Assessing the Socio-economic Impact of Foreign Direct Investment in Latin America and the Caribbean

A Focus on EU Investments

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Foreword

This report was developed at the request of the European Commission. It aims to assess and raise awareness of the socio-economic impact of foreign direct investment (FDI) in the Latin American and Caribbean (LAC) region, with a particular focus on investments by the European Union (EU) and in the context of the EU-LAC Global Gateway Investment Agenda (GGIA).

Covering the period 2003-2024, the report analyses the socio-economic effects of foreign investment in LAC, with emphasis on EU contributions. It combines various OECD methodologies and analytical tools adapted to the regional and national contexts. It draws on the OECD FDI Qualities Indicators, integrates multiple data sources, applying both macro-level and firm-level perspectives to examine foreign firms' roles in productivity, R&D and innovation, employment creation, job quality and formality, education and skills development and gender equality.

The report informs and strengthens bi-regional policy dialogue, notably in the lead-up to the IV CELAC-EU Summit in 2025. By providing robust data and evidence, it seeks to support policy discussions between EU and LAC partners on how to enhance the development impact of investment.

As investment becomes increasingly strategic, both geopolitically and economically, and development co-operation and private investment agendas converge, advancing a stronger FDI impact agenda aligned with broader inclusive and sustainable development public policy goals is essential. The report serves as a foundation for future efforts to deepen the evidence base on FDI's impact across countries and sectors in LAC and identify how development co-operation tools can amplify these effects. In this context, it can also contribute to inform the measurement, monitoring and communication of the sustainable development impact of investments under the EU-LAC GGIA.

The report was prepared by a cross-directorate team from the Directorate for Financial and Enterprise Affairs (DAF), the OECD Development Centre (DEV), and the Global Relations and Cooperation Directorate (GRC). It was led by Letizia Montinari (DAF) and Rita da Costa (DEV) and drafted by Nunzia Saporito (DAF), René Orozco, Mariana Navarro, Michał Oskroba, Martina Lejtreger, Evely Geroulakos, Adriana Caicedo (DEV); and Victoria Alvarez and Marta Encinas-Martín (GRC). Antonio Gomes, Deputy Director, along with Fares Al-Hussami, Head of the FDI Qualities and Impact Team; Andrea Marín Odio, Iris Mantovani and Fernando Mistura, Project Managers and Economists at DAF provided valuable comments and feedback. The document was prepared for publication by Lucinda Pearson and Maria Paz Salas (DAF), with editorial contributions from Henri-Bernard Solignac-Lecomte (DEV). Overall guidance was provided by Jose Antonio Ardavín, Head of Latin American and the Caribbean Division (GRC), Federico Bonaglia, Deputy Director (DEV), Ana Novik, Head of the Investment Division (DAF), Sebastián Nieto Parra, Head of the Regional Development Dynamics Division at DEV and Martin Wermelinger, Head of the Sustainable Investment Unit (DAF).

It benefited from comments and contributions from Emma Clua Vandellòs, Marc Vothknecht and Horst Pilger from the Directorate-General for International Partnerships of the European Commission, in collaboration with Laurent Sillano, Ermina Sokou, Alexis Hoyaux, Karin Uuskam, Melvin Asin and Frederique Same Ekobo and under the guidance of Diana Montero Melis, Deputy Head of Unit, Felice

Zaccheo, Head of Unit for Regional Programmes for Latin America and the Caribbean, and Felix Fernández-Shaw, Director for Latin America and the Caribbean and Relations with all Overseas Countries and Territories. Melissa Vega Monge from the Central Bank of Costa Rica, as well as Ledys C. Feliz and David Tejada from the General Directorate of Internal Taxes (DGII) of the Dominican Republic, provided valuable assistance with data processing and analysis in Chapter 4. Several others contributed important comments and information to this report: Kimberly Valverde Fallas and Mónica Umaña Delgado (Procomer, Costa Rica); Isabel Rata García-Junceda and Germán Bejarano García (Ministry of Economic Affairs and Digital Transformation, Spain); Sonia Fuentes (Foundation for the Internationalisation of Public Administration); Cristina Mora, Andrea Rojas Jiménez, Natalia Porraz Zamora and Tatiana Vargas (Ministry of Foreign Trade of Costa Rica); Ambassador David Puig and Cherybelle Gómez, Counsellor (Embassy of the Dominican Republic in France); Hamlet Gutierrez (Association of Industries of the Dominican Republic); Ambassador Luis Fernando Medina Sierra and Angie Contreras (Delegation of Colombia to the OECD).

The report also benefited from insights from EU private sector representatives Hispasat, EDF Renewables, G-RAU, MeKo MedTech, AKUO (Chapter 4) as well as Siemens, Volkswagen, Santander and Telefónica (Chapter 5).

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Abbreviations and acronyms

CELAC	Community of Latin American and Caribbean States
DFI	Development finance institution
EIB	European Investment Bank
EU	European Union
FDI	Foreign direct investment
GDP	Gross domestic product
GGIA	Global Gateway Investment Agenda
GVC	Global value chains
ICT	Information and communication technology
ILO	International Labour Organization
IPA	Investment promotion agency
LAC	Latin America and the Caribbean
M&A	Mergers and acquisitions
MENA	Middle East and North Africa
MNE	Multinational enterprise
NDB	National development banks
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PPP	Purchasing power parity
RCA	Revealed comparative advantage
R&D	Research and development
RBC	Responsible business conduct
SDG	Sustainable development goal
SME	Small- and medium-sized enterprise
STEM	Science, technology, engineering and mathematics
TACB	Technical assistance and capacity-building
TKI	Technology and knowledge-intensive
TVET	Technical and vocational education and training
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
US	United States
USD	United States Dollar

Executive summary

Latin American and Caribbean (LAC) countries have diverse development realities and policy challenges, but they share a common aspiration towards more sustainable, resilient and inclusive growth paths. Governments and regional actors are seeking to move beyond traditional growth models by fostering diversification and pursuing green and digital transitions alongside social progress. Yet persistent structural challenges are widespread. These include dependence on resource-based sectors, low productivity, informality and deep inequalities. Within this context, foreign direct investment (FDI) has become a cornerstone of national development strategies, given its expected contribution to productivity and innovation, export diversification and integration into global value chains (GVCs), as well as quality employment. This report explores how FDI shapes development outcomes in LAC, focusing on EU investments, and outlines initial policy considerations for leveraging FDI to advance the region's priorities.

FDI advances sustainable development, but its potential for transformation and inclusion can be further leveraged

FDI is a driver of structural transformation and global integration in LAC. Over the past two decades, a significant share of FDI has flowed into resource-based sectors like mining and fossil fuels, as well as medium-tech manufacturing. These investments have advanced industrialisation, but generated limited domestic value creation. They have also reinforced dependency on commodity cycles, exposing economies to external shocks. In recent years, FDI in LAC has become more diversified, with greenfield investment in renewable energy and digital activities rising sharply. Together, these sectors have accounted for nearly one-third of total greenfield FDI since 2003. Furthermore, around 30% of total greenfield investment target medium- and high-technology and knowledge-intensive sectors. This shift signals a gradual re-orientation of investment towards activities with higher innovation and productivity potential.

FDI has also been a vital engine of job creation. Between 2003 and 2024, greenfield projects generated an estimated 5.5 million direct jobs in LAC, around 12% of all FDI-related jobs worldwide, above the region's 8% share of global population. LAC has one of the highest job intensity levels globally: each USD 1 billion invested has created roughly 3 000 direct jobs, owing to labour-intensive manufacturing and digital services, which accounted for 50% and 12%, respectively, of jobs created by FDI projects. The energy sector is also evolving: energy jobs increased from 1% to 3%, with renewables accounting for 63% of FDI energy jobs. This underscores that FDI's orientation towards green sectors has increased, not limited, job creation. FDI has also helped tackle informality and improve job quality. Foreign firms are generally more likely than domestic firms to offer permanent contracts and pay higher wages, including at the lower end of the pay scale. They also employ a higher share of women than domestic firms. However, investment remains concentrated in male-dominated sectors, posing risks of perpetuating gender inequalities.

The EU is a key investment partner that supports LAC's green, digital and skills development

The EU has long been the region's main source of greenfield FDI. EU investment supports export diversification and industrial upgrading. A 10% increase in EU investment is linked to a 0.05 percentage-point rise in the share of medium- and high-tech goods in total exports. Yet, significant opportunities remain to channel more investment into higher-value sectors. The EU-LAC Global Gateway Investment Agenda (GGIA) focuses on such priority sectors, notably green, digital and health activities, where the share of EU investment rose from 33% to 44% over the past decade. This increase was driven by renewable energy, helping LAC develop a more diversified and sustainable energy mix: a 10% rise in EU FDI is linked to a 0.3 percentage-point increase in the share of renewables in recipient countries' energy mix. EU investment has also played a central role in advancing digital transformation across LAC, particularly digital infrastructure and services.

The EU accounts for nearly one-third of greenfield FDI-related jobs in LAC. Beyond scale, EU investment is concentrated in sectors with above-average wages, higher formality, better social security outcomes and better training opportunities than typically available in domestic firms. However, EU FDI remains concentrated in male-dominated sectors, limiting the potential for women to harvest the benefits of the investments in an equitable manner unless inclusive measures are put in place to mitigate this risk.

EU investment in LAC also supports skills and training. Interviews with large EU companies highlight initiatives in technical and vocational education and training (TVET) to address informality and skills gaps. These initiatives often involve public-private partnerships, align with labour market needs, promote inclusion, use digital methods and include monitoring and evaluation tools. They provide models for strengthening adult learning systems and illustrate how EU investment can extend beyond capital to influence institutional practices and support social development.

Specific country experiences further illustrate the EU's contribution to sustainable development. In Colombia, EU investors have supported diversification, with significant greenfield FDI projects in renewable energy, digital sectors and higher-productivity manufacturing. In Costa Rica, EU investment has strengthened advanced manufacturing, particularly in medical devices and pharmaceuticals, fostering quality jobs and innovation. In the Dominican Republic, EU firms are major investors in renewable energy and tourism, contributing to a more diversified energy mix and inclusive growth. Across these three countries, international co-operation has targeted areas that enhance the impact of FDI by strengthening domestic capacities, notably skills development and infrastructure.

Powering LAC's next growth phase through quality FDI: Initial policy considerations

FDI has supported diversification, technology upgrading and formal employment in LAC, but its potential to advance sustainable development is not yet fully unleashed. Maximising this potential requires coherent policies that enhance investment quality, deepen domestic linkages and align FDI with sustainable development goals. The following policy directions can help guide future action:

- **Enhance governance and policy coherence by aligning investment policy with broader development objectives** and ensuring co-ordination across industrial, social, labour, education, digital and environmental domains.
- **Improve the business environment and regulatory frameworks** to ensure openness, transparency and predictability, embedding responsible business conduct and aligning regulations with international labour and environmental standards.

- **Enhance FDI's development impact** by directing financial and technical support to quality investments with strong socio-economic spillover potential and to promote sustainable local linkages and ecosystems through supplier development, social innovation, small- and medium-sized enterprise (SME) upgrading and workforce training. Incentives should be transparent, time-bound and regularly evaluated. Greater policy focus is needed on how FDI can contribute to gender-inclusive labour market outcomes, empowering women through equitable access to employment, skills development, and leadership opportunities.
- **Leverage development co-operation to align FDI with sustainable development goals.** Co-operation frameworks mobilised around value-based investment strategies such as the EU-LAC GGIA, can contribute to foster institutional capacity-building, skills development and SME integration into GVCs.

