for example, in comparatively high ratios of FDI to GDP. Among Commonwealth small states, net FDI inflows between 2019 and 2022 were equivalent to more than a quarter of GDP, on average, in Guyana and Malta, and exceeded 10 per cent of GDP in Grenada (14.2 per cent), Maldives (12.2 per cent), Seychelles (10.7 per cent), St Vincent and the Grenadines (10.5 per cent) and Antigua and Barbuda (10.1 per cent) (Table A1 in the Annex).

Among these countries, Guyana has benefited from major investments in offshore oil and gas exploration and production, and has deployed incentives to grow investment in other related sectors (see Section 4.3).

Despite these successes in attracting inward investment to some Commonwealth small states (discussed further in Section 4), overall FDI inflows to small states have historically been highly concentrated in a small number of host countries and a limited set of sectors (UNCTAD, 2014). Between 2005 and 2023, two-thirds (67 per cent) of the combined FDI inflows to small states and Small Island Forum members across the world were directed to just two countries (Cyprus and Malta),[17] and the top-ten recipients – a list that includes three other Commonwealth small states (The Bahamas, Guyana and Gabon) – absorbed 88 per cent.

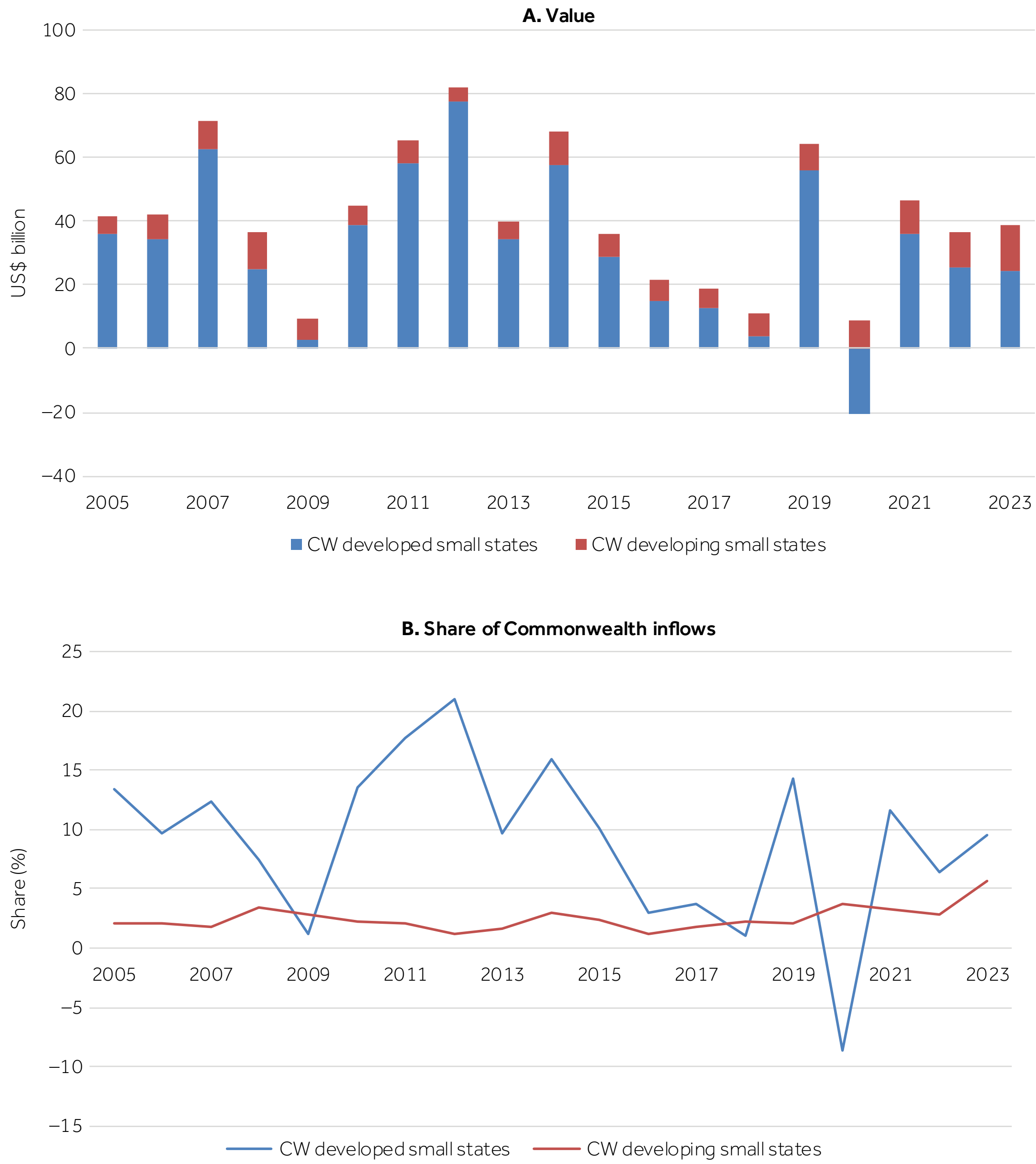
Against this backdrop, the remainder of this section examines recent trends in investment flows to Commonwealth small states, focusing on FDI. We follow the UN Trade and Development (UNCTAD, 2022a) definition of FDI as 'an investment reflecting a lasting interest and control by a foreign direct investor, resident in one economy, in an enterprise resident in another economy (foreign affiliate)',[18] and use data on FDI flows reported on a net basis. This broad classification encompasses different modes of FDI, including mergers and acquisitions, international project finance and greenfield investment. We consider both FDI inflows to small states overall as well as announced inflows of greenfield investment, a subset of FDI, which are crucial for productive capacity investment, encompassing new ventures in which a parent company builds its operations in a foreign country from the ground up by, for example, constructing production and processing facilities, building new distribution hubs and offices or developing project sites (Commonwealth Secretariat, 2018; Balchin, 2020). Our analysis begins with a broad overview of overall FDI inflows to Commonwealth small states (Section 3.1), before turning to a more disaggregated examination of greenfield investments in these countries (Section 3.2).[19]

3.1 Trends in FDI to Commonwealth small states

FDI inflows to Commonwealth small states have been highly volatile since 2005, with sizeable fluctuations between years. They followed a downward trajectory – both in value and as a share of overall Commonwealth inflows – during the global financial crisis (2007–9), before rebounding strongly from 2010 to 2015. This was followed by another sharp decline from 2015 onwards, interrupted only in 2019, after which they tailed off significantly in 2020 with the emergence of COVID-19 (panels A and B in Figure 3.1 and Table A2 in the Annex). Combined FDI inflows to these countries recovered swiftly from 2021 onwards after the initial hit induced by the pandemic (discussed further below).

FDI inflows to Commonwealth small states were highly concentrated in most years, with the developed countries in Europe, Cyprus and Malta, attracting the bulk of the investment. These two countries absorbed more than 80 per cent of FDI destined for Commonwealth small states in all but two years (2008 and 2009)

Figure 3.1 Trend in FDI inflows to Commonwealth small states, 2005–23



Source: Commonwealth Secretariat (calculated using data from UNCTAD, 2024c).

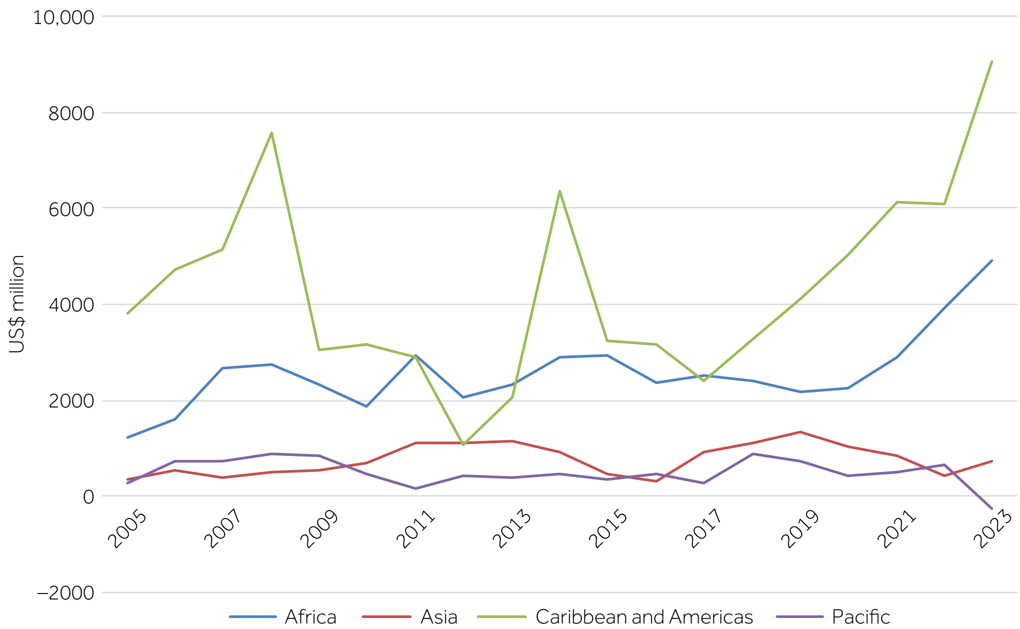
between 2005 and 2015. More recently, developing members have welcomed progressively larger shares. Even so, the aggregate value of FDI inflows to the 31 developing Commonwealth small states has only exceeded combined inflows to Cyprus and Malta in four years since 2005: 2009, 2018, 2020 (when Cyprus recorded very large negative FDI flows)[20] and 2021. Moreover, FDI inflows to developing small states remain highly volatile, particularly among the Caribbean countries (with large declines between 2008 and 2012 and spikes in 2014 and 2023) (Figure 3.2). Since 2005, these flows have grown fastest (on average, annually) for Commonwealth small states in Europe and the Caribbean and slowest (at least in aggregate terms) for those in Africa and Asia.

The COVID-19 pandemic impacted FDI flows to Commonwealth small states, mirroring wider global trends.[21] While all regions with the exception of the Caribbean suffered declining FDI inflows in 2020 relative to pre-pandemic (2017–19) averages, the impact was most severe in Europe, where inflows to Cyprus declined from more than US$52 billion in 2019 to a negative net position of −$24.5 billion in 2020 (Figure 3.3). In comparison, there were more moderate reductions in FDI inflows to African, Asian and Pacific small states, and FDI to Caribbean small states increased in 2020.

Recovery from the pandemic-induced impacts on FDI was swift for Commonwealth small states in most regions with the exception of Asia. Aggregate inflows to those in Africa, the Caribbean and Europe had already exceeded pre-pandemic averages by 2021; and, in the case of African and Caribbean small states, continued to expand in 2022 and 2023. Some Commonwealth SIDS performed especially well: The Bahamas, Maldives and Jamaica (in that order) ranked in the top five worldwide among SIDS recipients of FDI inflows in 2022 (UNCTAD, 2023a). This strong FDI performance echoed promising signs of post-pandemic recovery in FDI inflows to SIDS more broadly (Box 3.1). However, inflows had yet to reach pre-pandemic levels among most Asian, European and Pacific small states as of 2022.

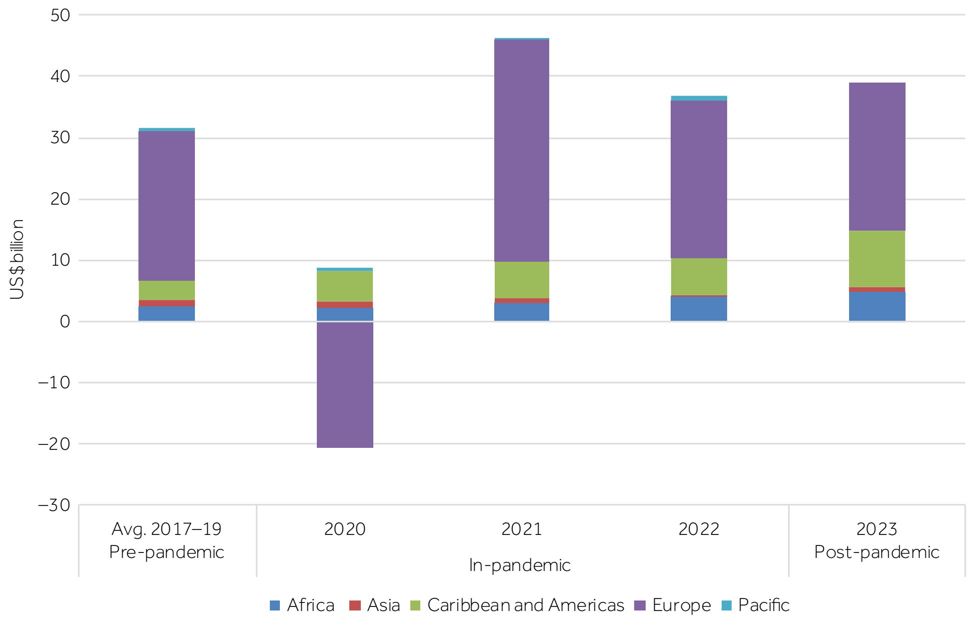
Towards the end of the COVID-19 crisis in 2022, Commonwealth small states collectively attracted US$36.7 billion in FDI, and this climbed to nearly $39 billion in 2023 as the post-COVID recovery gathered pace. These inflows exceeded the pre-pandemic (2017–19) average of $31.6 billion but remained well below peak levels recorded in 2012 ($82.3 billion), 2007 (71.8 billion) and 2014 ($68.3 billion). More than 81 per cent of FDI inflows in 2023 were concentrated in just three small states: Malta, Guyana and Cyprus. Together with Namibia and The Bahamas, these five countries absorbed more than 91 per cent of the total inflows to Commonwealth small states.[22] Overall, inward FDI to small states represented

Figure 3.2 Regional trends in FDI inflows to Commonwealth developing small states, 2005–23 (US$ million)



Source: Commonwealth Secretariat (calculated using data from UNCTAD, 2024c).