1 Overview and initial policy considerations

This overview chapter sets the scene for the report and brings together the main findings from the four thematic chapters. It outlines Latin America and the Caribbean's (LAC's) ambition to build a more sustainable, resilient and inclusive economic model and the region's progress and challenges in achieving this. It discusses how the region can leverage foreign direct investment (FDI), particularly EU investment, to advance its priorities, drawing on its structural importance in LAC economies and recent shifts in investor patterns. The chapter highlights evidence of FDI's contribution to structural transformation and labour market outcomes, complemented by insights from country and thematic case studies. It concludes by identifying priority policy areas for LAC policymakers and opportunities for deeper collaboration with the EU under the EU–LAC Global Gateway Investment Agenda.

1.1. LAC's development trajectory: What role can FDI play?

1.1.1. LAC economies face diverse development realities, but share a common aspiration of moving towards a more sustainable and inclusive growth model

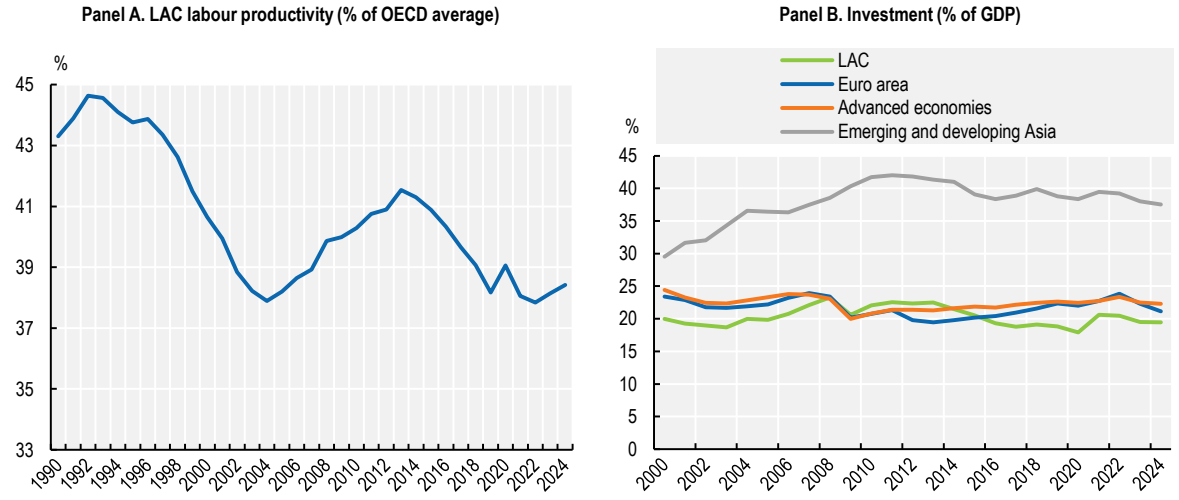
Countries in Latin America and the Caribbean (LAC) are navigating a complex and evolving path towards sustainable development, marked by notable progress in social inclusion and institutional reforms. Since the adoption of the United Nations (UN) 2030 Agenda for Sustainable Development, LAC countries have made sustained efforts to align national development strategies with Sustainable Development Goals (SDGs). But achieving these goals will require vast financial resources: the region's annual SDG financing gap is estimated at around USD 99 billion. Bridging this gap calls for a comprehensive and co-ordinated approach that mobilises both public and private financing at national, regional and international levels. Foreign direct investment (FDI) can be a key driver in this process by fostering productive transformation and promoting innovation and skills development, and the generation of quality employment across the economy. The EU–LAC Global Gateway Investment Agenda (GGIA) (Box 1.1) builds on this potential, serving as a strategic framework to stimulate inclusive and green growth through investment in digital connectivity, renewable energy and sustainable value chains.

The region has achieved significant social progress over the past two decades, but subdued economic performance has weighed on these gains, reflecting long-standing structural challenges. Poverty fell markedly from 45.7% of the population in 2003 to 26.8% in 2024, while extreme poverty declined more modestly, from 12.2% to 10.4% over the same period. High informality underlies low incomes and limited social protection, with more than half of LAC workers (55.1%) employed informally in 2023. Economic activity remains fragile, with potential GDP per capita growth consistently lagging behind that of advanced economies by about 1 percentage point. Persistent inequality and climate vulnerability continue to constrain development prospects (OECD et al., 2025[1]).

Low productivity growth remains a major structural constraint, limiting the region's capacity for sustained and inclusive growth. In 2024, average labour productivity per hour worked in LAC amounted to just 38% of the OECD average compared to 43% in 1990 (Figure 1.1, Panel A). This widening gap reflects multiple factors, including low levels of innovation and technological adoption, high informality and inefficient resource allocation across sectors and firms. In particular, persistently low investment in physical and human capital has constrained productivity gains, limiting the region's capacity to foster structural transformation and undergo the necessary production transformation toward environmental sustainability, social inclusion and resilience (OECD et al., 2024[2]; 2025[1]).

Low total investment remains a key structural bottleneck for LAC, constraining progress towards higher productivity and improved living standards. In 2024, total investment averaged 19.4% of GDP, below advanced economies (22.3%) and well behind emerging Asia (37.5%), and the Middle East and Central Asia (26.2%) (Figure 1.1, Panel B). Investment in LAC has hovered at around 20% of GDP since the early 1980, consistently below most developing regions. Low investment continues to hold back growth, productivity and social progress across the region (OECD et al., 2024[2]).

Figure 1.1. Persistent productivity and investment gaps in LAC



Note: Panel A refers to labour productivity per person employed. Simple averages are compared between 38 OECD economies and 15 LAC economies. Panel B refers to total investment as a percentage of GDP. Total investment in an economy, often measured as gross capital formation, refers to the sum of expenditures on additions to fixed assets and net changes in inventories. Fixed assets include infrastructure, machinery, equipment, and buildings used in the production of goods and services for more than one year.
Source: Based on The Conference Board (2025[3]), Total Economy Database, https://www.conference-board.org/topics/total-economy-database; IMF (2025[4]), World Economic Outlook database, https://www.imf.org/en/Publications/WEO/weo-database/2025/april.

Despite the need to boost investment, limited fiscal space constrains the region's capacity to act in the short term. Tax revenues in LAC, essential for financing public services, infrastructure and social programmes, remain insufficient to finance the scale of investment required to meet development objectives. In 2023, LAC's tax revenues amounted to just 21.2% of GDP, ranging from 11.5% in Guyana to 32.0% in Brazil, well below the OECD average of 33.9% (OECD, 2025[5]). Public debt in LAC remains elevated despite signs of stabilisation. In 2024, the region's average debt-to-GDP ratio was still above pre-pandemic levels, reflecting improved fiscal balances but persistent financing needs. Driven by tighter global financial conditions and elevated regional risk premiums, rising debt-servicing costs and higher implicit interest rates are further eroding fiscal space. Climate vulnerability, particularly in Central America and the Caribbean, compounds these pressures by increasing the cost of capital (OECD et al., 2024[2]).

Nonetheless, there are significant opportunities emerging in LAC to foster a more sustainable and inclusive growth model. The region's abundant endowment of renewable energy resources, critical minerals and biodiversity are a solid base for developing green industries and related services (OECD et al., 2023[6]). Demographic trends and improvements in the quality of education have gradually strengthened the region's skills base. However, significant mismatches persist between labour market needs and workforce skills, particularly in science, technology, engineering and digital fields. If effectively channelled, however, these dynamics could support higher investment, productivity gains and more resilient growth.

Box 1.1. The EU–LAC Global Gateway Investment Agenda

The EU Global Gateway Strategy is an initiative launched in 2021 by the European Commission and the European Union High Representative to support infrastructure development globally. To date, it has already mobilised up to EUR 300 billion in investments through co-ordinated efforts by the EU, its Member States and European financial institutions. The strategy focuses on infrastructure that supports inclusive economic growth, digital and green transitions, and resilience in partner countries. It outlines

five priority areas for partnerships and emphasises adherence to international standards, including those related to governance, environmental protection, social and labour rights, and community engagement. The Global Gateway aligns with the objectives of the United Nations 2030 Agenda for Sustainable Development and the Paris Agreement on climate change.

- **Digital** – Promoting secure and inclusive digital connectivity and infrastructure
- **Climate and energy** – Supporting renewable energy, energy efficiency and climate-resilient infrastructure
- **Transport** – Enhancing sustainable transport networks and trade corridors
- **Health** – Strengthening health systems and access to essential services by focusing on secure pharmaceutical supply chains, local manufacturing and epidemic preparedness
- **Education and research** – Advancing inclusive education, skills development and knowledge exchange

In 2023, the third EU-CELAC (Community of Latin American and Caribbean States) Summit of Heads of State and Government recognised the value of a joint EU–LAC Global Gateway Investment Agenda (GGIA) to boost sustainable investments among the two regions in key sectors of common interest. It targets transformative investment projects across LAC and actions revolve around key pillars including fair green transitions, inclusive digital transformation, health resilience and equitable access to health products including vaccines, and human development with a focus on education, skills and inequality reduction.

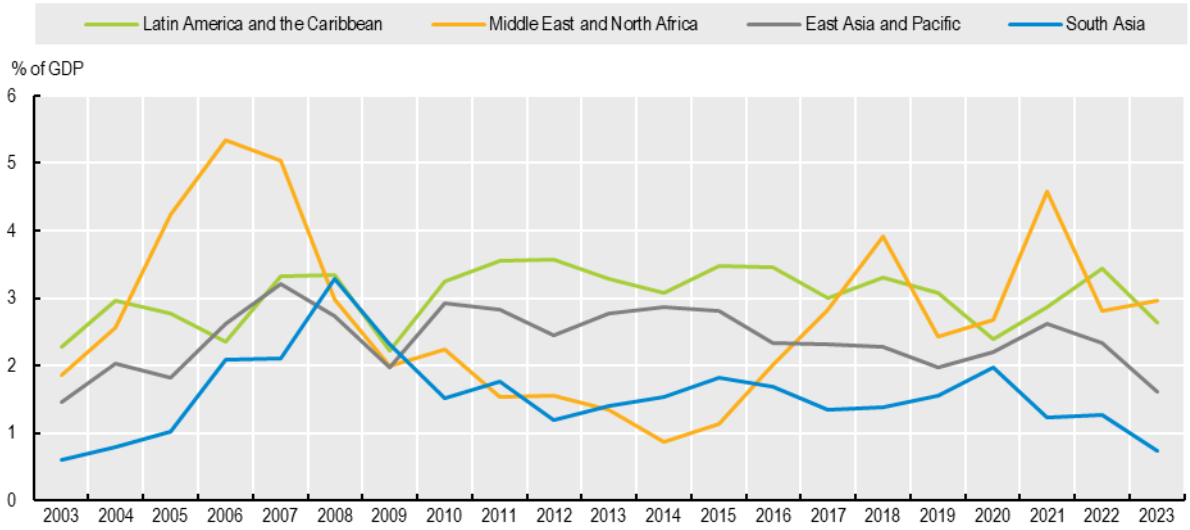
Source: European Commision (2025[7]), Global gateway Overview; https://international-partnerships.ec.europa.eu/policies/global-gateway/global-gateway-overview_en.

1.1.2. FDI has contributed to shaping LAC's economic trajectory and can help drive future priorities

FDI is essential to closing the region's investment gap amid limited fiscal space constraining public investment. As a key source of private capital, FDI already plays an important part in financing productive activities, and its contribution is critical for directing resources towards strategic sectors and supporting sustainable and inclusive growth. This type of investment has long been a cornerstone of growth in LAC. It has provided financing, shaped industrial development and supported the region's integration into global value chains (OECD et al., 2023[6]). Over the past two decades, FDI inflows averaged around 3% of GDP, above other regions such as the Middle East and North Africa (2.7%), East Asia and the Pacific (2.3%) and South Asia (1.4%) (Figure 1.2). Since 2013, FDI has been volatile due to shifting global and regional conditions, and rising competition from other emerging markets; nevertheless, it has retained its structural significance, highlighting LAC's continued attractiveness to foreign investors.

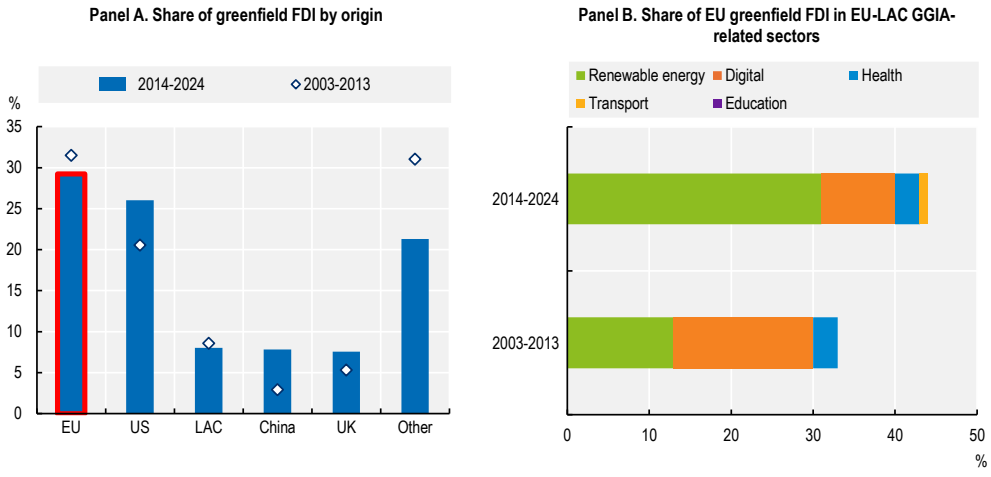
Figure 1.2. LAC has long been an important FDI destination

Net FDI inflows as % of GDP, 2003-2023



Source: Based on World Bank (2024[8]), Foreign direct investment, net inflows (% of GDP), https://data.worldbank.org/indicator/BM.KLT.DINV.CD.WD.

Figure 1.3. The EU is a leading investor in LAC, increasingly targeting sectors aligned with the EU–LAC GGIA



Note: Greenfield FDI in GGIA-related sectors include: digital (information and communication, electronics, electrical machinery); climate and energy (renewable energy); transport (electric motor vehicles within "motor vehicles") and health (chemicals, pharmaceuticals, medical instruments, health and social work). Investments in education and research are cross-cutting in nature and cannot be captured within the ISIC Rev. 4 sector classification.
Source: Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/ .

The European Union (EU) has been a leading and reliable investor in LAC. Between 2014 and 2024, EU firms accounted for about USD 300 billion in greenfield FDI, around 29% of the total, ahead of investors from the United States (26%), LAC itself (8%), the People's Republic of China (hereafter 'China') (7%) and the United Kingdom (7%) (Figure 1.3, Panel A). This confirms a long-standing pattern, as EU enterprises

have been the region's main source of greenfield investment since the early 2000s. Over time, their investments have become increasingly aligned with the priority sectors highlighted by the EU–LAC Global Gateway Investment Agenda (GGIA) (Box 1.1). The share of EU greenfield FDI targeting GGIA-related sectors rose from 33% to 44% over the past decade, led by strong growth in renewable energy, alongside significant investment in digital services and health-related industries (Figure 1.3, Panel B).

1.2. FDI impact in LAC: Key findings from the assessment

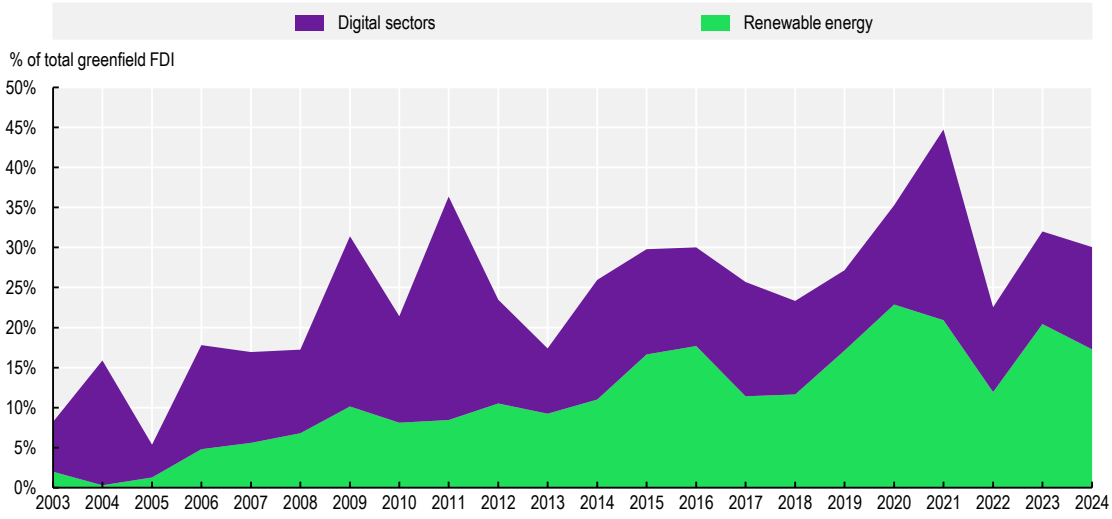
1.2.1. FDI in LAC is still concentrated in traditional resource-based and medium-tech sectors, but shifting toward more sustainable, higher-value-added activities

FDI is a critical driver of structural transformation and integration into global value chains (GVCs) in LAC. Over the past decade, about 22% of total greenfield FDI was directed to traditional resource-based sectors, notably mining and fossil fuels. About 35% went to manufacturing, especially medium-tech motor vehicles, which accounted for about 11% of greenfield FDI.

While these investments have supported industrialisation, they have also reinforced patterns of dependence on commodities and low-technology exports. As a result, the region's insertion into GVCs is such that its raw materials and semi-processed goods are exported for transformation elsewhere. This has left many LAC economies vulnerable to external demand and global price volatility. Moreover, FDI in traditional resource-based activities has generated limited spillovers, constrained domestic value addition and contributed to environmental pressures, including higher CO_2 emissions.

In recent years, LAC investment has begun to shift. Renewable energy has attracted a growing share of greenfield projects, accounting for about 16% of total greenfield FDI between 2014 and 2024, 10 percentage points more than in the previous decade. The EU is the main investor in renewables, accounting for more than half of total investment in the sector, consistently with the key priority areas of the EU-LAC Global Gateway Investment Agenda (GGIA) (Box 2.1). FDI has also contributed to technological upgrading, supporting investment into higher-value segments of GVCs. Between 2014 and 2024, approximately 30% of greenfield FDI was channelled to higher-technology, knowledge-intensive activities. Of this, roughly 13% went to digital services, such as data hosting, programming and software development and away from early investments in telecommunications infrastructure (Figure 1.4). More broadly, EU firms have a strong presence in medium- to high-technology manufacturing.

Figure 1.4. Share of greenfield FDI in renewables and digital sectors is growing

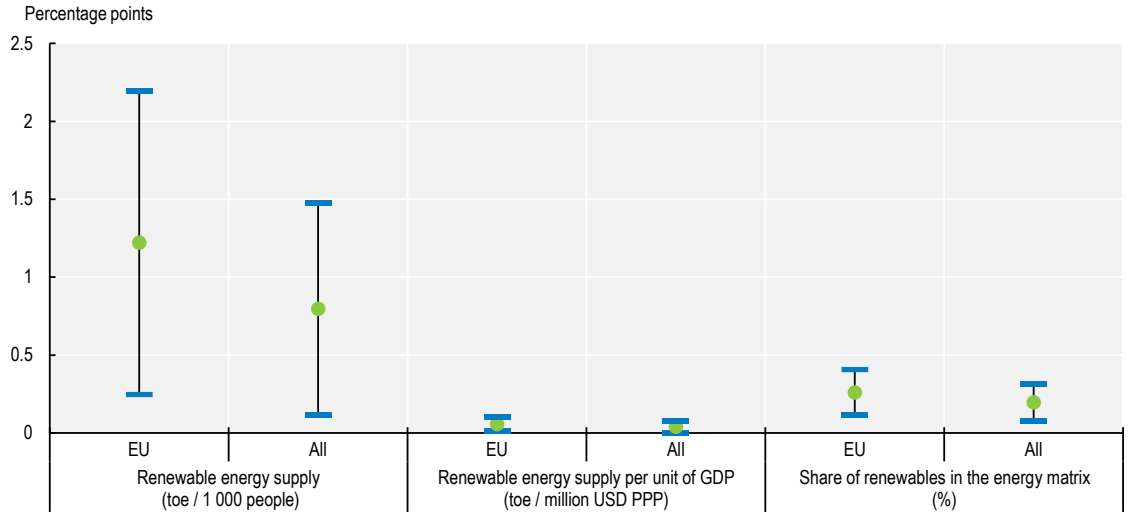


Note: Digital sectors include digital services (e.g. computer programming activities, data processing and hosting activities, information service activities, etc.); ICT goods (electronics, computer equipment, etc.); electrical components (batteries, electrical equipment, wiring devices, etc.); and telecommunications (wired and wireless telecommunications activities and satellite activities).
Source: Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/ .

EU FDI is an important driver of export diversification and industrial upgrading in LAC. Empirical evidence produced for this report shows that a 10% increase in EU capital investment is linked to a 0.05 percentage-point rise in the share of medium- and high-tech goods in total exports and a 0.01 percentage-point increase in manufacturing value added as a share of GDP. These findings underscore the role of EU greenfield investment in advancing medium- and high-technology manufacturing and the importance of attracting greater FDI to these sectors. While LAC countries exhibit diverse economic structures, significant opportunities remain to channel FDI toward activities where the region's potential is not yet fully tapped.

EU FDI has also helped in expanding clean energy capacity and supporting the region's transition toward a more diversified and sustainable energy mix. Estimates show that a 10% increase in greenfield FDI from the EU is associated with a 0.3 percentage-point rise in the share of renewables in the energy mix, an increase of 1.2 tonnes of oil equivalent (toe) per 1 000 people in renewable energy supply and 0.1 toe per million USD of GDP (PPP) (Figure 1.5).

Figure 1.5. FDI impact on renewable energy supply and the energy matrix



Note: The figure displays the estimated percentage-point impact of a 10% increase in two years lagged capital investment from announced renewable energy greenfield FDI projects on three variables, along with their 95% confidence intervals. "All" refers to all origin countries.
Source: Based on IRENA (2023[10]), Renewable Energy Statistics, https://www.irena.org/Data; Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/; OLADE (2023[11]), Energy Information System of Latin America and the Caribbean, https://sielac.olade.org/.

1.2.2. FDI drives better jobs in LAC, but not everyone benefits equally. Women, in particular, risk being left behind, especially in fast-growing green and digital sectors

FDI is a vital engine of job creation in LAC. Between 2003 and 2024, greenfield FDI projects directly created an estimated 5.5 million jobs in the region. Measured against LAC's domestic labour markets, the impact is significant: the number of jobs created by greenfield FDI over the past two decades amounts to roughly 4% of the region's formal employment. It is also equivalent to 12% of all FDI-related jobs worldwide. This share is strikingly higher than the region's demographic weight (8%), meaning that FDI in LAC generates a disproportionately large number of employment opportunities. Put another way, FDI in LAC has particularly high job intensity.