Figure 3.3 FDI inflows to Commonwealth small states before, during and after the COVID-19 pandemic, by region (2019–23)



Source: Commonwealth Secretariat (calculated using data from UNCTAD, 2024c).

around 15 per cent of all Commonwealth inflows in 2023 (Table 3.1).

3.2 Greenfield investments in Commonwealth small states

As a subset of FDI, greenfield investments have the potential to play an important role in supporting the development of productive capacity in small states. Since they involve injections of new capital targeting productive activities, their economic impacts are often greater than other forms of FDI and may help to create new jobs in small states.

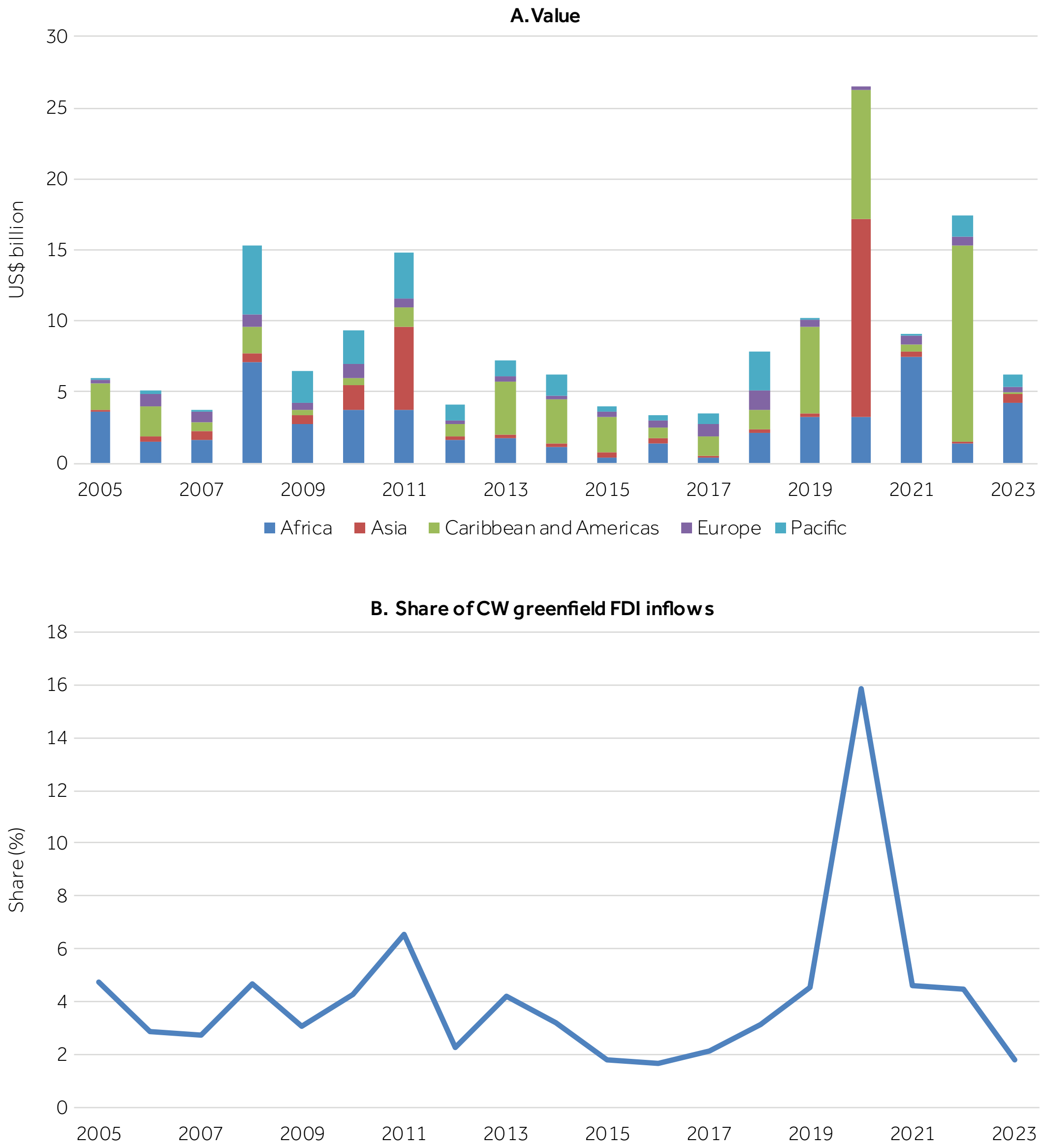
Broad trends

The aggregate value of greenfield investments in Commonwealth small states has expanded significantly since 2005, albeit with considerable volatility across years (panel A in 3.4). In 2022, Commonwealth small states collectively attracted 113 new greenfield FDI project announcements with a combined capital investment of US$17.3 billion, up from 58 projects valued at $5.8 billion in 2005. Based on the latest available data, 2023 was considerably less fruitful: 88 greenfield projects were announced across Commonwealth small states with a total investment value of $6.2 billion. These investments accounted for 4.5 per cent of total greenfield FDI in the Commonwealth in 2022 and just 1.8 per cent in 2023. This share that has not grown since 2005 outside of a few individual years, including a large spike in 2020 on the back of substantial inflows to Asian and Caribbean small states (panel B in Figure 3.4). Capital

Box 3.1 Promising signs of post-pandemic recovery in FDI into SIDS

UN Trade and Development data show that FDI inflows to the 29 SIDS located across the world rose by 15 per cent to US$8.3 billion in 2023 – representing about 0.6 per cent of global FDI. Greenfield project announcements were up for most SIDS. There were strong gains for the transportation and storage sector, with project values up by $350 million and the number of projects doubling to ten. Hospitality accounted for about 30 per cent of greenfield projects announced over recent years, but values fell by almost 50 per cent to $930 billion in 2023, with a large drop in project numbers as well (down 33 per cent). Volatility in some sectors reflects unusually high investment in 2022 as project backlogs resolved following the pandemic. The number of international project finance deals in SIDS increased by 18 per cent in 2023, and their value also increased strongly. With the small number of deals (49 from 2021 to 2023), a few large deals caused major fluctuations. Three distinct investment streams explained most deals: renewable energy, leisure and hospitality, and oil and gas (along with petrochemicals). Maldives accounts for most projects in the hospitality sector, whereas projects in the other sectors were more distributed (UNCTAD, 2024c).

Figure 3.4 Trend in announced greenfield FDI inflows to Commonwealth small states (2005–23)



Source: Commonwealth Secretariat (calculated using FDI Markets data from the Financial Times Ltd March 2024).

investments through greenfield FDI have been dominated by investments announced in developing small states in all years since 2005. Those in Asia and Africa were the primary destinations for these investments in 2020 and 2021, respectively. In turn, Caribbean small states were the major beneficiaries in 2022, absorbing 79 per cent of all greenfield inflows to Commonwealth small states; while those in Africa attracted the largest share (68 per cent) in 2023 (Table 3.1).

As with overall FDI inflows, however, greenfield investments are highly concentrated in a limited number of Commonwealth small states (see Annex, Tables A3 and A4). Between 2015 and 2023, nearly two-thirds of the capital invested through greenfield projects across all 33 Commonwealth small states was destined for just five countries: Guyana (18.1 per cent), Brunei Darussalam (12.7 per cent), Papua New Guinea (11.6 per cent), Gabon (10.7 per cent) and Namibia (10 per cent). The top-ten recipients of greenfield investments over this period accounted for 83 per cent of all inflows to Commonwealth small states.[23] A potential drawcard for investment in these economies is the vast potential offered by the natural resources sector, including petroleum and mining sectors (Gabon, Namibia, Papua New Guinea) and oil and gas (Brunei Darussalam, Papua New Guinea).[24]

In contrast, some Commonwealth small states have received minimal greenfield

Table 3.1 FDI inflows to Commonwealth small states in comparative perspective, 2023

	Value in 2023 (US$ million)	Share of CW FDI inflows in 2023 (%)	Avg. annual growth, 2005–23 (%)
All Commonwealth countries	253,939	100.0	4.5
Non-small state Commonwealth members	215,172	84.7	4.3
Commonwealth small states	38,767	15.3	6.2
By region			
Africa	4,905	1.9	11.0
Asia	710	0.3	14.3
Caribbean and Americas	9,080	3.6	18.5
Europe	24,347	9.6	115.8
Pacific	−275	−0.1	15.5
By development level			
Developed small states	24,347	9.6	115.8
Developing small states (excl. LDCs)	14,209	5.6	9.5
LDC small states	211	0.1	9.8

Source: Commonwealth Secretariat (calculated using data from UNCTAD, 2024c).

investment in recent years. For example, among the four small states that are also LDCs, only The Gambia and Lesotho welcomed greenfield investments between 2020 and 2023. These totalled just $6 million in 2020 and $9.5 million in 2022, compared to $196.8 million in 2021 (all to Lesotho) and $361.9 million (all to The Gambia) in 2023. Inflows to Pacific small states have also been very limited, especially outside of Fiji, Papua New Guinea and Tonga.

The impact of the COVID-19 pandemic on greenfield investment announced in Commonwealth small states has been mixed. In aggregate, these countries recorded comparatively high levels of greenfield FDI in the first year of the pandemic (2020), with investments announced in the African, Asian and Caribbean regions eclipsing pre-pandemic totals in 2019 (Table 3.2). However, with the exception of a few small states in Africa (Botswana, Eswatini, Lesotho, Mauritius and Namibia) as well as The Bahamas, Cyprus, Jamaica, Malta, Papua New Guinea and Trinidad and Tobago, greenfield FDI dropped off considerably in 2021 in most others (Table A3 in the Annex). Investment levels rebounded strongly for Caribbean and Pacific members in 2022, driven primarily by sizeable greenfield FDI announced in Guyana and Papua New Guinea, but generally remained well below pre-pandemic levels among most small states in Africa (excluding Botswana and Seychelles) and Asia.

Sources of recent greenfield investment in Commonwealth small states

Throughout the last five years, spanning the period immediately prior to the onset of COVID-19 (2019), the height of the pandemic (2020 and 2021) and the transition to post-COVID-19 recovery (2022 and 2023), most Commonwealth small states have relied heavily on greenfield investment from non-Commonwealth members, albeit with much variation across regions and development levels. The United States and China led the way as the principal sources of capital investment, collectively accounting for more than 60 per cent of total greenfield FDI announced in Commonwealth small states between 2019 and 2023 (panel A in Figure 3.5). Regionally, China (90.3 per cent of total inflows) was the dominant source of greenfield investment for Asian Commonwealth small states, while firms in the United States (93.3 per cent) were the main investors in the Caribbean and, along with the UK (17.7 per cent), also a key source of FDI to the two European small states (14.7 per cent). Firms in Germany (23.7 per cent), France (19.8 per cent) and Singapore (13 per cent) were the principal investors in the African small states, and those in Singapore (45.5 per cent) and New Zealand (16.4 per cent) dominated these flows to the Pacific countries (Table A5 in the Annex). Investors from Switzerland, together with Singapore, Norway and Germany, accounted for 90 per cent of greenfield FDI announced in

Table 3.2 Announced greenfield FDI inflows to Commonwealth small states, by region and development level, 2019–22 (US$ million)

	Total value (US$ million)					Intra-CW shares in overall greenfield FDI inflows (%)				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
All Commonwealth countries	222,154	167,039	194,755	389,208	348,334	20.4	15.1	17.3	19.3	22.1
Commonwealth small states	10,152	26,451	8,967	17,372	6,188	14.5	10.1	13.8	14.1	34.6
By region										
Africa	3,212	3,257	7,499	1,358	4,210	30.2	78.7	10.2	28.3	44.6
Asia	230	13,851	308	113	609	21.6	0.3		98.7	
Caribbean and Americas	6,135	9,149	583	13,777	211	4.9	0.0	54.6	1.6	18.2
Europe	500	194	523	734	282	29.8	36.4	20.7	47.0	8.0
Pacific	76		55	1,391	877			94.5	100.0	22.8
By development level										
Developed	500	194	523	734	282	29.8	36.4	20.7	47.0	8.0
Developing (excl. LDCs)	9,164	26,251	8,248	16,629	5,544	10.9	9.9	13.7	12.7	38.2
LDCs	488	6	197	10	362	65.7	100.0			0.1

Source: Commonwealth Secretariat (calculated using FDI Markets data from the Financial Times Ltd., March 2024).

Commonwealth small states that are also LDCs between 2019 and 2023.