On average, each USD 1 billion invested in the region directly generates roughly 2 700 jobs, one of the highest ratios globally. Over the last two decades, the average number of jobs created per unit of investment in LAC has increased, reflecting an underlying shift in the composition of investment. Whereas earlier FDI projects in LAC were in more capital-intensive sectors, such as mining, fossil fuels and telecommunications, more recent greenfield FDI has gravitated toward labour-intensive activities, such as manufacturing, transport, business services and, increasingly, digital services.

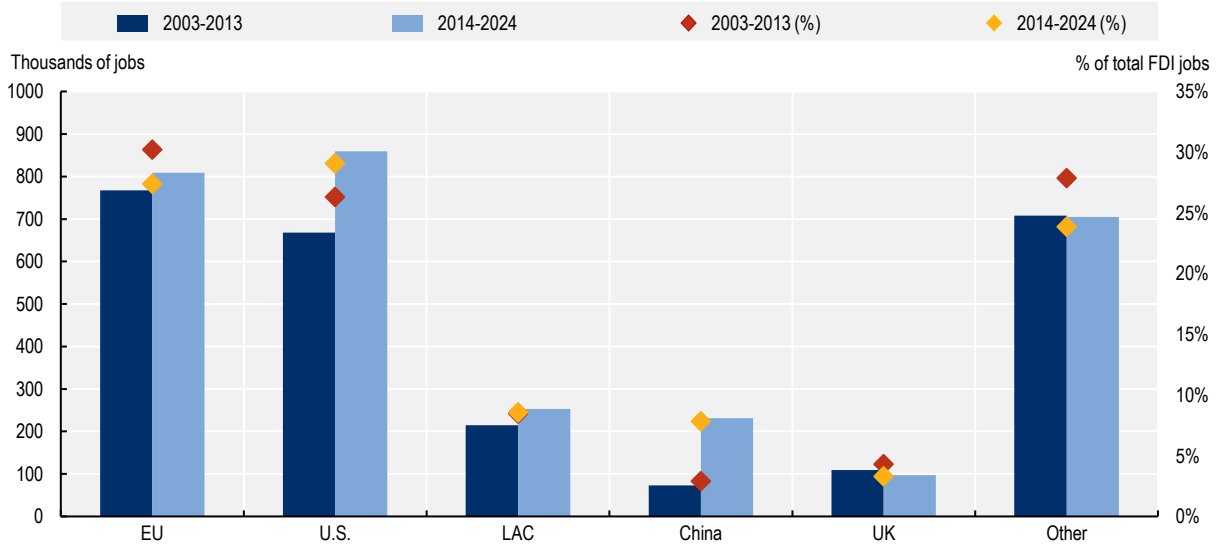
Manufacturing continues to play a central role, accounting for 54% of all FDI-related jobs in the region. Within this sector, motor vehicles, food and electrical equipment remain significant employers. Services represent an important share of employment generated by FDI, amounting to 35% of the total. Particularly noteworthy is the contribution of digital services, which alone accounts for 10% of FDI-related jobs. This trajectory highlights how foreign investment has opened up opportunities in knowledge-intensive sectors, which are critical for technological upgrading and productivity growth.

The energy sector also stands out as an area of rapid change. While historically dominated by fossil fuels and other traditional resource-based activities, the sector is now experiencing a surge in renewable energy projects. FDI-related employment in renewable energy has doubled over the past decade, rising from 1%

to 3% of total FDI-related jobs in the region. Although still modest in absolute terms, this trend confirms the increasing alignment of foreign investment with the global shift toward low-carbon production. In the last decade, 63% of energy-related FDI jobs were generated in the renewable energy sector, a significant increase from 35% in the previous decade. This trend shows the potential benefits for LAC of positioning itself as a key player in the green transition, building on its abundant natural resources for clean energy generation and export.

The European Union, alongside the United States, has consistently been a leading source of FDI-related job creation in LAC. Over the past two decades, the two sources together accounted for almost 60% of all greenfield FDI-related jobs in the region (Figure 1.6). While other players such as China have emerged in the investment landscape, their presence remains smaller, starting from a much lower base.

Figure 1.6. Investors from the EU and the U.S. generated almost 60% of total FDI jobs in LAC



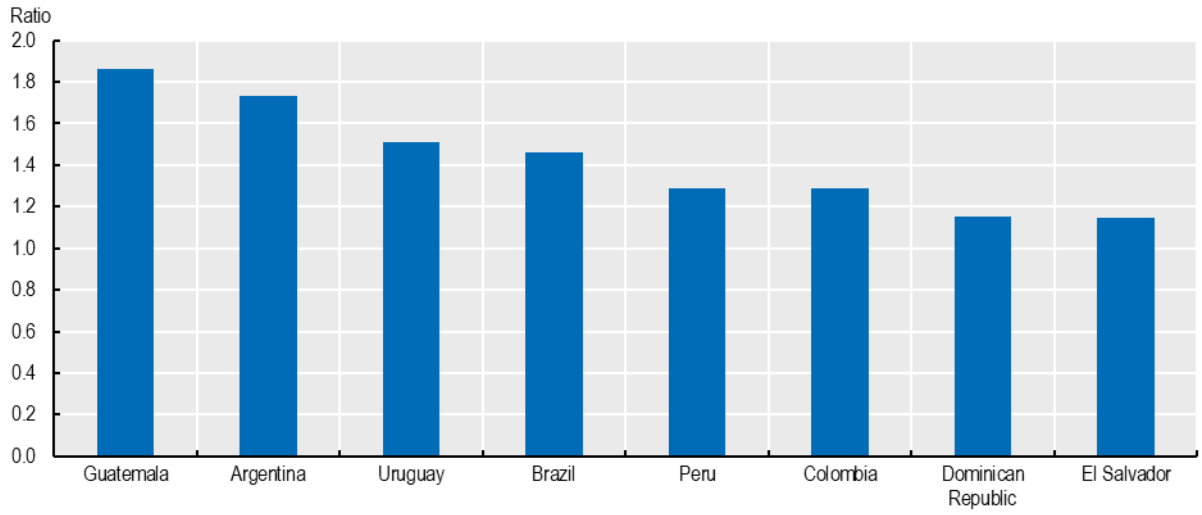
Source: Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/.

FDI in LAC has contributed not only to the creation of jobs but improvements in job quality. Foreign firms are more likely than domestic firms to offer permanent contracts and pay higher wages. In Bolivia and El Salvador, the wage premium associated with foreign firms is particularly pronounced among low-wage workers. This suggests that FDI can play a role in reducing wage inequality by lifting incomes at the lower end of the distribution.

Investment from the EU is concentrated in sectors associated with stronger labour market outcomes, many of which align with the EU–LAC GGIA's strategic priorities. EU greenfield investment is prevalent in industries where wages are, on average, 1.5 to 1.8 times higher than other (Figure 1.7). These sectors are also characterised by higher levels of labour formality, greater access to social security, including pensions and health insurance, and stronger skills outcomes. At the same time, EU investment is disproportionately concentrated in sectors where gender disparities are more pronounced, limiting the opportunities for women to harvest the investment benefits in equal terms at sector level. Many industries with high EU greenfield investment are male-dominated and, in sectors with a more balanced gender representation, EU firms offer lower wages compared to other parts of the labour market, mirroring existing gender inequalities in the domestic labour market.

Figure 1.7. Workers in EU greenfield FDI-intensive sectors earn significantly higher wages

Average wage ratio between sectors receiving EU FDI compared to other sectors



Note: Selected sectors account for at least 80% of the jobs created by EU FDI in the country and include a minimum of five sectors, based on fDi Markets statistics over the five years preceding the most recent available household survey. The results shown in the following graphs are weighted averages for these sectors, using each sector's share of total EU FDI-related job creation as a weight. For the remaining sectors — those receiving little or no EU FDI — simple (unweighted) averages are reported. Wage ratio calculated as average wage in FDI sector divided by average wage in non-FDI sector, based on main job. For further detail, please see Chapter 3 (Box 3.6).
Source: Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/; OECD (2024[12]), Key Indicators of Informality based on Individuals and their Households (KIIbIH) database, https://dataexplorer.oecd.org/vis?df[ds]=DisseminateFinalDMZ&df[id]=DSD_KIIBIH@DF_B11&df[ag]=OECD.DEV.LAC.

1.2.3. FDI has driven sectoral transformation, skills and job creation in Colombia, Costa Rica and the Dominican Republic, with the EU playing a key role

The experience of Colombia, Costa Rica and the Dominican Republic illustrates how significantly FDI from the European Union has advanced sustainable development across the region. Over the past two decades, FDI in Colombia, Costa Rica and the Dominican Republic has shifted toward more diversified, knowledge-intensive and sustainable investment, as in the rest of the region. EU investors have steered greenfield FDI toward renewable energy, digital technologies and higher-value-added manufacturing, supporting job creation and skills development. These countries highlight both the regional diversity and strategic weight of EU investment: Colombia, one of South America's top FDI recipients, has seen EU firms drive diversification beyond extractives; Costa Rica has leveraged FDI for advanced manufacturing, especially of medical and pharmaceutical products; and the Dominican Republic has benefited from EU investment in energy and tourism.

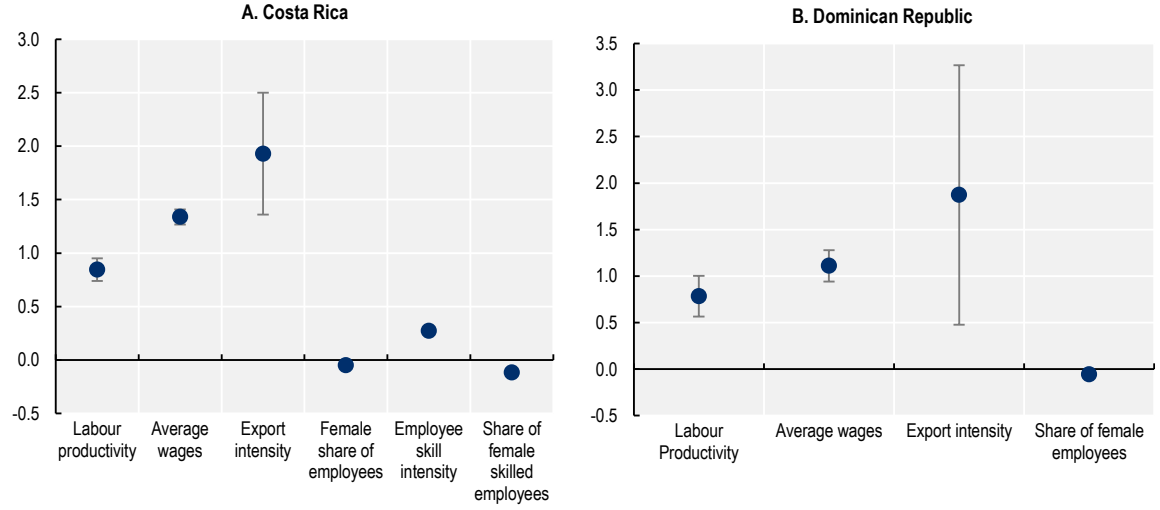
Over the past two decades, FDI in renewables has expanded rapidly in Colombia, with over three-quarters of EU greenfield electricity projects between 2014 and 2024 targeting clean energy, followed by information and communication technology (ICT) and manufacturing. The EU was also the largest greenfield investor in the Dominican Republic (2003-2024), focusing on tourism and electricity, particularly solar energy, which rose from 2% to nearly 15% of total investments between the two decades, supporting energy diversification and sustainability goals. In Costa Rica, FDI has been pivotal to development, with EU and US investments strengthening high-technology manufacturing and global value chain integration, helping position the country as a leading hub for medical devices and pharmaceuticals.