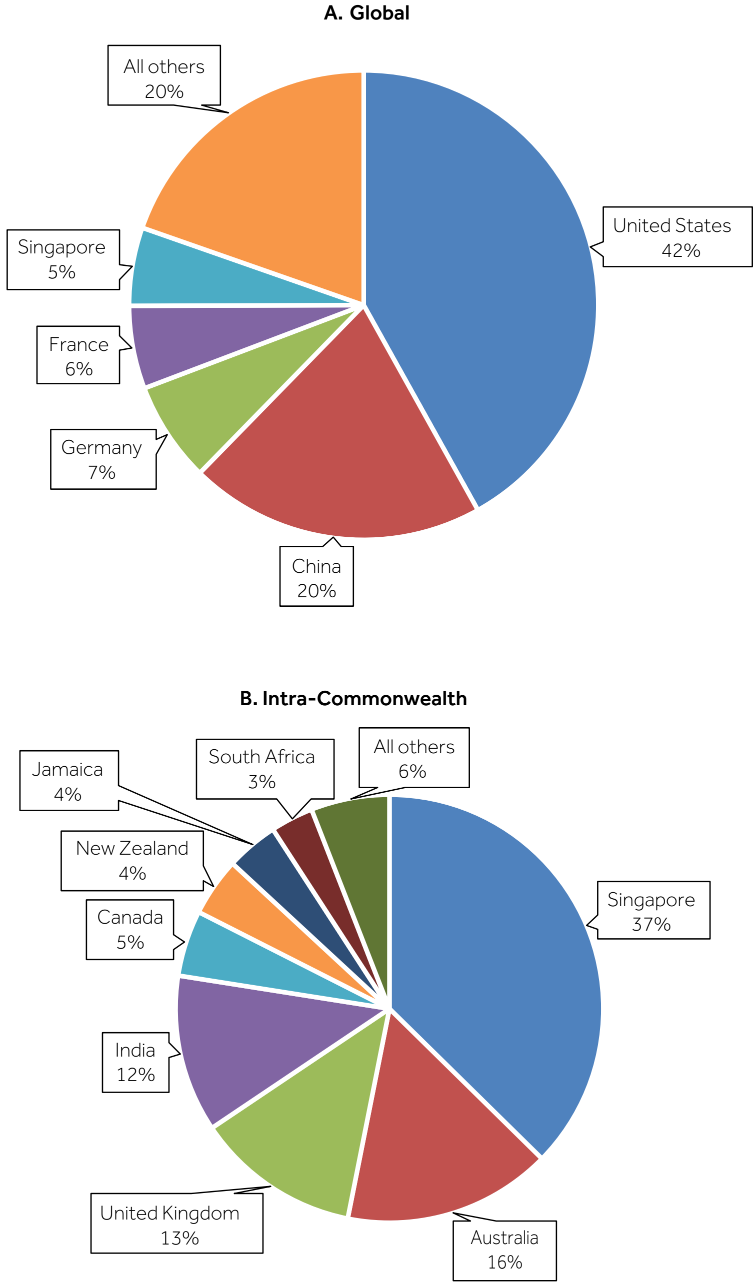
Intra-Commonwealth investments accounted for around 13–14 per cent of overall greenfield inflows to all small state members – albeit with wide variation across regions – for much of this period. This was punctuated by a lower share at the start of the pandemic in 2020 (see the final four columns of Table 3.2) and a much higher share in 2023 (34.6 per cent). As with the global picture, the bulk of these announced investments originated from a small number of Commonwealth members. Singapore, alone, accounted for more than two-thirds of all intra-Commonwealth greenfield investment in small states between 2019 and 2023, and Australia, the UK and India also contributed relatively large shares. Among small states themselves, Jamaica was the largest greenfield investor, accounting for around 3.9 per cent of total capital investments announced in fellow small states during this period.

Sectoral distribution of greenfield investment in Commonwealth small states

There has been notable variation in the sectoral focus of global versus intra-Commonwealth greenfield investment in Commonwealth small states in recent years. Intra-Commonwealth FDI has generally targeted services and manufacturing sectors in these countries across all regions with the exception of the Pacific and, to some extent, African small state members, whereas overall investment from sources globally has been more oriented towards primary sectors, particularly in Asian and Caribbean small states and, to a lesser extent, those located in Africa (Figure 3.6).

Intra-Commonwealth greenfield FDI in manufacturing has mainly targeted the metals (Africa), food and beverages (Africa, Asia and Caribbean) and pharmaceutical (Africa and Europe) industries in small states since 2019. In turn, equivalent investments in the services sectors of small states have been greatest in relative terms in renewable energy (Africa, Caribbean and Pacific), communications (Caribbean), hotels and tourism (Asia and Caribbean), financial services and software and IT services (Europe), and transportation and warehousing (Pacific). Intra-Commonwealth investments announced in primary sectors were heavily concentrated in the coal, oil and gas industries across the African and Pacific small states, and these industries also attracted the majority of global greenfield investment announced

Figure 3.5 Main sources of greenfield FDI announced in Commonwealth small states, 2019–23



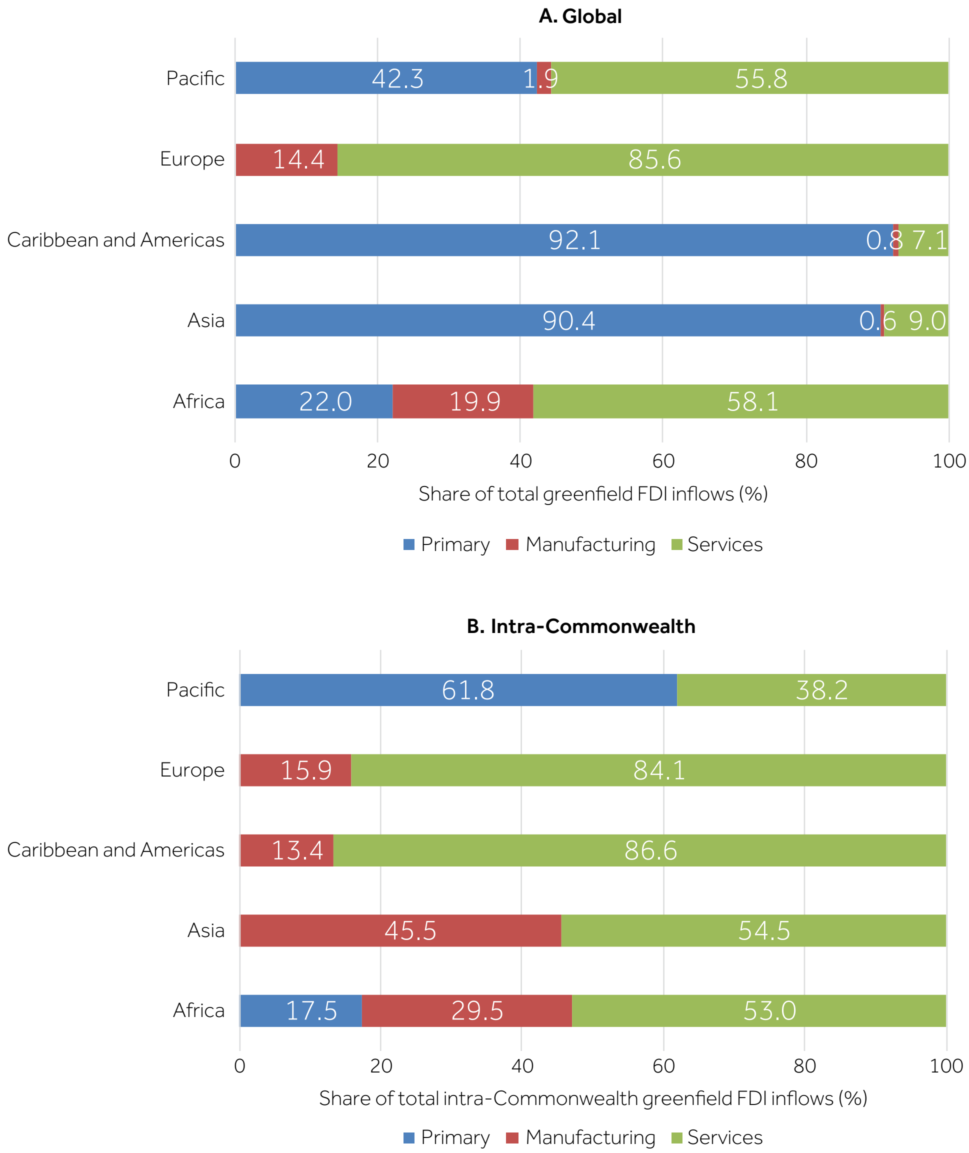
Source: Commonwealth Secretariat (calculated using FDI Markets data from the Financial Times Ltd., March 2024).
Note: Based on the aggregate value of capital investment over the period 2019–23.

in African, Asian, Caribbean and Pacific small states.

Job-creating impacts of greenfield FDI in Commonwealth small states

As mentioned earlier, FDI – and particularly greenfield investments – can generate new jobs in host countries, particularly if targeting labour-intensive sectors. Jamaica (57,289), Namibia (28,817), Guyana (26,499), Cyprus (21,700), Gabon (21,029), Botswana (20,572), Malta (19,203) and Maldives (18,397) have been the greatest beneficiaries of jobs created through greenfield FDI projects announced since 2015 (Table A6 in the Annex). Over this period, these investments were set to create an estimated 318,759 jobs across all Commonwealth small states, with 100,212 new jobs in Africa, 30,204 in Asia, 128,378 in the Caribbean, 40,903 in Europe and 19,062 in the Pacific. More than a third (116,824) of these jobs were expected to be created

Figure 3.6 Sectoral distribution of greenfield FDI inflows to Commonwealth small states, by region, 2019–23



Source: Commonwealth Secretariat (calculated using FDI Markets data from the Financial Times Ltd., March 2024).
Note: Based on aggregate value of capital investment over the period 2019–23.

through intra-Commonwealth investments, whose relative contributions to job creation were greatest in African and Pacific members (Figure 3.7).

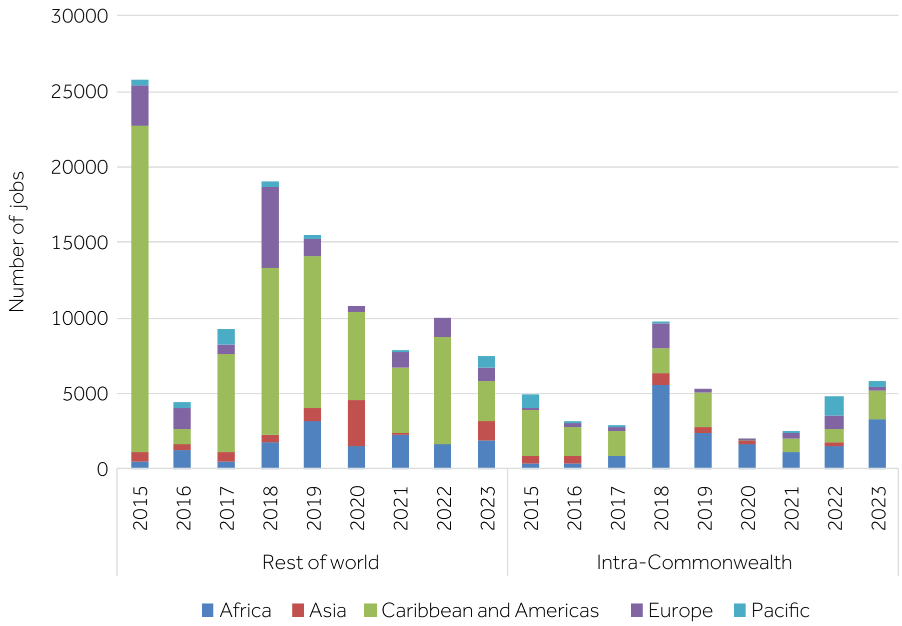
3.3 Summary of key messages

Many small states encounter difficulties attracting FDI because their unique circumstances and challenges lower the scope for potential returns from investment activities and weaken the business case for productive investment in their economies. As a result, despite constituting more than half of the Commonwealth membership, small states only account for a relatively small share of inward FDI – 15 per cent in 2023 – to the Commonwealth. Moreover, the bulk of the inflows are concentrated in a limited number of small states, with much of the FDI destined for Cyprus and Malta.

Whereas those two developed members account for large shares of overall FDI inflows to Commonwealth small states, greenfield investments are mostly directed to their developing counterparts. These greenfield investments are also highly concentrated in a limited number of countries, and some small states – particularly those that are also LDCs – have received minimal inflows.

In recent years, most Commonwealth small states have relied heavily on greenfield

Figure 3.7 Jobs created through greenfield investments announced in Commonwealth small states, by region and source, 2015–23



Source: Commonwealth Secretariat (calculated using FDI Markets data from the Financial Times Ltd., March 2024).

investments announced by non-Commonwealth members, mainly China and the United States for Asian and Caribbean members, respectively; but also Germany and France for African small states; and Sweden for those in the Pacific. In comparison, intra-Commonwealth investment announcements accounted for just 17 per cent of overall greenfield inflows to all small state members, on average, between 2019 and 2023; the bulk of these investments originated from a small group of Commonwealth countries, mainly Singapore, Australia, the UK and India.

Intra-Commonwealth greenfield FDI announcements have generally targeted the manufacturing and services sectors in Commonwealth small states across all regions with the exception of the Pacific. In contrast, overall investment announced from all global sources has been more oriented towards primary sectors, particularly in Asian and Caribbean small states and, to a lesser extent, those located in Africa.