During 2003-2024, the European Union and the United States drove investment in technology- and knowledge-intensive (TKI) sectors in Colombia and Costa Rica, while such investment has slowed in the Dominican Republic, except from LAC sources. In Colombia, the EU's share of FDI in TKI sectors has remained stable, but declined in absolute terms, suggesting scope to reinforce its role in higher-value-added activities. In Costa Rica, the United States remains the main investor in TKI and R&D, while EU investment, though smaller, has grown steadily. Across the three countries, greenfield FDI in R&D remains limited, with the EU being the largest source for Colombia and the Dominican Republic, while the United States led in Costa Rica over the past two decades.

FDI has contributed significantly to not only structural transformation in the three countries, but creating more and better jobs, and promoting skills. During 2003-2024, EU firms led job creation in Colombia (36% of total jobs) and the Dominican Republic (35%) and were second to the United States in Costa Rica (17%). EU FDI job intensity in Colombia and Costa Rica rose substantially over the two decades, while it only increased moderately in the Dominican Republic. FDI has also contributed to skills development, enhancing the workforce's capabilities. In Colombia, FDI in education and training has expanded strikingly, with the EU now the second-largest source after LAC. In Costa Rica, while greenfield FDI in education and training is limited, EU firms actively contribute to workforce upgrading.

Figure 1.8. Foreign firms in Costa Rica and the Dominican Republic are more productive, pay higher wages and export more

Do foreign firms have better outcomes than domestic peers? (yes if score>0; no if score<0)



Note: This figure shows the relative difference between foreign and domestic firms on outcomes. Whiskers represent 95% confidence intervals. Panel A. Costa Rica is based on data from 2022, while Panel B. Dominican Republic was calculated on 2024 data. In Panel A. Costa Rica, the variable underlying export intensity was not thoroughly examined, and the precise value of the coefficient should be interpreted with caution. For further detail, please see the Annexes 4.A and 4.B Registro de contribuyentes de la Dirección General de Impuestos Internos de la República Dominicana (DGII).

Source: Based on Central Bank of Costa Rica (2025[13]) Registro de variables economicas del Banco Central de Costa Rica (REVEC); DGII (2025[14]) Registro de contribuyentes de la Dirección General de Impuestos Internos de la República Dominicana (DGII).

Foreign firms show more development impact than domestic ones. National firm data show that both in Costa Rica and the Dominican Republic, foreign firms substantially pay higher wages, are more productive and export more than their domestic counterparts (Figure 1.8). Sectors in which EU FDI is concentrated show important development outcomes. In Colombia, jobs generated by EU FDI are concentrated in sectors with higher wages and greater formality, but which are male-dominated occupations. In the

Dominican Republic, jobs created by EU FDI are concentrated in sectors with higher wages and lower labour informality, and which are male-dominated, but also pay women better quality wages.

1.2.4. International development co-operation can amplify FDI effects

International development co-operation has increasingly complemented private sector efforts in the three countries. It has helped mobilise FDI and strengthen the countries' productive sectors by focusing on better infrastructure and workforce skills and reinforcing regulations. In so doing, international development co-operation enhances the countries' overall investment attractiveness. In Colombia, Official Development Assistance (ODA), including support designated to catalysed private sector mobilisation, has been broadly aligned with FDI sectoral trends, particularly in renewable energy and knowledge-intensive sectors. This underscores the potential for continuing to ensure greater coherence between international development co-operation and private investment efforts. Between 2003 and 2024, the EU devoted 36% of its production-sector ODA to energy, while 82% of mobilised private finance in Colombia targeted renewables. There are similar trends in the Dominican Republic, where mobilised private finance is only emerging, but overall, ODA has an important focus on renewable energy; and in Costa Rica, where mobilised private finance, historically limited, has recently expanded into new sectors, such as transport and storage, a key FDI area.

Skills development and training are key channels through which ODA can boost sectoral transformation, employability and investment attractiveness. EU countries and institutions were the largest donors of ODA to education and skills in Costa Rica and the Dominican Republic, and second after the UK in Colombia. In all three countries, EU ODA predominantly targeted vocational education and training, directly building workforce capabilities.

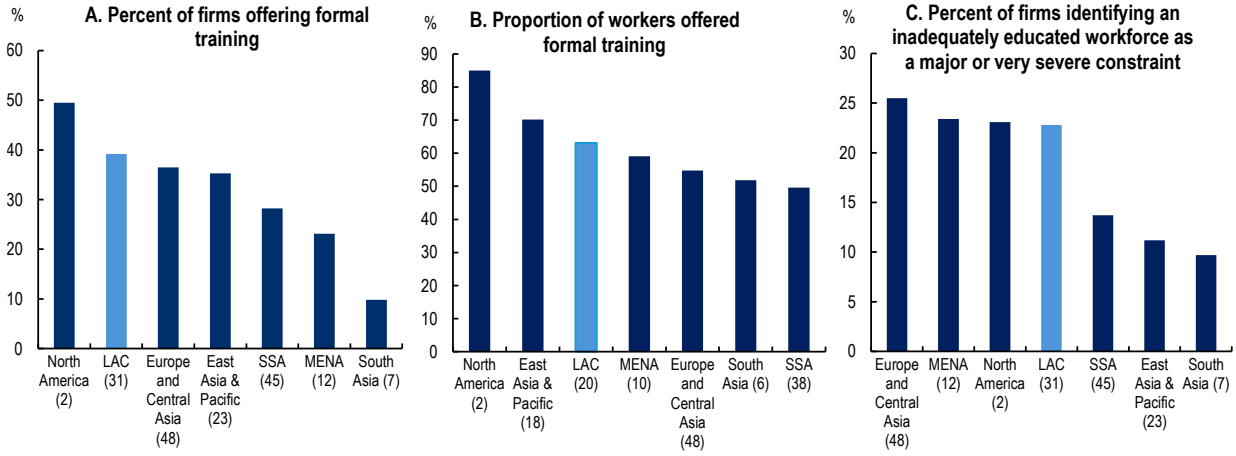
1.2.5. EU firms' TVET programmes in LAC can foster skills development, boost youth employment and advance social inclusion

Education and skills are critical foundations for productivity, innovation and inclusive growth, yet significant gaps remain in LAC. Foundational learning outcomes remain weak and public spending on education stood at 4.6% of GDP in 2020 (Arias et al., 2023[15]). Investment in technical and vocational education, and training (TVET) is even lower, averaging less than 0.2% of GDP (World Bank, UNESCO & ILO, 2023[16]).

According to the World Bank Enterprise Surveys, about 39% of firms across the region provide training to their permanent employees, though participation rates vary widely between countries (Figure 1.9). While around 63% of workers take part in some form of training, these opportunities are largely funded by firms themselves, with minimal public support. Compared to local firms, European firms in LAC typically invest more in training, offer higher wages and employ more permanent workers.

Informal workers, who make up more than half of LAC's labour force (OECD, 2024[17]), have particularly limited access to such training. Similarly, small- and medium-sized enterprises (SMEs), which form the backbone of regional economies, report low levels of TVET engagement (Flores-Lima et al., 2014[18]). These disparities contribute to persistent productivity gaps, limited social mobility and rising inequality. Much of the private sector's investment in training is reactive, driven by existing skills shortages. Employers frequently highlight this issue, with nearly one in four firms citing an inadequately skilled workforce as a major barrier to growth.

Figure 1.9. Key indicators on on-the-job training, by region (2009-2025)



Note: The regional averages reported here are based on the number of countries indicated in brackets following the region's name. The regional averages are based on data collected over different years within the 2009-2025 period as the reference fiscal year varies by country.
Source: Based on World Bank (2024[19]), World Bank Surveys, https://www.enterprisesurveys.org/en/data/exploretopics/workforce.

TVET is a long-standing pillar of education systems in Europe. Strong institutional frameworks, close co-ordination with employers and the integration of learning and work experiences has helped European systems achieve smoother school-to-work transitions and promote inclusive growth. Dual training models pioneered in countries like Germany, Austria and Switzerland combine classroom instruction with practical, on-the-job experience. Many LAC countries have drawn inspiration from these models, adapting them to local labour market conditions rather than replicating them wholesale.

Several European firms operating in the region have played a key role in strengthening skills systems. This report has focused on four companies from the telecommunications, manufacturing and banking sectors that have invested in training in LAC. They share several best practices, making them valuable models for other European and international companies seeking to strengthen skills development in the region:

- **Strong public-private partnerships drive employment outcomes**: European firms have expanded TVET opportunities in LAC through such partnerships. For instance, Volkswagen de México's Dual Training Centre with the Technological University of Puebla has produced nearly 6 000 mechatronics graduates now employed at Volkswagen or its suppliers, while its collaboration with the College of Scientific and Technological Studies of Guanajuato trains students directly for jobs at the Silao engine plant.
- **Aligning training with labour market demand enhances employability.** All four firms prioritise employability, focusing on high-demand skills, such as digital literacy, automation, programming and leadership. Initiatives such as Telefónica's Programming Campuses and Digital Minds, advance digital inclusion and upskilling for students, teachers, youth and its own workforce.
- **Digital and hybrid models expand access and flexibility.** Digital platforms and blended learning have greatly expanded access to TVET. Santander Open Academy exemplifies this approach, offering flexible, scalable online and hybrid programmes in digital skills, languages and leadership aligned with labour market needs.
- **Inclusiveness advances gender equality and disability inclusion.** Telefónica's *Mujeres en Red* programme prepares women in Peru and Colombia for technical careers in telecommunications, offering both technical and psychosocial support. The company's workforce strategy also prioritises disability inclusion, employing 2 700 persons with disabilities in 2023.

- **Engaging youth and empowering educators to sustain TVET excellence.** Recognising the importance of attracting young people to technical careers, companies have launched school outreach and awareness initiatives. Siemens' *Experimento* promotes STEM learning through hands-on activities and offers teachers free professional development and high-quality instructional resources.
- **Data-driven evaluation reinforces quality and labour market relevance.** Continuous monitoring and evaluation ensure training stays effective and aligned with labour market needs. Santander applies a robust framework to track participation, completion, satisfaction and institutional engagement across its TVET initiatives, using these insights to refine programmes and enhance employability outcomes.

1.3. Policy areas for consideration and way forward

Long a key driver of growth in LAC, FDI can significantly advance sustainable development in the region. It can support economic diversification, technology upgrading and the creation of quality jobs with deliberate, well-co-ordinated policy action. The policy areas outlined in this section highlight where LAC governments could focus to maximise the benefits of investment and how LAC and EU governments can define shared priorities for future joint action. Adapting the OECD's FDI Qualities Indicators to the EU–LAC context and embedding evidence-based approaches (OECD et al., 2024[2]) in structured policy dialogues (including EU–CELAC and Global Gateway frameworks) could move investment strategies closer in line with sustainable development. These policy considerations are informed by the OECD Council Recommendation on FDI Qualities and the FDI Qualities Policy Toolkit (Box 1.2).

Box 1.2. Key policy principles of the OECD Council Recommendation on FDI Qualities

The Recommendation on FDI Qualities is structured around the following high-level policy principles/directions, drawn from the FDI Qualities Policy Toolkit:

- **Governance:** Provide coherent strategic direction on fostering investment for sustainable development and fostering policy continuity and effective implementation of such policies.
- **Domestic policy and legal frameworks:** Ensure that domestic policy and legal frameworks support investments having positive impacts on sustainable development.
- **Financial and technical support:** Prioritise sustainable development objectives when providing financial and technical support to stimulate investment.
- **Information and facilitation services:** Facilitate and promote investment for sustainable development opportunities by addressing information failures and administrative barriers.
- **Development co-operation:** Strengthen the role of development co-operation for mobilising FDI and enhancing its positive impact in developing countries.

The FDI Qualities Policy Toolkit is also structured along these policy principles and provides detailed guidance to governments on enhancing FDI contribution to economic development. The Recommendation builds on other standards developed by the OECD in international investment, including the Declaration on International Investment and Multinational Enterprises.

Source: OECD (2022[21]),FDI Qualities Policy Toolkit, https://www.oecd.org/en/publications/fdi-qualities-policy-toolkit_7ba74100-en.html.

Along with the FDI Qualities Indicators, Policy Toolkit and Recommendation, the *FDI Qualities Guide for Development Co-operation* provides a framework for strengthening development co-operation to better mobilise FDI and enhance its positive impact. The guide reviews policies for enhancing the impact of FDI on sustainable development. It outlines ways development partners can consider the impact of FDI in their

strategies and supports the design, implementation and monitoring of FDI-related assistance (OECD, 2022[20]).

1.3.1. Strengthen governance, policy co-ordination and institutional capacity

Strengthening the alignment between investment frameworks and broader development objectives is a central policy priority for LAC governments. Across the region, investment strategies are increasingly connected to broader agendas, such as productivity upgrading, the green transition and digitalisation, but these links may not always be coherent or guided by a common long-term vision. Their implementation may also be challenging as responsibilities for economic, social and environmental policies are distributed across multiple ministries and agencies, hindering effective co-ordination and diluting the impact of national investment strategies. Strengthening co-ordination across policy domains, particularly investment, industrial, labour, social, education, environmental, digital and innovation policies, can unlock synergies and enhance the coherence of development strategies. This is especially relevant in LAC, where economic activity is concentrated in a limited number of sectors, informality is widespread and institutional capacities vary significantly.

Developing more robust data systems and monitoring frameworks is an important area for continued policy attention. In many LAC economies, FDI data are available only in aggregate form, limiting assessment of the broader economic and labour market impacts of investment. Strengthening statistical capacity to generate consistent, disaggregated and comparable data would improve LAC policymakers' ability to assess the quality and inclusiveness of investment. Enhanced data would also support monitoring how FDI interacts with major transformations underway in LAC economies, such as the digital transformation and green transition, and would give a more accurate picture of the impact that FDI is having on different segments of the workforce. Such systems also allow anticipating emerging skills needs, including that of foreign investors, in expanding sectors. Co-ordination between investment and skills policies is particularly relevant in LAC, where advancing productive and technological upgrading and reducing social inequalities are key priorities.

1.3.2. Ensure that domestic legal and regulatory frameworks create a conducive business environment, while supporting sustainable development outcomes

A transparent, predictable and open business environment is essential for attracting and retaining quality investment. In some LAC economies, regulatory complexity, administrative barriers and sectoral restrictions create uncertainty for investors. Ensuring a stable and coherent domestic framework, while maintaining safeguards for national priorities, can foster investor confidence and enable FDI to play a stronger role in advancing long-term development objectives (OECD, 2015[22]).

Greater alignment with international labour and environmental standards remains an important area of focus for LAC. Strengthening the coherence between domestic legislation and enforcement, and global norms, such as the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (RBC) (OECD, 2023[23]) and the OECD Due Diligence Guidance for RBC (OECD, 2018[24]), strengthens the connection between investment and positive social, labour and environmental outcomes. In a region marked by informality, inequality and uneven labour opportunities, embedding such standards helps make FDI a driver of decent work, gender equality and sustainable growth, while deepening integration into GVCs.

1.3.3. Leverage financial and technical support, and facilitation services to strengthen local capabilities and deepen FDI linkages

Financial support instruments, including tax incentives, can attract investment that contributes to sustainable and inclusive growth. Their effectiveness and efficiency, however, depends on sound policy design and systematic evaluation. Given the constrained fiscal space in many LAC countries, these measures must be transparent, cost-effective and closely aligned with national development priorities (OECD, forthcoming[25]; 2025[26]). To maximise their sustainable impact, governments in the region should periodically evaluate that financial support instruments effectively lower the cost of capital for additional investment that would not occur otherwise. Governments would do well to re-assess existing tools to ensure that support is channelled towards sectors and activities with strong spillover effects, including economic diversification, value-chain upgrading and skills development. Tying financial support instruments to broader social goals, such as gender equality, can also ensure that FDI benefits are more widely and fairly shared across society.

Technical support is critical to maximise the development impact of FDI in LAC, helping local firms, especially small- and medium-sized enterprises (SMEs), and workers benefit more fully from knowledge and technology spillovers. Structural barriers to productive upgrading often hinder domestic enterprises from connecting with foreign investors and moving up value chains. Targeted initiatives, such as supplier development and SME upgrading programmes, can strengthen firms' capabilities, promote their integration into regional and global value chains, and increase the share of value retained locally. Development co-operation plays a key role in this process by co-financing and facilitating partnerships that help local firms meet international standards and adopt advanced technologies. EU companies are well placed to act as catalysts for change here. They can transfer know-how, promote inclusive supply chains and embed sustainability within their business operations.

Extending support to the workforce through well-designed active labour market policies (ALMPs) and vocational education and training (VET) systems reduces skills mismatches and broadens access to quality jobs, especially for vulnerable groups. Partnering with foreign investors, including EU firms already engaged in training, can further strengthen these efforts by aligning skills development with labour market demand, particularly in high-growth areas, such as the green and digital sectors. To maximise impact, these policies should also be more closely tied to social inclusion objectives, such as promoting gender equality and increasing the participation of underrepresented groups.

Information and facilitation services help reduce barriers to investment by providing clarity on rules and procedures, and creating an environment in which investors can operate efficiently. In most countries, investment promotion agencies (IPAs) act as the main point of contact for foreign investors and a key entry point into the local economy (OECD, 2018[27]). Beyond this gateway role, they also provide aftercare services to maximise the development impact of investment already present in the region. For many LAC countries, the strategic priority is not only to attract new investors but retain existing ones and deepen their linkages with domestic firms and markets. To achieve this, LAC governments should consider strengthening the capacity of IPAs and related services, ensuring they can deliver timely and transparent information, connect investors with local partners, support expansion into higher-value-added activities and promote adherence to social and environmental standards.

1.3.4. Aligning development co-operation efforts of the EU and other partners with LAC investment priorities

International development co-operation is an important tool for LAC governments, helping them to better align FDI with their long-term development ambitions. The interplay between FDI and development co-operation is deepening, with strategies like the EU–LAC Global Gateway Investment Agenda (GGIA) at the forefront. Partners are increasingly deploying guarantees, blended finance and equity co-investments

alongside policy and project-preparation support to de-risk projects, attract institutional investors and align finance with national priorities. Development co-operation plays a crucial role in strengthening the enabling environment for FDI by supporting regulatory reforms, skills development and training initiatives that enhance investment quality and maximise development impact.

Co-operation and FDI should work together as an integrated system to maximise development impact (OECD, 2022[20]). Aligning co-operation, including private sector mobilisation, official development assistance (ODA) and broader official financing flows with key FDI sectors can create stronger synergies between public goals and private investment priorities and incentives. The growing alignment between co-operation and FDI to support the green transition is a valuable example to build on. Strengthening this coherence can better connect investment with measures that enhance sustainability and impact, particularly through ODA support to key enablers such as infrastructure, skills and finance. Greater alignment would make the most of scarce ODA resources so that they are more focused and predictable, reducing volatility and reliance on one-off projects.

The ambition of the recently launched Global Gateway Investment Hub is to create such a system by serving as a single-entry point for EU companies to submit investment proposals and access EU financial and non-financial support. It connects private projects with resources from the European Commission, the European Investment Bank (EIB), development finance institutions (DFIs), export-credit agencies and national governments, fostering impactful investments that advance sustainable development, while creating opportunities for EU businesses. Strengthening co-ordination between multilateral development banks (MDBs), bilateral development finance institutions (bilateral DFIs), national development finance institutions and the private sector in LAC countries is essential to enhance the development impact of FDI. Establishing structured collaboration mechanisms, such as joint investment platforms or policy dialogues, can steer investment toward priority sectors and regions, while promoting positive spillovers through initiatives focused on supplier development, local content, quality job creation and technology transfer. Such co-operation can also support infrastructure, skills and innovation ecosystems in underserved areas, ensuring that the benefits of FDI are more inclusive and territorially balanced.

Development co-operation should strengthen technical assistance and capacity-building (TACB) to help LAC countries navigate the evolving sustainable development finance landscape. Enhanced capacities enable effective use of innovative instruments, such as debt and disaster-risk management tools; green, social and sustainability (GSSS) bonds; blended finance and sovereign carbon credits, while supporting an enabling investment environment. Strong institutions facilitate local financial market development, attract high-quality FDI and implement bankable projects that maximise development impact. An example is the Global Green Bond Initiative under the aegis of EU's Global Gateway, which supports LAC in developing green bond markets and providing technical assistance to help establish green bond frameworks, enhance capacity and attract international investors to promote a low-carbon transition.

Leveraging the development impact of FDI in LAC is critical amid constrained resources, geopolitical uncertainty and shifting economic ties. Strengthening the evidence base on FDI's socio-economic impact and the effectiveness of co-operation tools in fostering investments and maximising their impact is a first step in this direction. And, ensuring there is coherence between investment, trade and development co-operation benefits both the EU and the region. The EU's Global Gateway Investment Agenda (GGIA) is a good example of this. In its 360° approach, GGIA helps attract FDI, enhances the enabling environment of LAC countries and promotes impact-driven investments, complemented by Team Europe Initiatives, such as the EU–LAC Digital Alliance and Inclusive and Equitable Societies. Together, these efforts enable the EU and its partners to deploy FDI as a catalyst for inclusive, sustainable and innovation-led development in LAC.

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2 The role of FDI in shaping structural transformation in LAC: A close look at EU investments

This chapter analyses foreign direct investment (FDI) trends and their impact on structural transformation in Latin America and the Caribbean (LAC) between 2003 and 2024, with particular attention to investment originating from the European Union (EU). It begins with an overview of FDI trends, including greenfield projects, and mergers and acquisitions (M&As), disaggregated by destination countries, source economies and sectors. It then explores how FDI contributes to productivity, innovation, technology upgrading, digital transformation and the green transition, including shifts in the energy mix. Finally, it assesses the role of FDI in fostering export diversification and upgrading, and deeper integration into global value chains (GVCs).

2.1. Summary

Latin America and the Caribbean (LAC) region is undergoing a complex process of economic and social transformation, shaped by persistent structural challenges and renewed efforts to promote inclusive and sustainable growth. In recent years, many countries have launched or updated industrial and productive development strategies to strengthen technological capabilities, upgrade value chains and diversify beyond traditional commodity-based sectors. These strategies aim to boost innovation, enhance skills and value-added generation, and advance fair green and digital transitions (ECLAC, 2024[1]; OECD et al., 2024[2]).

FDI plays a pivotal role in this structural transformation. Although inflows have fluctuated with shifting global and regional dynamics, they have remained structurally significant, averaging around 3% of GDP over the past decade, one of the highest shares worldwide. LAC's share of global inward FDI stock has also remained relatively stable, at about 6% over the past two decades, above that of other emerging regions. Major economies such as Brazil, Mexico, Chile, Colombia and Argentina consistently absorb the largest shares of FDI, reflecting their market size, resource wealth and competitive cost structures.