The effects of COVID-19 on overall FDI inflows to Commonwealth small states were mixed and generally felt most severely in 2020 at the start of the pandemic, with Cyprus facing the greatest impact overall. Greenfield investments in many of these countries were most severely affected in 2021. Recovery from the pandemic-induced impacts on FDI was swift across Commonwealth small states in most regions with the exception of Asia. This is encouraging as they look to expand inward investment flows amid challenging investment dynamics globally.

4. Innovative Models, Policies and Practices to Boost Investment in Small States

As seen from the previous section, it is apparent that the current economic context has presented challenges to maintain consistent levels of foreign investment inflows for most Commonwealth small states. Recent trends and developments also highlight the complicated and difficult investment environment which smaller economies are likely to confront for the foreseeable future.

As revealed in Section 2, for most small states, foreign aid and remittances represent a larger share of GDP than the average in other developing countries and LDCs. Furthermore, it is clear that levels of reliance on FDI flows across Commonwealth small states tend to be heterogeneous, with SIDS in the Pacific generally attracting lower FDI flows relative to small states in Africa, Asia and the Caribbean (UNCTAD, 2022b).

Nevertheless, some small states have made great strides in adapting their business and regulatory environment to attract and retain investment, as well as to optimise this investment to diversify into other economic activities. This section identifies practices and measures adopted by small states to attract FDI and extracts key lessons to inform future efforts to boost inward investment to these countries.

4.1 Some caveats

It is important to note that there is not necessarily a linear relationship between FDI inflows to a country and enhanced development outcomes. It is necessary to distinguish between increased volumes of FDI and the quality of FDI, which influences the extent to which it contributes positively to sustainable development. Accordingly, there may not always be a positive correlation between quantitative increases in investment flows and improvement in the development impact of FDI. Similarly, declines in investment flows could belie the positive development impacts of FDI (UNCTAD, 2018). At the same time, myriad factors, including governmental policies and measures, an enabling environment, location and proximity to markets and economic and political profiles, may shape investors' decisions regarding which geographical locations to invest in and to what extent. Other influential factors could include the level of political and financial commitment to implement fundamental institutional changes and the evolving nature of investment policy-making, as well as external shocks such as pandemics and geopolitical and economic disruptions. Furthermore, some sectors may naturally tend to attract higher volumes of FDI inflows than others, due to investor perceptions of the predictability and security of returns as well as perceived risk (UNCTAD, 2018). This would explain why some Commonwealth small states rank highly in terms of practical implementation of positive investment reform initiatives, yet have not managed to sustain high volumes of FDI inflows. Moreover, some forms of foreign investment may not fall into the strict definition of FDI (see Section 3) and may even touch on portfolio and other types of investment. However, for small states, as seen in previous sections, these other types of revenue sources are equally important as they seek to channel revenues into specific, priority sectors, and some have, in fact, utilised innovative financing mechanisms to leverage FDI.

Nevertheless, this section focuses on policies, tools or measures that have been associated with quantitative improvements in FDI in Commonwealth small states. It identifies lessons from instances where the implementation of such measures has improved the investment environment, reviews specific types of investment measures used by small states and presents evidence from case studies where specific Commonwealth small states have managed to enhance inflows of sustainable, high-quality investment, with a view to meeting the SDGs.

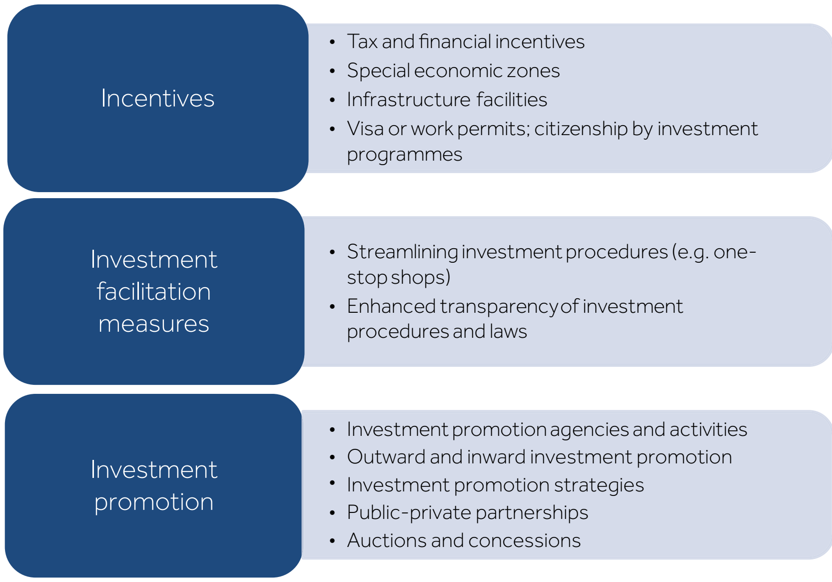
4.2 Measures to incentivise investment and lessons on their effectiveness

Most developing economies, including Commonwealth small states, have, over the past decade, deployed concerted efforts to improve the enabling environment to attract investment. These typically tend to combine investment facilitation, promotion and incentive measures (Figure 4.1) (UNCTAD, 2024c). Globally, approximately 50 per cent of the sector-specific incentives introduced in 2023 were aimed at promoting investment in the services sector, followed by manufacturing and agriculture. This is indicative of a growing focus on promoting investment in services, illustrated by the increase in the share of new incentives for the services sector from 35 per cent of non-industry-specific incentives in 2014–18 to 46 per cent in 2019–23 (UNCTAD, 2024c).

Insights from UN Trade and Development Reports and Studies

UN Trade and Development regularly conducts investment policy reviews (IPRs) for countries, which provide concrete, tailored recommendations for improving an economy's investment climate, in line with the SDGs and countries' national development objectives. Such IPRs make recommendations for national reforms,

Figure 4.1 Types of investment incentives



Source: Authors, based on categorisation by UN Trade and Development.

aiming to support developing countries in their efforts to diversify their economies, attract higher levels of better-quality investment inflows and promote sustainable development. To this end, UN Trade and Development conducts diagnostic studies of the legal, regulatory, institutional and operational environment for investment, captured in IPR Reports which make recommendations for improving countries' investment policy regimes (UNCTAD, 2018). UN Trade and Development further compiles, at the request of the reviewed economy concerned, an assessment of the implementation of the recommendations, produced a few years after the publication of the IPR (UNCTAD, 2023c).[25]

From this exercise, as well as dependent on country-specific economic and political conditions, UN Trade and Development discerns a generally positive relationship between the increase in FDI flows and the rate of implementation of IPR recommendations (UNCTAD, 2023c). Accordingly, these implementation reports represent a useful evaluation of how vital investment reforms and tools have contributed to positively reforming the business environment and attracting FDI, subject to the caveats mentioned in Section 4.1.

UN Trade and Development has identified key lessons and common features extrapolated from its implementation reports, highlighting instances in which implementation of specific recommendations from the various IPRs have served to improve the business environment and attract foreign investment, while making allowances for countries' differing socio-economic circumstances. Only five IPRs and four implementation reports have evaluated the investment regime of Commonwealth small states (UNCTAD, 2018; 2023c).[26] Some of their investment measures featured prominently as being more favourable to investors. The remainder of this subsection draws out insights and lessons learnt from these reports that are instructive and can be applied to other small state members. Other useful lessons are drawn from UN Trade and Development's annual flagship World Investment Reports.

First, most economies successfully implementing such recommendations created or based their reforms upon a pre-existing strategic investment strategy and/or a comprehensive development plan, to emphasise investment-related priorities and introduce measures to improve investment attraction. This served to galvanise a range of stakeholders involved in investment attraction and ensure policy coherence. Notable examples include Kenya in 2019 and Jamaica in 2020 (UNCTAD, 2024c). Other Commonwealth countries, such as Botswana, Kenya and Mauritius, have also established specialised task forces to coordinate across Ministries, with a mandate to attract foreign investment and improve the investment regime, garnering support from the highest levels of government.

Second, the creation or strengthening of investment promotion institutions is key for the coordination and effectiveness of investment promotion activities. Several Commonwealth countries strengthened their institutional capacity and support in the areas of investment attraction and business facilitation. This is considered essential as an initial stage for investment promotion, before progressing to offer a more sophisticated range of services, such as aftercare services, with a view to retaining investment as well as supporting outward investment. In this regard, Botswana established, within its national investment promotion authority (IPA), a business facilitation service which targeted investors and promoted investment opportunities. Its IPA engages in proactive and selective investor targeting based on research aimed at identifying growth sectors in the economy (Klasa, 2019). In 2023, Botswana merged four investment-related institutions into the Botswana Investment and Trade Centre. Papua New Guinea, too, passed reforms to strengthen the IPA, including through improved interagency coordination on investment matters (UNCTAD, 2024c). Similarly, establishing a competition regime including national competition law and an implementing agency has helped to facilitate the contribution of FDI to sustainable development objectives in Botswana and Mauritius. Furthermore, to enhance institutional capacity and decision-making, several beneficiary countries have, via their IPAs, monitored and collated data on FDI attraction and specific projects considered essential for investor targeting, aftercare and evaluation. In this regard, Mauritius has developed customer relationship management systems to ensure the quality of their data and to track investments.

Third, regulatory reform, akin to implementing investment facilitation measures, was instrumental to business climate improvements in many countries. These involved: speeding up and streamlining business operations and reducing costs, as well as introducing more efficient licensing procedures; implementing one-stop shops and web-based portals to facilitate online business registration processes; adopting e-government services; and improving customs procedures. In this regard, Lesotho, a landlocked small economy and LDC, succeeded in easing business facilitation via the introduction of ASYCUDA (the UN Trade and Development's automated customs administration system), to simplify procedures around trade-related business registrations. Similarly, Brunei Darussalam, in parallel with efforts to attract foreign investment and create an open and transparent investment regime, has taken steps to streamline the process for entrepreneurs and investors to establish businesses and has improved its protections for intellectual property rights (US Department of State, 2022b).[27] Its priority has also been to upgrade its domestic business regulatory environment by employing a whole-of-nation approach, resulting in Brunei Darussalam being ranked 66th overall out of 190 economies in 2019 on the World Bank Ease of Doing Business index (US Department of State, 2022b). As part of Brunei Darussalam's efforts to attract foreign investment, the government established facilitating agents under the Ministry of Finance and Economy. These organisations work together to smooth the process of obtaining permits, approvals and licences, and such facilitating services are now consolidated into one government website (DARe, 2024). Many of these reforms align with provisions included in the recently concluded Investment Facilitation for Development Agreement (IFDA), negotiated among a subgroup of World Trade Organisation (WTO) members (see Box 4.1).

Other small states have simplified and rationalised tax and incentives regimes to enhance transparency in fiscal compliance. According to UN Trade and Development, Mauritius, Barbados and Botswana stand out in this regard. Barbados' robust legal and financial framework has enhanced its appeal as a secure destination for wealth management. Its legal framework establishes clear rules for investors with regard to tax, labour, environmental and health issues, aligned to international standards, and its Investment Ministry and IPA ensure transparency in the investment environment (US Department of State, 2023). Mauritius, as part of UN Trade and Development's suggested investment reforms, undertook significant rationalisation and simplification of its fiscal regime, notably its fiscal structure and corporate income tax rate, as well as reducing the number of incentive schemes, which positively impacted tax revenue and administration.

Box 4.1 Investment Facilitation for Development Agreement

The IFDA negotiations were finalised in November 2023, and the agreement was made available to the public at the 13th WTO Ministerial Conference in Abu Dhabi, in February 2024. The more than 120 Investment Facilitation for Development WTO member parties aim to incorporate the agreement into Annex 4 of the WTO agreement, in due course, to make it part of the WTO legal framework. Not all WTO or Commonwealth small state members have joined the agreement. However, the agreement is open to all WTO members to join and the benefits of its provisions apply to all WTO members.

The agreement seeks to improve the investment climate and to promote international cooperation to facilitate the flow of FDI between WTO members, particularly to developing and LDC members, with the aim of fostering sustainable development. Its concerted aim is to help members attract not only more but also higher quality investment that contributes to sustainable development. Investment facilitation measures in host states are to be improved by making them more transparent, streamlining and speeding up administrative procedures, and improving coordination of focal points, ensuring domestic regulatory coherence and cross-border cooperation. Investments are further intended to be made more sustainable, by inclusion of provisions related to anti-corruption measures and responsible business conduct. The agreement specifically does not delve into matters related to market access, investment protection and investor–state dispute settlement. Needs assessments have already been launched, including in some Commonwealth small states, to enable developing and least developed WTO members to self-assess their priorities, implementation gaps and technical assistance and capacity-building needs vis-à-vis each of the provisions of the agreement, with a view to countries' effective implementation of the IFDA (WTO, 2024).

Elements of interest for developing and LDC members include provisions that could potentially unlock technical assistance to strengthen the capacity of IPAs, including to prepare feasibility studies for investment projects. They also include the establishment of supplier development programmes and domestic supplier databases to encourage socio-economic spillovers.

The IFDA has the potential to spur vital domestic investment reforms and incentivise inward flows of FDI to host states. It is based on existing good regulatory practice provisions contained in many bilateral free trade agreements, as well as UN Trade and Development's Global Action Menu, a reference document containing a menu of optional investment facilitation measures for countries to adopt to improve their investment policy environment. Many such measures have already been incorporated into countries' national and international investment policies and practices.