Between 2014 and 2024, greenfield FDI was mainly directed to manufacturing (35%), with strong inflows into motor vehicles, food and beverages and chemicals. The energy and mining sectors accounted for 24% and 13%, respectively. Services represented about one-quarter of greenfield FDI, led by information and communication, and transport and storage. By contrast, cross-border M&As were concentrated in services (about 50%), particularly finance, and information and communication, followed by energy (21%). The European Union (EU) is a central player in LAC's investment landscape, accounting for almost 30% of greenfield FDI, surpassing the United States (U.S.) (26%) and intra-regional investors (8%). In M&As, EU investors represented 18% of deal value, behind LAC (32%) and the United States (26%). EU firms are particularly active in sectors aligned with the priorities of the EU–LAC Global Gateway Investment Agenda (GGIA), notably renewable energy and information and communication, with investment in renewable energy growing markedly.

FDI contributes positively to productivity, innovation and technology upgrading in LAC. Foreign firms are consistently more productive than domestic firms and more likely to engage in innovation, and research and development (R&D). EU firms, in particular, outperform in capital-intensive and high-productivity sectors, such as energy, motor vehicles and finance. Roughly 39% of total greenfield FDI and 44% of EU-origin FDI has been directed to these higher-productivity sectors. Around 30% of greenfield FDI has gone to medium and higher-technology and knowledge-intensive sectors, a share that has remained broadly stable over the past two decades. EU firms have been key drivers of investment in medium-high-technology sectors, especially motor vehicles, accounting for around 25% of greenfield FDI in this segment. U.S. investors have been more active in high-tech manufacturing and knowledge-intensive services. Yet, investment remains concentrated in core and support production functions (e.g. manufacturing and logistics): between 2014 and 2024, over 80% of projects, many of them from EU firms, targeted such activities. While essential for productivity growth and potentially more conducive to local spillovers, these activities generate relatively less value addition. Only a limited share of greenfield investment involves higher-value functions (e.g. R&D or strategic corporate activities), pointing to significant untapped potential for deeper upgrading in global production networks.

Since 2003, LAC has attracted an estimated USD 260 billion in greenfield digital investment, accounting for about 13% of total greenfield FDI. Digital investment is also a strategic pillar of the EU–LAC GGIA and a key driver of the region's digital transformation. Early inflows, particularly from the EU, focused on telecommunications infrastructure, laying the foundations for digital connectivity. More recent investment has shifted toward digital services, including data hosting, programming and software development. The European Union and the United States remain major investors in LAC's digital sectors.U.S. firms have taken the lead in digital services. EU firms also increased investment in this sector, but their role has declined in relative terms across all digital sectors, as investment from other regions grew more rapidly.FDI

is also playing a crucial role in supporting LAC's green transition, with the region emerging as a key global destination for climate-aligned investment. Between 2014 and 2024, renewable energy accounted for 17% of total greenfield FDI, an increase of 10 percentage points compared to the previous decade. The EU remains the leading investor in the region's clean energy transition, playing a critical role in expanding clean energy supply and advancing the transformation of the energy mix, even if its relative market share has declined amid growing interest from other international investors in this sector.

FDI is also an important driver of export diversification and industrial upgrading. While LAC's trade structures differ across countries, many remain reliant on commodities and low-tech exports. Investment in medium- and high-tech sectors, particularly in more complex economies, has supported a shift toward higher-value-added activities. EU investment, in particular, has been associated with greater export sophistication and industrial development. FDI has also deepened LAC's integration into GVCs, with foreign firms more export-oriented and import-reliant than domestic ones. However, the region's integration remains primarily forward-oriented, especially in resource-based sectors, where EU greenfield investment is heavily concentrated.

2.2. FDI trends in LAC

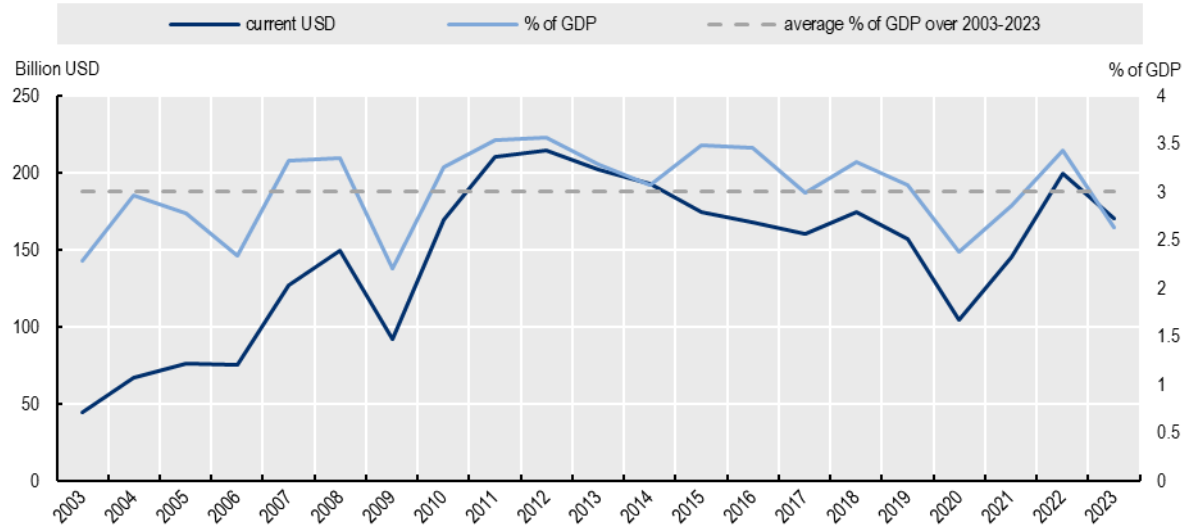
2.2.1. FDI has been structurally important for LAC

FDI has long been a key driver of growth in LAC. Beyond providing financing, FDI has shaped patterns of industrial development and facilitated the region's integration into global value chains (GVCs) (OECD et al., 2025[3]) (2023[4]). Between 2003 and 2013, the region experienced a marked expansion in FDI inflows, supported by a favourable external environment (Figure 2.1 and Box 2.1). High commodity prices, together with domestic policy reforms, including trade liberalisation, privatisation and regulatory improvements in several LAC countries, enhanced the region's attractiveness to foreign investors. This growth also proved resilient to the 2008-09 global financial crisis, which caused a sharp but short-lived contraction, after which inflows quickly rebounded.

Since 2013, FDI inflows to LAC have followed a downward trajectory. Declining commodity prices, tighter global financial conditions and recurring macroeconomic volatility undermined investor confidence, while the rise of dynamic investment hubs in Asia and other regions intensified competition for capital. However, FDI inflows rebounded quickly after the COVID-19 crisis. Following a sharp contraction in 2020, inflows rose markedly, supported by stabilising macroeconomic conditions. Increasingly attractive returns in sectors such as renewable energy, together with more targeted investment-promotion strategies, also contributed to this recovery (OECD, 2023[5]).

Figure 2.1. FDI averaged 3% of GDP in LAC in the last two decades

FDI net inflows in LAC, 2003-2023



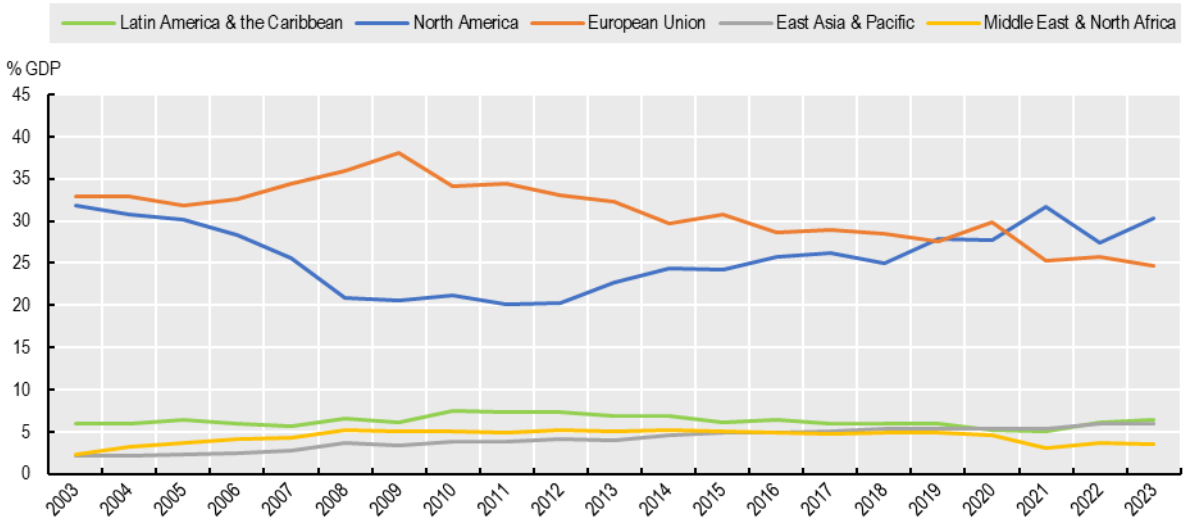
Note: The aggregate for LAC excludes Aruba, the Bahamas, Cayman Islands, Curaçao, Turks and Caicos.
Source: Based on World Bank (2024[6]), Foreign direct investment, net outflows (BoP, current US$), https://data.worldbank.org/indicator/BM.KLT.DINV.CD.WD.

Since 2013, FDI inflows to LAC have followed a downward trajectory. Declining commodity prices, tighter global financial conditions and recurring macroeconomic volatility undermined investor confidence, while the rise of dynamic investment hubs in Asia and other regions intensified competition for capital. However, FDI inflows rebounded quickly after the COVID-19 crisis. Following a sharp contraction in 2020, inflows rose markedly, supported by stabilising macroeconomic conditions. Increasingly attractive returns in sectors such as renewable energy, together with more targeted investment-promotion strategies, also contributed to this recovery (OECD, 2023[5]).

The structural importance of FDI for LAC has remained stable over the past two decades. On average, annual inflows have been equivalent to around 3% of GDP, significantly higher than in other world regions, including the Middle East and North Africa (2.7%), East Asia and the Pacific (2.3%), Sub-Saharan Africa (2.2%) and South Asia (1.4%) (Figure 2.1). The stock of inward FDI underscores the region's importance as an investment destination. LAC accounts for just over 6% of the global total, well below the shares of the EU (30%) and North America (26%), but higher than those of other emerging regions, such as East Asia and the Pacific or the Middle East and North Africa, both at around 4%. This share has also remained broadly stable over the past decade, pointing to the region's sustained attractiveness to foreign investors (Figure 2.2).

Figure 2.2. LAC's share of global inward FDI stocks has remained stable since 2003

Inward FDI stocks, % of world total



Source: Based on UNCTAD (2024[7]), Foreign direct investment: Inward and outward flows and stock, annual https://unctadstat.unctad.org/datacentre/dataviewer/US.FdiFlowsStock.

Box 2.1. Understanding FDI data: Definitions and coverage

This report draws on multiple sources and types of FDI data to provide a comprehensive view of investment trends in LAC. Each type of data captures a distinct dimension of FDI activity:

Official FDI statistics (2003-2023), as reported by national authorities and compiled by international organisations, follow the Balance of Payments (BoP) and International Investment Position (IIP) frameworks. FDI is defined as a cross-border investment, where an investor from one country acquires a lasting interest (typically at least 10% of voting power) in an enterprise located in another country. This report uses two key indicators:

- **FDI net inflows**: The value of inward direct investment made by non-resident investors in the reporting economy, including re-invested earnings and intra-company loans, net of repatriation of capital and repayment of loans.
- **FDI net inflows as a share of GDP**: FDI net inflows expressed as a percentage of gross domestic product, allowing for comparability across countries of different economic sizes.
- **FDI stocks as a share of world total:** The proportion of a country's or region's accumulated inward FDI relative to the total global stock of inward FDI. It indicates the relative importance of that country or region as a destination for foreign investment compared to the rest of the world.