Some small states have tailored their investment incentives to attract investments into specific priority sectors. In The Gambia, Special Investment Certificates (SICs), the main investment incentive scheme, are available for domestic and foreign investors, if they invest a minimum amount in a priority sector, with employment and value addition/creation targets. The number of SICs issued to non-Gambians between 2021 and 2023 almost tripled (compared to 2014–16 data), with foreigners showing a keen interest in the manufacturing and agriculture sectors (UNCTAD, 2024a). Fiscal incentives include: exemption from income tax for five years for priority sectors and eight years for priority areas; an annual allowance at the rate of 15 per cent for the depreciation of buildings, including structural improvements; exemption from import duty with respect to capital goods; and an exemption from import VAT for five years (GiEPA, no date).

Fourth, some beneficiary countries have made great strides in addressing infrastructural gaps and skills shortages in order to both attract quality FDI to diversify their economies and build socio-economic linkages. Several beneficiary countries under UN Trade and Development's IPRs managed to leverage private investment in selected infrastructure projects through the use of public–private partnerships, particularly in the energy and telecommunications sectors, while at the same time developing the accompanying legal tendering and procurement frameworks. In some Commonwealth countries, investing in skills upgrading, education and technical and vocational training that align with market-based needs has been critical. Mauritius established the Human Resources Development Council to ensure that skills development keeps pace with private sector needs. In Lesotho, two industry–government skills centres were established for the apparel and textile industry. These schemes have the ability to support programmes to encourage linkages between foreign investors and the domestic private sector as well as skills transfer (UNCTAD, 2018).

Spotlight on Citizenship by Investment and Resident by Investment schemes

Citizenship by Investment (CBI) or Resident by Investment (RBI) schemes or models constitute another type of incentive measure employed by small state host governments to strategically attract both sustainable foreign investment and global talent, ultimately with a view to raising and retaining revenue in a country, thereby enhancing economic growth.

Though such CBI or RBI schemes are not unique to Commonwealth small states, their use has proliferated in these economies, notably within the Caribbean region (Box 4.2) as a strategic and sustainable modality to encourage FDI (Global Citizen Solutions, 2024). There are several Commonwealth small states offering such schemes, including in Europe (Malta), the Caribbean (St Kitts and Nevis, Grenada, Saint Lucia, Antigua and Barbuda, Dominica) and the Pacific (Vanuatu and Samoa). Sometimes referred to as 'economic citizenship', these schemes grant citizenship to foreign nationals in return for substantial financial or other contributions to the host nation. In most cases, economic citizenship avoids having to go through protracted immigration (naturalisation or residency requirements) or citizenship applications in order to obtain a passport from the country concerned. Though taking different formats, the rationale is that such schemes allow foreign individuals to obtain citizenship or temporary or permanent residence rights on the basis of local investments or against a flat fee. Despite the criteria and benefits of such programmes varying depending on the host country, in Commonwealth small states they are generally designed as a means towards attracting foreign investment and therefore underpinned by the requirement of a minimum threshold of capital investment. Investment options and requirements differ, according to the host state offering the scheme, and can range from non-refundable contributions to a state fund,[28] bank deposits or capital investment, to business investments and joint ventures (in enterprises or job creation), real estate purchases, public sector projects in underserved industries or purchasing securities, investment fund units or government bonds (Global Citizen Solutions, 2024).

Drivers of such schemes include investing in new business opportunities in the jurisdiction, greater mobility thanks to visa-free travel to the wider region or globally, better education and job opportunities for children or the right to live in a country with political stability (Magni-Berton, 2014). For investors, some schemes (such as business investment) entail advantageous tax residency implications and may be utilised to exploit business opportunities, tap into new markets or protect global assets via diversification (Global Citizen Solutions, 2024). In some Commonwealth small states, for example St Lucia, the CBI programme allows investors to obtain citizenship with a minimum investment and grants visa-free access to more than 146 countries, and has been a drawcard to attract investment into other sectors, such as business process outsourcing (BPO) (TDS Global Solutions, 2024).

Despite the obvious revenue-enhancing benefits for the host country concerned, such schemes have sometimes proven to be controversial, and in some cases countries have been subject to penalties for not controlling for the abuse of their schemes. Criticisms levelled at these schemes include: that investors have only tenuous and non-genuine links to the country concerned; that schemes may perpetuate inequity and global inequality; and that there may be a lack of rigour with

Box 4.2 Resident by investment schemes in the Caribbean

In the Caribbean, RBI schemes have been around for a while. In Barbados, for example, the government introduced a special entry permit in 2012 for high-net worth individuals who wish to reside in the country while working remotely. Individuals are required to have one of the following to apply: a net worth of US$5 million, property valued above $2 million and skills of critical need to the development of the country. Applicants must generally be 60 years or older, although special provisions can be made for applicants under 60 years of age. The programme is administered by the Barbados Immigration Department (US Department of State, 2023). Antigua and Barbuda has implemented a CBI programme which encourages high-net-worth individuals to undertake real estate or business investments or make donations to the National Development Fund or a University of West Indies Fund in exchange for citizenship (Kaczmarski, 2012).

regard to background assessments and due diligence screening of potential applicants for economic citizenship, resulting in easier global mobility for illicit actors and activities (Magni-Berton, 2014). The EU and UK have previously expressed concerns about Caribbean CBI schemes in relation to their potential exploitation for fraudulent and corrupt activities, including financial crime and money laundering, as such schemes may, in certain cases, allow illicit funds and actors more global mobility and coverage through the establishment of shell companies (Global Citizen Solutions, 2024). Programmes appearing vulnerable to criminal abuse, including money laundering and fraud, have led to the suspension of visa-free travel to third countries and may also have negative international reputational implications for the country concerned (FATF, 2023).

However, these reactive measures lack permanence and do not seem to have impacted the prevalence of such CBI schemes, provided their subsequent compliance with international legal requirements on due diligence and anti-money laundering is demonstrated. Governments such as Antigua and Barbuda, have taken proactive steps to closely monitor and legitimate CBI programmes by controlling who qualifies as an investor, as well as establishing rigorous requirements, background screening and due diligence to select the types of qualifying investments sought to be encouraged (Magni-Berton, 2014).

More recently, innovative permeations of these schemes have evolved, such as combining them with other visa incentive schemes in specific sectors (e.g. tourism), which has attracted a diverse range of investors and not only high-net worth individuals or businesses. For instance, digital nomads or remote workers can capitalise on such schemes to obtain residency or citizenship (afforded by Golden Visa programmes) while working abroad.

If properly designed, implemented and managed, such programmes create a valuable and sustainable alternative source of revenue and FDI for smaller economies (Magni-Berton, 2014). However, on their own, they are not of sufficient scale or quantity to close the investment gap to the extent required for Commonwealth small states to meet their SDGs.

4.3 Securing FDI to enable structural transformation: evidence from Commonwealth small states

Successes in translating FDI flows into positive sustainable development outcomes are more apparent where Commonwealth small states have implemented policies and practices that enabled them to leverage such investment in order to structurally transform and diversify their economic activities. The following three case studies of Mauritius, Botswana and Guyana show that no matter whether a small island ocean state, a small landlocked country or a small country on the edge of a large continent, adopting and implementing proactive investment measures together with appropriate and strategic policy-making, a sound development strategy and good governance, can serve to attract quality, efficiency-seeking FDI, which in turn can be optimised to support economic diversification and sustainable development.[29] These case studies hold useful lessons for other Commonwealth small states and the wider group of small states across the world.

Mauritius

Mauritius provides a valuable case study of a Commonwealth small state that has made significant strides in implementing remarkable investment reforms, by using such tools to structurally transform its economy. Prior to the UN Trade and Development's IPR in 2001, Mauritius was pursuing a development path from a commodity-producing economy based on sugar to a leading manufacturing exporter in sub-Saharan Africa. Mauritius was by then established as a middle-income developing country, even making some outward investments as its firms established operations in lower-wage economies in the region. Though Mauritius had received little FDI in nominal terms, the establishment of foreign firms was critical to its first structural transformation. The UN Trade and Development's IPR recommended several reforms to upgrade and intensify Mauritius' diversification efforts, including to increase value addition in well-established industries (textiles, sugar, tourism and fisheries) and expand into higher-value-added services. Following that, the majority of the IPR's recommendations were implemented, powering

Mauritius to a second structural transformation through the development of a globally competitive services sector. Bank of Mauritius data reveal that for 2011 to 2016, over 90 per cent of FDI traditionally targeted services, the largest proportion flowing into real estate, at an increasing rate, boosted by tourism, smart cities, property development and financial and insurance activities. Mauritius has also become a regional leader in information and communications technology (ICT)/ BPO services, attracting several global players, facilitating the development of a competitive technological ecosystem on the African continent (UNCTAD, 2017). Furthermore, its marine and tourism sector has expanded and developed. These developments, alongside significant progress on several development indicators, including poverty reduction, life expectancy and improvement of health and education systems, all contribute to making Mauritius an economic development success story (Klasa, 2019).

According to UN Trade and Development's analysis, as a result of the implementation of the majority of the recommendations in its 2001 IPR, including considerable streamlining of government and business operations and other interventions, FDI increased more than tenfold, new sectors were developed and several traditional sectors expanded, leading to significant poverty reduction. The report on the implementation of the IPR found that the positive economic performance of Mauritius was largely the result of a concerted policy effort towards maintaining a stable macroeconomic environment, a competitive investment climate, a predictable regulatory regime and a reputation for good governance. The UN Trade and Development's implementation report further notes that FDI responded positively to the policy efforts of the government, especially between 2006 and 2012, and contributed, to a large extent, to the transformation of the economy. As a result of these efforts, Mauritius scored highly in all international competitiveness and business climate surveys (UNCTAD, 2017).

Critical reforms implemented to align with the 2001 recommendations included ameliorating its regulatory framework, in part by setting up a Competition Commission and several other regulatory agencies with authority to regulate non-bank financial services, as well as the ICT, water, postal and electricity sectors. Mauritius' Business Facilitation Act (2006) amended 26 laws with a view to simplifying business procedures by removing the scope for discretion and focusing on a rules-based approach. The Act further rationalised the fiscal regime, notably the fiscal structure and corporate income tax rate, by simplifying its tax regime, reducing the number of incentive schemes and positively impacting tax revenue and administration. In 2011, Mauritius set up a Joint Public–Private Sector Business Facilitation Task Force to conduct systemic benchmarking of the competitiveness of the business environment. Finally, Mauritius pursued a broadband strategy to attract cutting-edge ICT firms to boost its digital economy. As a result of these reforms, FDI flows peaked in 2012 at US$589 million. From the first phase (2001–6) to the second phase (2006–12), Mauritius experienced a tenfold increase in per capita FDI. However, in recent years, Mauritius has faced challenges in continuing to attract FDI in an increasingly competitive global environment (UNCTAD, 2017).

Botswana

Diamond-rich Botswana managed to escape the resource curse, in favour of economic diversification, when it implemented many of the reforms recommended by the UN Trade and Development's IPR in 2003, coupled with sound, sensible and proactive good governance and policy-making. The country channelled the revenues from its diamond sector into social and physical infrastructure development, enabling economic activity in other areas. Over several decades, it has increased the contribution of its services sector to GDP, particularly those FDI-led activities such as hotels/restaurants and trade, as well as banks, insurance and business services. Development of the downstream diamond sector also cultivated dynamic business linkages, making the industry the largest manufacturing sector in the country and creating vital employment opportunities (Klasa, 2019).

Major recommendations from the IPR that were implemented included the establishment of key institutions to attract and benefit from FDI, including a competition authority and an activist investment promotion agency that engage in selective investor targeting based on research aimed at identifying growth sectors in the economy. Furthermore, the Business Facilitation Services Centre, offering a range of investor services, including aftercare, and working closely with Botswana's foreign diplomatic missions to improve the investment climate, contributed to the attraction of US$135 billion of FDI to the country in 2014–15. The country has further maintained a competitive tax regime, which is simple, transparent and facilitates investor compliance (UNCTAD, 2016).

Guyana

The discovery of commercially viable hydrocarbon resources in the Liza Oilfield off the coast of Guyana in 2015 sparked major investments in offshore oil and gas exploration and production. This has been the main driver of exponential growth in FDI inflows to Guyana in recent years, particularly since 2018 (UN ECLAC, 2022). There remains significant potential for future growth due to unexplored offshore blocks that may house recoverable oil deposits.

Mindful of the potential pitfalls of relying heavily on the oil and gas sector, the Government of Guyana has made amendments to the country's sovereign wealth fund with a view to channelling revenues from oil and gas production into investments in infrastructure and energy development as well as improvements to healthcare and education systems (US Department of State, 2022a). This is likely to play an important role in enabling investment in infrastructure projects to improve roads, bridges, harbours, airports and the electivity grid. The government also offers incentives to attract investment in agriculture, business support services, health, ICT manufacturing and energy (ibid.).

These incentives, coupled with the dynamism created by the hydrocarbon sector, have also led to growth in investment in other related sectors (UN ECLAC, 2022). Among these, Digicel – a Jamaican telecommunications company – recently launched a major new investment in Guyana's telecommunications sector through its Deep Blue project to lay a submarine cable enabling the provision of high-tech internet and telephone services. This is intended to help connect oil platforms with other countries and territories in the region, including French Guiana, Suriname and Trinidad and Tobago (ibid.).

5. Emerging Trends and Opportunities for Investment in Commonwealth Small States

Constantly evaluating evolving investment trends in new economic activities, and positioning themselves strategically to leverage their unique competitive and comparative advantages, would empower Commonwealth small states to be at the forefront of new economic opportunities. This section examines some emerging trends and sectoral opportunities for attracting foreign investment to Commonwealth small states.

5.1 Future trends in FDI and their implications for investment in small states

It is useful to examine future trends in FDI that have important ramifications for smaller economies going forward.[30] This provides an important contextual backdrop for identifying pathways for investment in high-potential sectors, which is covered in the second paper of this two-part series (see Kampel and Balchin, forthcoming).

In the past two to four years, the pandemic, geopolitical tensions and risks, trade frictions, restrictive regulatory environments and even armed conflict have complicated the landscape for global FDI. In particular, supply chain disruptions and protectionism, including enhanced screening and regulation of inward and outward FDI, have played a part in disrupting foreign investment flows. Downside risks persist, including persistent conflict in the Middle East and Europe, inflation, trade fragmentation, the current United States administration's tariff policies and more frequent natural disasters. Faced with this array of challenges, investors are looking for regimes exhibiting greater regulatory efficiency, political stability and flexible conditions for moving capital, as they make their global investment decisions (Ritchie, 2024).

UN Trade and Development (UNCTAD 2024b) finds that while global GDP and trade have grown annually by an average of 3.4 per cent and 4.2 per cent, respectively, since 2019, even amid rising trade tensions, FDI growth has stagnated near zero. They attribute this to several key trends. First, they conclude that the growth of FDI and GVCs is no longer aligned with GDP and trade growth, indicating a significant shift in the global economy. This lag reflects increased investor caution due to automation, shifts in international production and GVCs, rising protectionism (including public incentives to produce at home) and growing geopolitical tensions (ibid.). As a result, multinational enterprises (MNEs) are now more reluctant to diversify their production activities globally. Furthermore, they face increasing difficulty in developing international production networks owing to the need for alignment of environmental, social and governance standards across borders. Developing countries that are dependent on FDI for economic development are particularly vulnerable to fluctuations in global investment flows (ibid.).

The second identified trend is the economic fracturing of established economic relationships between countries, exacerbated by the aforementioned geopolitical tensions, including global armed conflicts, which are negatively impacting FDI flows. Such tensions have destabilised typical investment relationships and patterns over recent years, with investments between 'geopolitically distant countries' decreasing between 2013 and 2022; this is particularly apparent in manufacturing. Decoupling and derisking investment and trade between the US, other developed economies and China has meant that nearshoring and friendshoring in new markets is on an upward trend, with investment now flowing into larger, low-cost developing countries, including Malaysia, Cambodia, Indonesia and Vietnam in South East Asia, as well as countries with easy access to the United States, such as Mexico. These trends of friendshoring and nearshoring are likely to become even more prevalent as investors, seeking security on their investments, prioritise investment projects confined to 'friends' or neutral partners (Ritchie, 2024). These 'economic fracturing' realities are, at the same time, leading to a decrease in the share of FDI in smaller developing countries and LDCs (UNCTAD, 2024b).

A third discernible trend is that FDI is increasingly favouring services over manufacturing activities. From 2004 to 2023, the share of cross-border greenfield projects in the services sector jumped from 66 per cent to 81 per cent. Simultaneously, investment in services within manufacturing industries nearly doubled to about 70 per cent, propelled by rapid technological advances, including artificial intelligence (Barklie, 2023). In contrast, FDI in manufacturing stagnated for two decades before experiencing a significant downturn in the three years after the COVID-19 outbreak. Though there has been a slight recovery in investment in several GVC-intensive manufacturing sectors such as automotives and electronics over the last year or two, the recovery has been confined to regions and countries with easy access to major markets. At the same time, investment projects by the top 100 MNEs in strategic manufacturing sectors are moving closer to home. The expansion of the services sector mainly benefits larger developing economies that can effectively compete, an imbalance that has, until now, left smaller economies at a disadvantage. Additionally, the decline in FDI flows to manufacturing severely hinders the ability of less developed economies to upgrade production methods and adopt new technologies (UNCTAD, 2024b). Accordingly, many developing countries remain marginalised, struggling to attract FDI and to participate in global production networks (UNCTAD, 2024b).

This has significant implications for developing countries, especially smaller economies focusing on low-value-added economic activities. The increasingly narrow focus on high-tech sectors mainly benefits developed economies, while smaller and less developed economies, most only placed at the entry point into GVCs, tend to be excluded, grappling with dwindling FDI in traditional sectors, exacerbating their economic vulnerabilities. Global investment flows increasingly favour sectors in developed and major emerging markets. UN

Trade and Development notes that '[t]he narrowing focus of FDI, both geographically and sectorally, sidelines smaller and less-developed countries, heightening their economic fragility and undermining their aspirations for sustained growth and economic development' (UNCTAD, 2024b).[31]

Fourth, driven by sustainability imperatives, especially by priorities for a clean energy transition, green investments in renewable energy technologies, such as wind and solar, have expanded. Their share of total greenfield projects in non-services sectors has climbed from 1 per cent to 20 per cent over the past two decades. Similarly, cross-border greenfield FDI projects in the manufacturing of electric vehicles and batteries have grown by 27 per cent annually since 2016. Renewable energy ranked as the 13th largest FDI sector (by number of projects) in 2019 but surged to 6th in 2022 (Barklie, 2023). Though the volume of greenfield investment projects in renewable energy fell in 2023 for the first time in several years, greenfield activity is expected to resurge once more, especially as the volatility in the global energy market, in part due to geopolitical tensions and supply disruptions, persists (BECIS, 2023).

5.2 Sectoral opportunities and potential investment pathways for small states

Many small states have realised the need to pivot away from traditional manufacturing, services and primary activities towards higher-value, higher-productivity activities and digitalisation, to ensure resilient economic growth that is relevant in the twenty-first century. This is challenging, given the primacy of traditional sectors such as agriculture, tourism or fisheries, which have been major sources of jobs and key drivers of their economies for many years.

Some Commonwealth small states have diverse economic structures, and many are blessed with sizeable natural resource endowments and competitive advantages, which define the pathways of economic activity they may wish to exploit and therefore where they choose to channel FDI. For example, the economies of certain small states, such as Trinidad and Tobago, Botswana, Brunei Darussalam, Papua New Guinea, Guyana and Nauru are dominated by natural resource-driven sectors. These countries have relied heavily on investment into natural resources, including oil and gas, diamonds, phosphate, timber and fish exports. Others are more services-oriented, such as Barbados, Saint Lucia and Seychelles, with the emphasis on travel and tourism and some financial services sectors (Eugui and Onguglo, 2014). At the same time, some Commonwealth small states exhibit high export concentration in a range of climate-sensitive sectors, such as agriculture, fisheries and tourism (Othieno, 2024).

Accordingly, there is variation in the degree to which Commonwealth small states have pivoted into new areas to attract investment. Furthermore, countries in different geographical regions exhibit contrasting areas of comparative advantage, which dictate where they choose to channel investment and the types of strategies they can use to attract investment. For SIDS and small states with large coastlines and predominantly ocean economies, attracting investment into the ocean (or blue) economy offers more appeal. Africa, with large tracts of land and abundant natural and mineral resources, remains a leading investment destination for commodities, critical minerals and raw materials, and offers great potential to develop smart agriculture, sustainable infrastructure and renewable energy sectors. The continent's investment appeal has been enhanced by the prospect of greater regional collaboration via the African Continental Free Trade Area.

FDI tends to follow promising sectors which offer returns on investment and that can be easily scaled. Bearing in mind the aforementioned trends of FDI shifting to opportunities in the services economy over manufacturing activities, and the growing importance of the green economy, many smaller developing economies are pivoting towards opportunities in specific niche areas, such as digitally deliverable services or renewable energy. Many of the structural constraints that small and vulnerable economies face in expanding the production of goods and attracting FDI in manufacturing are reduced when it comes to trade in services, such as BPO and niche tourism offerings. Though larger developing economies may currently be more competitive in some of these emerging areas, the shifting global economic and geopolitical landscape means that there are potential opportunities for small states to grow their investment appeal.

The second paper in this two-part series (see Kampel and Balchin, forthcoming) highlights possible value-added niche services sectors where small states are already harnessing, or where they could further exploit, untapped potential.

6. Conclusions and Recommendations

In the face of unique and often highly intractable structural challenges, many small states encounter significant obstacles to growing and diversifying their economies. To overcome these difficulties and improve their development prospects, they must devise new and innovative policies and strategies that help to expand their access to the technology, financial resources and market opportunities necessary to transform their economies. Attracting larger and more stable flows of inward investment – particularly productive FDI – into existing and newly emerging priority sectors can make a significant contribution to achieving these goals.

However, many of the structural handicaps and vulnerabilities that hold back growth and development in small states also dampen their prospects for attracting investment at scale. This task has been made even more difficult by the wider slowdown in FDI flows observed worldwide over the last decade and the multiple and compounding challenges currently besetting the global economy. In the face of persistent structural constraints and a weak global investment environment, some small states highlighted in this paper as having successfully implemented effective investment-promoting measures and tools, still face difficulty attracting sustained inflows of greenfield FDI over the long term. Even so, in order to capitalise on opportunities created by shifting global trade and investment dynamics and a rapidly evolving geopolitical and geoeconomic landscape globally, small states can work proactively to place themselves in a more competitive position to attract sustained inflows of high-quality FDI in the future. Important steps in this direction would include maintaining a conducive environment for inward investment underpinned by sound investment fundamentals, and devising and implementing innovative measures to incentivise and retain inward investment, as detailed further below.

6.1 Getting investment fundamentals in place

FDI can be a powerful vehicle for small states' economic diversification and sustainable development, empowering them to build a diversified export base to access markets and cross-country supply chains, in order to build resilience against possible future economic, geopolitical or environmental shocks. However, various economic, political and structural factors also have to be in place to make this happen, including a stable, robust governance framework, a sound investment climate and proactive and strategic policy-making. Even so, increased investment does not necessarily translate into sustainable development. Accordingly, for small states competing for a lesser proportion of the investment pie, it is important to attract efficiency-seeking and high-quality investment that is strategically targeted to high-growth emerging sectors, enabling small states to leverage such investments and use them as a springboard to growth in other sectors, as well as to create regional complementarities.

Some small states, no matter whether they are landlocked or island ocean states, have demonstrated that forward-looking and strategic investment policies embedded within sound economic development strategies – coupled with proactive investment and good governance measures, strong institutions and innovative, streamlined incentive schemes – can serve to attract sustained, quality FDI, which in turn can be harnessed to support economic diversification and sustainable development in other sectors, across their economies. Those countries that have an overarching, dynamic, long-term investment roadmap or strategy that focuses selectively on investor targeting through efficient streamlined incentives and measures, directing investments into high-growth sectors, seem to perform better. They have demonstrated that investing in promising niche sectors or activities, then channelling the resulting revenues into infrastructural improvements and skills development, translates into benefits that can be optimised to grow multiple sectors and create new markets.

The recent conclusion of the IFDA could help to incentivise those small states that elect to sign on to the agreement, to enhance good governance and streamline investment practices and procedures within their domestic investment environments, especially those that have already begun to implement some of these reforms to facilitate investment. For participating small states that have still to undertake many of these good governance reforms domestically, it may be possible to link the implementation of good regulatory practice obligations under the IFDA to the provision of capacity-building and technical assistance by donors, including in key areas such as optimising supplier development programmes, strengthening the capacity of investment promotion agencies or harnessing the benefits of incentives in home capital-exporting states to facilitate outward investment. Aligned to this, the UN Trade and Development's Global Action Menu presents an optional, voluntary menu of investment-facilitating measures that countries have previously drawn from to boost the competitiveness of their investment environment with the aim of both attracting and retaining quality investment.

Investors, above all, seek economically and politically stable markets, particularly in the current erratic and dynamic global trade and investment climate. Many small states boast stable and peaceful democracies and educated and literate workforces, which they can look to capitalise on during unsettled times characterised by geopolitical tensions. Their competitive advantage as investment locations can also be boosted if they are able to offer viable business opportunities, demonstrated by sector-specific value propositions that outline tangible benefits to investors, sound financial and legal infrastructure and macroeconomic stability.

For small state governments, there are specific supply-side measures that can be put in place immediately to empower them to build a pipeline of investable projects and make their investment environment more appealing to investors. First, analysis on the volume, type and extent of retention of FDI would be helpful for policy-makers to evaluate whether specific investment policies, tools and measures are effective and being optimised appropriately, as well as where there is room for improvement to streamline, channel and retain investment flows more efficiently, to achieve their SDGs. Accordingly, enhanced data collection and monitoring of investment trends and flows by small state governments would be crucial. Tracking metrics such as the source of FDI, economic activity generated from the investment and the extent to which FDI can be applied to new, expansion or co-location projects, would be valuable to guide host state policy-makers. Valuing the scope for growth across specific value chains would be especially important for investments in emerging, potentially high-growth sectors. This has in the past proven to be critical to directing both the government and investors towards promising returns that can be unlocked by strategic investments.

It would also be important, as part of comprehensive investment strategies or masterplans, for small state governments to conduct regular skills mapping and matching exercises in order to evaluate where existing local skills and capacities can be aligned to what future markets and targeted investors are likely to require. Emphasis needs to be placed on evaluating where such skills need to be built up as well as identifying how to do so, including by harnessing the benefits of skills and knowledge transfer as an added by-product of investments. Such long-term roadmaps should be accompanied by sector-specific value propositions outlining the tangible benefits for would-be investors.

At the same time, development partners and multilateral donors have to understand and be sensitive to the challenges smaller developing economies face when it comes to attracting investment. In doing so, they should facilitate, rather than complicate, access to concessional financing, which serves to lay the basis for alternative and blended financing models. In the wake of the current global reality of escalating armed conflict and geopolitical tensions in many parts of the world, and mindful of the increasing strain on natural resources, investors need to be strategic about where they choose to invest for long-term sustainable growth. The value of sound, stable investment frameworks in countries with dynamic, well-educated labour forces that can potentially be expanded through support for regional integration should not be underestimated by those seeking to generate sustainable investment returns in the long run, even if immediate returns are not as attractive. However, such investments need room to be scaled up and investors can provide cues to small state governments regarding where regional approaches that build scale, as well as innovative blended financing arrangements that combine private and public sources of finance, would more readily entice investors eyeing small state markets, rather than country-by-country or purely private sector approaches.

6.2 Capitalising on evolving global investment dynamics and trends

The restructuring of global supply chains with the aim of enhancing resilience is creating new investment opportunities, including in services and green sectors. Considering the nature of their economies, small states generally have the greatest potential to capitalise on opportunities in natural resource sectors as well as cultural and creative industries and value-added services. The emergence of disruptive digital technologies and the rise of the global digital economy is also presenting opportunities for small states to pivot towards offering services in niche areas and orient their exports to capitalise on the rapid growth of digitally delivered services across the world. To do so, however, many of these countries will first need to address crippling digital divides by improving their digital infrastructure and connectivity, enhancing digital literacy and skills, and strengthening legal and regulatory frameworks across the entire digital ecosystem.

Furthermore, Commonwealth small states can strategically evaluate shifting geopolitical global dynamics, including 'friendshoring', 'nearshoring' and the fracturing of traditional global service and supply chains. Strong political and diplomatic ties with major economies, complemented by political stability and the presence of educated and dynamic workforces in many of these countries, elevate their prospects as investable and bankable new markets. Furthermore, in exploring new investor relationships, Commonwealth small states can capitalise on the increasing realignment of traditional trade and investment partners, exploiting the 'Commonwealth advantage' and large diaspora networks, forged by a common language, democratic principles and rule of law, similarities in business, commercial and legislative practices and well-established trading relationships with partners. Bilateral trade costs are 21 per cent lower, on average, between Commonwealth countries compared to trading with non-members (Commonwealth Secretariat, 2024). Moreover, the value of greenfield FDI announced between Commonwealth countries was 3.5 times greater, on average, compared to flows between other country pairs over the period 2003–22 (ibid.).

As seen in some Caribbean economies, traditional services sectors, such as travel and tourism, can serve as a springboard to develop other sectors and, ultimately, a more diversified economy. Expanding tourism product offerings to align with contemporary consumer preferences, integrate digital technologies and maintain the sector's competitiveness, while also developing supply chain linkages with other sectors, can help to attract investment and drive growth in smaller economies.

Furthermore, in the digital age, innovative technologies can be utilised to bridge geographic distance to markets, thereby making isolated small states more appealing to market-seeking investors. Such technologies can also form the basis for developing dynamic platforms that help to create new markets or add value to existing activities.[32]

6.3 Implementing innovative measures to incentivise inward investment

Small states have proven innovative when it comes to developing schemes to incentivise inward flows of FDI, such as those offering CBI or RBI. Schemes of this nature have been successful where they acted as a pull factor to attract investment into other sectors, such as BPO. However, they need to be buttressed by efforts to ensure compliance with international legal requirements and conventions and adherence to international standards in order to protect the integrity of such schemes, as well as the reputational status of the country offering them. They can also be enhanced if they are designed to strategically target investment or joint ventures in priority sectors for a small state's economic development, diversification and transformation, in exchange for citizenship or residence. Orientating these schemes to specific segments of the population, such as wealthy retirees seeking warm, stable environments with strong healthcare systems, could be another way to achieve maximum benefit. In addition, conducting longitudinal studies that evaluate the effectiveness and durability of such schemes in specific small states would also be a worthwhile exercise for small state governments to evaluate their impact and identify areas for potential improvement.

Furthermore, innovative alternative financing arrangements, such as debt-for-nature swaps and blue bonds, though currently deployed on a relatively limited basis, are becoming more prolific and integral to mobilising private sector investment, particularly in relation to the blue and green economy (see Kampel and Balchin, forthcoming).

Notes

1 That said, the potential for positive technology spillovers through inward investment often depends to a significant extent on the capacity within host countries to absorb or adopt new technologies and manage potential impacts on the balance of payments and competitive dynamics in their domestic markets.

2 The compilation of this paper pre-dates the trade policy rolled out by the new United States administration and its imposition of global and reciprocal tariffs in 2025, as well as the implications for investment flows and trends pursuant to such policy.

3 The second paper evaluates possible pathways for new economic activities that can potentially boost inward investment to these countries (see Kampel and Balchin, forthcoming).

4 See https://thecommonwealth.org/our-work/small-states.

5 Based on the World Bank definition. A total of 42 countries were classified as small states, with a population of 1.5 million or less, in the World Bank's FY2018–2022 small state country list. Equatorial Guinea, Qatar and Trinidad and Tobago were no longer considered small states in the World Bank's FY2023 small state country list. See https://thedocs.worldbank.org/en/doc/bce07e29bc98820d-826191ba7ee96087-0290012024/original/SmallCountriesBigImpactsThePowerandPossibilitiesofSmallStates.pdf for further details.

6 Calculations using International Monetary Fund data indicate average central government debt to GDP ratios in 2021 of 65.7 per cent for developing Commonwealth small states and 68.8 per cent across all developing small states, compared to 58.9 per cent for other developing countries.

7 Twenty-one Commonwealth small states are currently IDA-eligible with access to concessional resources, and a further ten are blend countries that are able to borrow simultaneously from IDA, the World Bank's non-concessional loan facility and the International Bank for Reconstruction and Development (IBRD).

8 The group of Commonwealth small states includes several upper-middle-income countries: Belize, Botswana, Dominica, Fiji, Gabon, Grenada, Guyana, Jamaica, Maldives, Mauritius, Namibia, Samoa, St Lucia, St Vincent and the Grenadines, Tonga and Tuvalu.

9 Including Antigua and Barbuda, The Bahamas, Barbados, Brunei Darussalam, Cyprus, Malta, Nauru, Seychelles, Singapore, St Kitts and Nevis and Trinidad and Tobago among Commonwealth small states.

10 However, the World Bank's Small Island Economy Exception, introduced in 1985, allows some SIDS to access concessional finance through IDA despite having higher per capita income levels (World Bank, 2017). This exception recognises that certain SIDS face similar challenges to low-income countries, including vulnerability to external shocks, high per-capita costs for infrastructure development, weak institutional capacity and lack of creditworthiness (World Bank, 2018).

11 The high per capita inflows can be explained, in part, by a variety of factors related to the diseconomies of scale associated with providing development assistance to small countries with small populations and high transaction costs to deliver assistance to remote and dispersed populations (OECD, 2018).

12 Based on data from the World Bank's World Development Indicators database.

13 Based on calculations using data on FDI net inflows as a percentage of GDP from the World Bank's World Development Indicators database.

14 In some cases, this is supported through formal arrangements between countries. For example, the Pacific Australia Labour Mobility scheme – a temporary migration programme – allows Australian businesses to hire workers from Pacific island countries for seasonal or longer-term placements (1–4 years) in Australia to fill labour shortages. Skills training is embedded in the programme, enabling participating workers to gain new skills and work experience that they can apply in their home countries and, in some cases, empowering them to invest their earnings in local businesses back home, creating jobs and fostering economic growth in their local communities. Nine Commonwealth member countries in the Pacific participate in the programme: Fiji, Kiribati, Nauru, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. New Zealand offers a similar programme, the Recognised Seasonal Employer scheme, allowing the recruitment of seasonal workers from the

same Pacific island nations to fill labour shortages in the horticulture and viticulture industry.

15 Calculations from a study by the International Fund for Agricultural Development (2017) suggest that a 10 per cent increase in per capita remittances is associated with a 3.5 per cent decline in the share of poor people in the population.

16 Based on data from the World Bank's World Development Indicators database on the average transaction cost of sending US$200 in remittances to a specific country, expressed as a percentage of the amount sent.

17 The Small Island Forum includes 42 small states as defined by the World Bank (with a population of 1.5 million or less) and eight other countries with a population greater than 1.5 million that share similar challenges.

18 In 2024, the United Nations Conference on Trade and Development (UNCTAD) rebranded to UN Trade and Development to celebrate its 60th anniversary. Reference is made to UNCTAD in relevant citations for 2024 and prior years throughout this paper.

19 The data for the greenfield investment analysis is drawn from the fDi Markets database, which tracks greenfield FDI projects announced across the world. As the data cover only investment announcements, it does not include information on whether the investments are realised. This limitation aside, the database provides important insights into investor sentiment and anticipated greenfield investment flows at a highly disaggregated level.

20 Since these FDI flows are presented on a net basis, they can be negative in cases of reverse investment or disinvestment.

21 Global FDI inflows declined by 35 per cent between 2019 and 2020, before rebounding strongly to grow by 64 per cent in 2021, reaching nearly US$1.6 trillion (UNCTAD, 2022c). This momentum slowed considerably in 2022 as multiple and compounding crises – including the conflict in Ukraine, rapidly increasing food and energy prices and wider inflationary pressures, deteriorating financing conditions and rising debt levels – put a break on new investment projects (UNCTAD, 2023b).

22 Malta (53.9 per cent), Guyana (18.6 per cent), Cyprus (8.9 per cent), Namibia (6 per cent) and The Bahamas (3.8 per cent). The figures in parentheses indicate the respective shares of combined FDI inflows to Commonwealth small states.

23 Based on cumulative inflows, the other countries comprising the top ten are: Botswana, Trinidad and Tobago, Jamaica, Maldives and Cyprus.

24 The petroleum and mining sectors attracted the most investment in Gabon. Despite ambitions to diversify, Brunei Darussalam's economy remains dependent on the income derived from sales of oil and gas, contributing about 50 per cent to the country's GDP. Substantial revenue from overseas investment supplements income from domestic hydrocarbon production. The mining, fishing, and tourism sectors have historically attracted significant investment in Namibia. There are large Chinese foreign investments, particularly in the uranium mining sector. South Africa has considerable investments in the diamond mining and banking sectors, while Canada has investment in gold, zinc and lithium mining. Spain and Russia have investments in the fishing industry. Foreign investors from the United Kingdom, the Netherlands, the United States, Qatar and other countries have investments in oil exploration off the Namibian coast, with promising initial results from exploration in Namibia's offshore Orange Basin, according to government officials and media. Logistics, manufacturing and mining for diamonds and critical minerals such as gold, lithium and uranium also attract investment. Papua New Guinea has abundant natural resources in mining, oil and gas, and continues to be an attractive investment destination for mining companies.

25 These reports also identify needs for further technical assistance and suggest recommendations to help countries strengthen the investment framework and the business environment.

26 UN Trade and Development had, as at 2024, conducted Implementation Reports for 17 countries, for which IPRs have been done, with the first Implementation Report published in 2006 and the most recent one in 2024. These 'beneficiary' countries are: Benin, Botswana, Colombia, the Dominican Republic, Egypt, Ethiopia, Ghana, The Gambia, Kenya, Lesotho, Mauritius, Morocco, Rwanda, the United Republic of Tanzania, Uganda, Zambia and Mauritania.

27 Brunei Darussalam amended its laws to make it easier and faster for entrepreneurs and investors to establish businesses.

28 These usually comprise lump sum donations to approved state funds and are usually of a non-profit nature.

29 Some of these measures are discussed further in the second paper of this two-part series, which explores possible pathways and viable sectors to attract investment in small states (see Kampel and Balchin, forthcoming).

30 This paper was prepared prior to the United States administration's announcements in 2025 in relation to the imposition of new tariffs on imports into the United States and subsequent trade policy developments, which are likely to significantly impact global FDI flows and dynamics. The latest developments in this regard, and their implications for investment in Commonwealth small states, are assessed in the second paper of this two-part series (see Kampel and Balchin, forthcoming).

31 The share of total greenfield FDI projects in LDCs has dwindled from 3 per cent in the mid-2010s to just 1 per cent. Additionally, FDI in low-income and lower-middle-income countries has decreased by a third over the past two decades.

32 These potential new pathways are explored in more detail in Kampel and Balchin (forthcoming), the second paper in this two-part series.

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Annexes

Table A1 FDI net inflows to Commonwealth small states, avg. 2019–22 (% of GDP)

Country	Avg. 2019–22
Guyana	28.5
Malta	26.7
Grenada	14.2
Maldives	12.2
Seychelles	10.7
St Vincent and the Grenadines	10.5
Antigua and Barbuda	10.1
The Gambia	9.4
Gabon	8.4
Dominica	6.3
Fiji	5.7
The Bahamas	5.3
Cyprus	5.1
Barbados	4.5
Belize	4.4
St Lucia	3.7
St Kitts and Nevis	2.7
Vanuatu	2.7
Jamaica	2.5
Namibia	2.4
Mauritius	2.3
Brunei Darussalam	1.8
Solomon Islands	1.7
Eswatini	1.6
Papua New Guinea	0.7
Botswana	0.5
Kiribati	0.5
Samoa	0.5
Lesotho	0.5
Tonga	0.4
Tuvalu	0.3
Trinidad and Tobago	−0.4

Source: Commonwealth Secretariat (calculated using World Bank World Development Indicators data).
Note: No data for Nauru.

Table A2 FDI inflows to Commonwealth small states, 2015–23 (US$ million)

Region	Country	2015	2016	2017	2018	2019	2020	2021	2022	2023
Africa	Botswana	378.6	142.5	260.6	286.0	93.6	31.8	−318.9	707.9	198.5
	Eswatini	41.3	21.4	−56.0	36.5	130.2	35.9	117.5	14.5	29.3
	Gabon	990.8	1,243.7	1,314.0	1,379.1	1,553.1	1,716.5	1,529.2	1,104.6	1,150.7
	The Gambia	12.5	−27.7	18.4	51.9	71.1	189.9	248.6	236.0	208.4
	Lesotho	206.5	80.3	42.1	40.6	35.4	28.0	−12.4	−8.3	−25.6
	Mauritius	216.5	378.8	480.0	460.5	444.1	224.7	253.2	579.8	759.8
	Namibia	888.0	355.6	279.9	208.6	−178.9	−146.5	851.2	1,071.9	2,345.0
	Seychelles	194.5	155.2	186.6	−66.1	30.4	164.5	224.8	212.1	238.5
Asia	Brunei Darussalam	173.2	−149.6	460.1	517.3	374.6	577.4	204.7	−292.4	−51.1
	Maldives	298.0	456.6	457.8	575.7	961.0	440.7	642.8	732.2	761.5
Caribbean and Americas	Antigua and Barbuda	139.5	105.2	140.0	192.6	118.4	62.1	296.5	325.7	326.7
	The Bahamas	712.6	1,259.5	901.4	947.4	611.0	896.8	1,051.5	1,254.8	1,459.0
	Barbados	417.9	269.3	206.2	241.6	215.4	262.1	238.7	200.0	224.9
	Belize	64.6	44.0	24.5	118.3	93.9	76.2	125.5	140.9	49.7
	Dominica	13.0	48.5	3.7	96.5	76.3	5.2	27.6	11.6	14.0
	Grenada	188.3	113.9	191.4	225.7	262.7	160.3	189.2	172.2	181.0
	Guyana	121.7	58.0	212.2	1,231.1	1,695.3	2,085.9	4,468.1	4,393.4	7,197.9
	Jamaica	925.0	928.0	888.8	774.6	665.4	265.1	320.5	318.7	430.9
	St Kitts and Nevis	131.3	130.7	53.8	46.0	44.3	−0.5	25.2	47.2	36.4
	Saint Lucia	210.5	175.4	96.9	57.9	93.9	97.2	141.2	77.7	185.9
	St Vincent and the Grenadines	120.7	56.8	152.7	27.8	58.1	56.9	168.9	67.9	78.6
	Trinidad and Tobago	176.8	−23.6	−470.9	−700.2	184.0	1,056.0	−934.8	−912.9	−1,105.0
Europe	Cyprus	23,945.6	10,928.3	9,437.6	−413.5	52,329.7	−24,450.8	7,387.9	5,731.6	3,447.0
	Malta	5,069.2	4,248.4	3,407.3	4,023.6	3,778.1	3,921.4	28,661.9	19,916.3	20,899.8
Pacific	Fiji	205.3	389.8	386.2	471.0	321.0	240.6	407.0	103.9	91.0
	Kiribati	−0.8	1.8	0.8	−1.1	−0.6	2.6	1.0	2.9	2.2
	Papua New Guinea	28.0	−39.8	−180.2	305.7	335.2	111.8	−10.7	458.4	−424.8
	Samoa	26.8	2.5	9.1	16.7	−4.4	4.3	9.0	4.9	−3.0
	Solomon Islands	31.6	38.6	42.8	24.8	32.8	9.1	27.8	43.9	25.5
	Tonga	6.3	16.6	−15.7	23.2	−6.1	3.8	3.8	7.5	24.3
	Tuvalu	0.3	0.3	0.3	0.3	0.3	0.1	0.2	0.2	0.2
	Vanuatu	31.0	48.8	38.2	37.5	52.8	41.4	43.1	10.8	9.3
	Commonwealth small states total	**35,965.1**	**21,457.9**	**18,970.7**	**11,237.4**	**64,472.0**	**−11,829.5**	**46,389.8**	**36,736.0**	**38,766.6**

Source: UNCTAD (2024c).

Table A3 Announced global greenfield FDI in Commonwealth small states, 2015–23 (US$ million)

Region	Country	2015	2016	2017	2018	2019	2020	2021	2022	2023
Africa	Botswana	177.6	831.5		140.6	75.1	147.9	316.3	291.7	1,141.7
	Eswatini					46.8	9.5	115.0	7.4	
	Gabon		7.5		515.5	1,555.1	2,489.3	2,084.6	208.5	1,195.9
	The Gambia		180.7	19.0	128.1	167.3			9.5	361.9
	Lesotho			156.2	172.3	320.8	6.0	196.8		
	Mauritius	70.3	356.6	24.5	275.2	143.4	65.1	69.2	72.9	303.4
	Namibia	113.1	31.4	125.6	687.7	865.0	149.9	4,597.7	572.2	1,206.9
	Seychelles		19.0		229.1	38.4	389.2	119.5	195.4	0.4
Asia	Brunei Darussalam	73.2	181.3	52.2	7.1	45.4	13,695.4	153.8	1.5	3.2
	Maldives	310.1	180.6	111.8	273.2	184.2	155.5	153.8	111.3	605.3
Caribbean and Americas	Antigua and Barbuda	400.0				61.7			4.8	
	The Bahamas		27.6		125.8		5.0	82.8	37.3	
	Barbados		84.0	229.5	112.7		2.2	0.5		42.6
	Belize	87.5	1.0		183.1	18.4		8.0	3.6	91.9
	Dominica	1.3			89.4	125.5				
	Grenada		1.8			89.4	89.4	2.2		
	Guyana	85.7	0.7	10.4	4.4	4,932.6	9,013.5	156.7	13,537.1	14.2
	Jamaica	1,455.3	232.2	480.3	621.5	876.0	36.2	209.2	5.8	10.4
	St Kitts and Nevis				89.4					
	Saint Lucia	120.0	89.4	531.6	5.9	23.2	2.2			
	Trinidad and Tobago	326.1	305.0	128.8	92.1	7.7	0.7	124.0	188.0	51.5
Europe	Cyprus	333.0	99.3	90.0	1,011.0	113.9	95.6	217.2	562.3	232.3
	Malta	15.4	326.3	741.2	361.8	385.7	98.6	305.4	171.6	50.1
Pacific	Fiji	49.2	54.4	813.6	6.5	30.8		3.0	41.5	301.9
	Papua New Guinea	250.0	333.2	9.8	2,713.8			51.6	1,014.7	104.1
	Samoa	153.8			51.6					101.5
	Solomon Islands		30.8							
	Tonga								328.2	369.0
	Vanuatu		2.7			45.4			6.7	
	Commonwealth small states total	**4,021.6**	**3,377.0**	**3,524.5**	**7,897.8**	**10,151.8**	**26,451.2**	**8,967.3**	**17,372.0**	**6,188.3**

Source: Commonwealth Secretariat (calculated using fDi Markets data from the Financial Times Ltd. 2024).

Table A4 Announced intra-Commonwealth greenfield FDI in Commonwealth small states, 2015–23 (US$ million)

Region	Country	2015	2016	2017	2018	2019	2020	2021	2022	2023
Africa	Botswana	27.5	19.0		10.5	28.3	123.2	316.3	18.2	993.7
	Eswatini						9.5	115.0		
	Gabon				110.9	436.2	2367.9			195.9
	The Gambia			19.0	100.3					0.5
	Lesotho			156.2	109.6	320.8	6.0			
	Mauritius	31.2	252.3	14.1	35.0	85.9		37.6	4.6	88.0
	Namibia	60.3	1.8	58.8	673.6	69.7	57.2	174.6	347.0	599.4
	Seychelles		9.5		9.5	28.9		119.5	14.7	
Asia	Brunei Darussalam	50.9	20.5		5.1	45.4	45.4			
	Maldives	55.9	180.6		167.7	4.2	1.7		111.3	
Caribbean and Americas	Antigua and Barbuda	400.0				61.7			4.8	
	The Bahamas				33.9			32.5	32.5	
	Barbados		84.0	140.1	23.3			0.5		
	Belize									2.5
	Dominica					123.3				
	Grenada					89.4		2.2		
	Guyana	16.8	0.7	9.7			0.7	127.7	3.0	2.8
	Jamaica	1.8	77.2	133.5	10.1	2.2		32.4		6.8
	Saint Lucia	120.0	89.4	32.5		23.2	2.2			
	Trinidad and Tobago	123.3	305.0	123.3		1.9		123.3	180.8	26.2
Europe	Cyprus	12.5	49.3	31.0	94.3	14.7	67.0	40.5	199.1	14.9
	Malta	14.6	18.5	9.4	235.3	134.0	3.6	67.8	145.8	7.6
Pacific	Fiji	36.9	20.9	10.0					41.5	3.5
	Papua New Guinea	224.6	29.8		12.3			51.6	1,014.7	2.6
	Samoa				51.6					101.5
	Tonga								328.2	92.4
	Vanuatu								6.7	
	Commonwealth small states total	**1,176.2**	**1,158.5**	**737.6**	**1,683.0**	**1,469.8**	**2,684.4**	**1,241.5**	**2,452.9**	**2,138.3**

Source: Commonwealth Secretariat (calculated using fDi Markets data from the Financial Times Ltd. 2024).

Table A5 Main sources of greenfield FDI in Commonwealth small states, by region and development level, based on cumulative value of announced investments, 2019–23

Region/development level	Source country	Agg. value (US$ million)	Share of total inflows (%)
Africa	Germany	4,635.3	23.7
	France	3,860.4	19.8
	Singapore	2,548.7	13.0
	Australia	1,484.3	7.6
	India	1,152.9	5.9
Asia	China	13,650.0	90.3
	UAE	443.4	2.9
	United States	307.6	2.0
	Qatar	153.8	1.0
	Singapore	148.4	1.0
Caribbean and Americas	United States	27,865.2	93.3
	Spain	752.2	2.5
	Jamaica	394.1	1.3
	United Kingdom	379.3	1.3
	UAE	92.3	0.3
Europe	United Kingdom	395.5	17.7
	United States	328.1	14.7
	Sweden	222.2	10.0
	Ireland	212.1	9.5
	Greece	140.7	6.3
Pacific	Singapore	1,018.2	42.5
	New Zealand	394.2	16.4
	Sweden	276.6	11.5
	United States	184.6	7.7
	United Kingdom	133.6	5.6
Developing small states (excl. LDCs)	United States	28,629.6	43.5
	China	14,095.6	21.4
	Germany	4,572.2	6.9
	France	3,938.3	6.0
	Singapore	3,465.3	5.3
LDC small states	Switzerland	361.4	34.0
	Singapore	250.0	23.5
	Norway	180.7	17.0
	Germany	164.6	15.5
	Canada	70.8	6.7

Source: Commonwealth Secretariat (calculated using fDi Markets data from the Financial Times Ltd. 2024).

Table A6 Jobs created through announced greenfield investments in Commonwealth small states, 2015–23

Region	Country	2015	2016	2017	2018	2019	2020	2021	2022	2023
Africa	Botswana	252	145		166	275	641	656	599	1,225
	Eswatini					325	26	34	20	
	Gabon		29		3,143	2,432	1,252	378	74	224
	The Gambia		44	52	232	106			26	93
	Lesotho			476	1,526	712	18	144		
	Mauritius	323	1,118	417	777	530	366	406	791	430
	Namibia	363	163	375	902	1,051	633	1,665	1,453	3,178
	Seychelles		52		482	147	118	72	88	3
Asia	Brunei Darussalam	362	541	163	258	265	3,265	85	9	53
	Maldives	633	383	526	1,119	993	99	85	306	1,146
Caribbean and Americas	Antigua and Barbuda	2,057				206			24	
	The Bahamas		394		708		17	220	58	
	Barbados		103	620	1,027		47	6		87
	Belize	15	8		1,413	2,000		28	478	746
	Dominica	18			474	182				
	Grenada		200			474	474	47		
	Guyana	7,511	13	47	94	1,789	3,181	415	5,467	1,347
	Jamaica	13,177	1,358	2,587	7,234	6,813	2,139	4,377	1,619	1,743
	St Kitts and Nevis				474					
	St Lucia	600	474	4,156	447	300	47			
	Trinidad and Tobago	1,266	376	735	828	533	13	148	280	735
Europe	Cyprus	2,734	300	544	5,328	433	245	822	1,557	1,019
	Malta	86	1,263	385	1,718	895	266	539	605	114
Pacific	Fiji	489	157	858	21	75	1	1,208	519	489
	Papua New Guinea	719	361	67	476		28	62	209	719
	Samoa	85			28				193	85
	Solomon Islands		75							
	Tonga							74	271	
	Vanuatu		47			265		50		

Source: Commonwealth Secretariat (calculated using fDi Markets data from the Financial Times Ltd. 2024).