Official statistics, sourced from the World Bank and UNCTAD, are available up to 2023 and cover FDI inflows by destination country. However, they do not provide information disaggregated by sector or investor country of origin.

Greenfield FDI (2003-2024) refers to the establishment of new facilities or the expansion of existing operations by foreign investors, typically associated with capital formation and job creation. Data used in this report are sourced from the *Financial Times'* fDi Markets database, which tracks project-level announcements across countries, sectors and activities. Greenfield data cover the period 2003-2024

and are disaggregated by destination country, source country, sector and type of activity. While not directly comparable to official FDI statistics, as they capture announced rather than realised investment flows, they offer valuable forward-looking insights. Some domestic elements may be included in reported project values (e.g. if a foreign investor receives a local loan), and the data follow a proprietary classification system that has been mapped to the International Standard Industrial Classification of All Economic Activities (ISIC), Rev. 4.

Mergers and Acquisitions (M&A) (2018-2024) involve the partial or full acquisition of existing enterprises by foreign investors. These transactions may not result in new productive capacity, but can bring important benefits through capital infusion, restructuring or knowledge transfer. M&A data used in this report are sourced from LSEG (formerly Refinitiv) and cover cross-border transactions in the LAC region between 2018 and 2024. They are disaggregated by destination and origin country, as well as by sector. While the number of transactions provides a robust measure of investment activity, deal values are disclosed in only about 35% of cases, limiting analysis of value trends.

Source: Based on World Bank (2024[8]), Foreign direct investment, net inflows (% of GDP), https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS; Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/.
LSEG (2025[10]), Mergers and acquisitions (M&A), https://www.lseg.com/en/investor-relations/refinitiv-acquisition-documents.

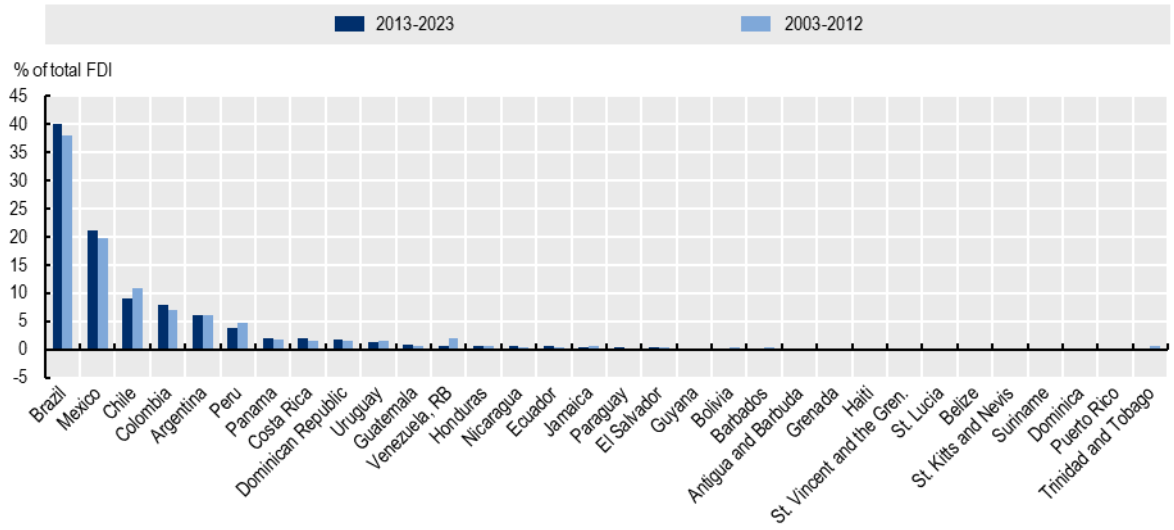
2.2.2. The bulk of FDI is directed to few LAC countries

The concentration of FDI across LAC economies largely reflects the region's underlying economic and demographic structure. As in other parts of the world, larger economies with greater market potential, abundant natural resources and competitive labour costs tend to attract a disproportionate share of FDI. Brazil, Mexico, Chile, Colombia and Argentina, LAC's most populous and economically significant countries, have consistently been the primary destinations for foreign investment in the region (ECLAC, 2024[1]). In addition to their economic weight, these countries offer relatively more developed infrastructure, deeper capital markets and more mature institutional frameworks, which are key factors in shaping investor decisions (Mistura and Roulet, 2019[11]; OECD et al., 2023[4]).

Between 2013 and 2023, Brazil, Mexico, Chile, Colombia, Argentina and Peru received nearly 88% of all FDI inflows to the region (Figure 2.3). Brazil alone accounted for close to 40% of total inflows, followed by Mexico (21%), Chile (9%), Colombia (7%), Argentina (6%) and Peru (4%). This distribution represents only a modest evolution from the previous decade (2003-2012), with Brazil, Mexico and Colombia slightly increasing their relative shares, while Chile, Argentina and Peru registered small declines.

Figure 2.3. Brazil alone accounts for close to 40% of total FDI net inflows

FDI net inflows by LAC country, % total FDI



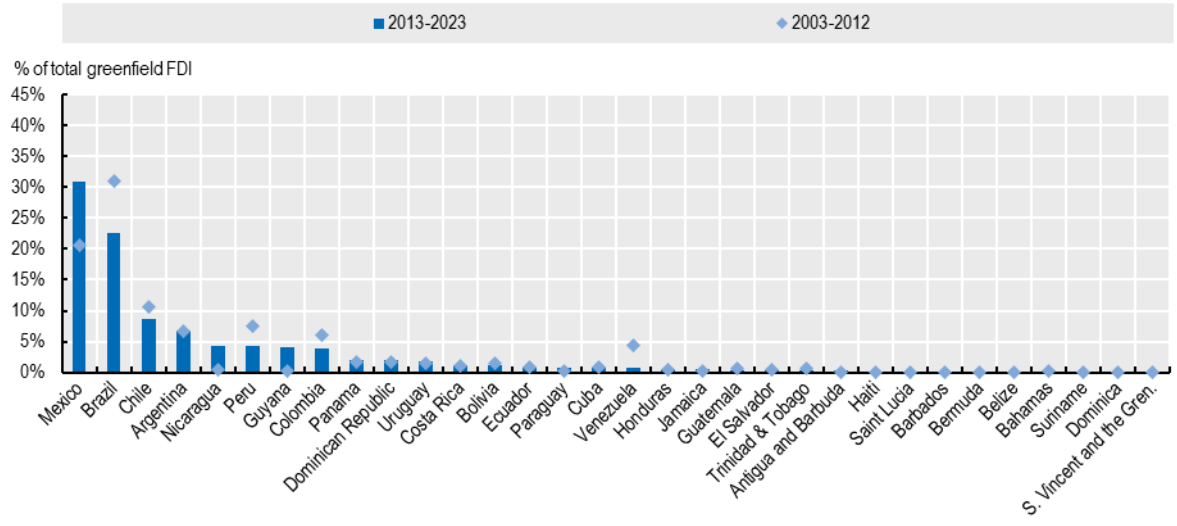
Source: Based on World Bank (2024[6]), Foreign direct investment, net outflows (BoP, current US$), https://data.worldbank.org/indicator/BM.KLT.DINV.CD.WD.

Greenfield FDI, typically associated with new productive capacity, exhibits a broadly similar pattern, though with some country-level variation (Box 2.1). Between 2013 and 2023, six countries (Mexico, Brazil, Chile, Argentina, Peru and Colombia) captured approximately 77% of total announced greenfield investment value (Figure 2.4). Mexico emerged as the leading destination, accounting for 30% of regional project value, followed by Brazil (23%) and Chile (9%). Argentina, Peru and Colombia attracted between 4-7% each.

Similarly, mergers and acquisitions (M&A), transactions involving the purchase or consolidation of existing firms, remained highly concentrated in the region's six largest economies, though country rankings differ slightly from those observed for official FDI and greenfield investment (Box 2.1). Between 2018 and 2024, Brazil, Chile, Mexico, Peru, Colombia and Argentina collectively accounted for nearly 90% of all M&A transactions in LAC and approximately 92% of disclosed deal value, bearing in mind that transaction values are publicly available for only around 35% of deals concluded during this period (Figure 2.5). Brazil was the largest recipient by far, representing 40% of total disclosed deal value, followed by Chile (18%) and Mexico (14%). Peru and Colombia each accounted for 7%, while Argentina attracted 5%. A similar pattern is observed in terms of the number of transactions, with Brazil again leading at 41% of total deals, ahead of Mexico (14%), Colombia (12%), Chile (11%), Argentina (6%) and Peru (5%).

Figure 2.4. Mexico and Brazil are the top receivers of greenfield FDI

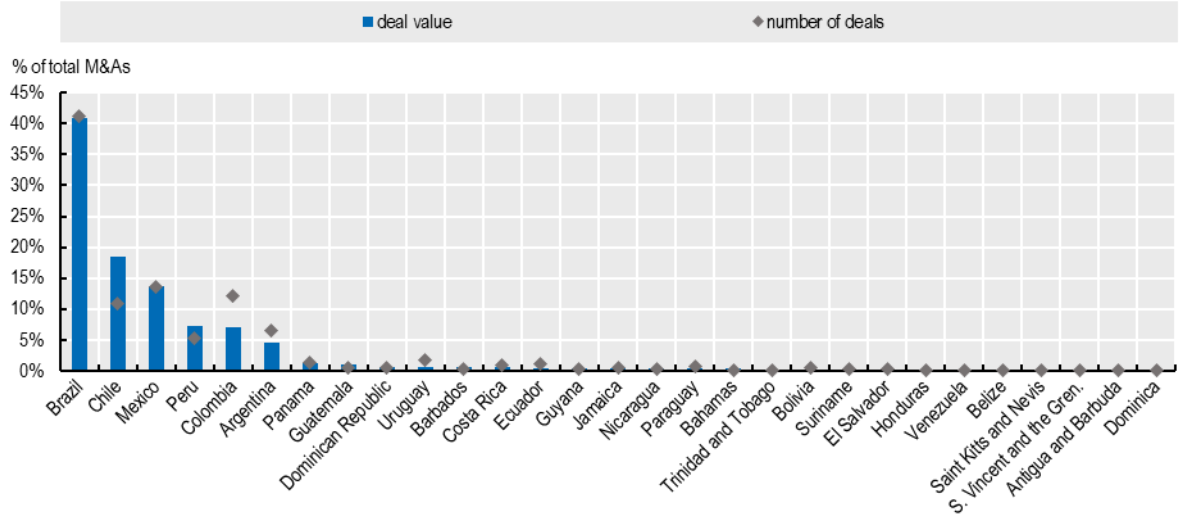
Greenfield FDI by LAC country, % of total



Note: Greenfield FDI captures project-level announcements.
Source: Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/.

Figure 2.5. Brazil, Chile, Mexico, Peru, Colombia and Argentina account for nearly 90% of all M&A transactions in LAC

M&A deals by LAC country, 2018-2024, % total



Note: Deal values are disclosed for only 35% of M&A transactions.
Source: Based on LSEG (2025[10]), Mergers and acquisitions (M&A), https://www.lseg.com/en/investor-relations/refinitiv-acquisition-documents.

2.2.3. Greenfield FDI dominates manufacturing, while M&A deals are prevalent in services

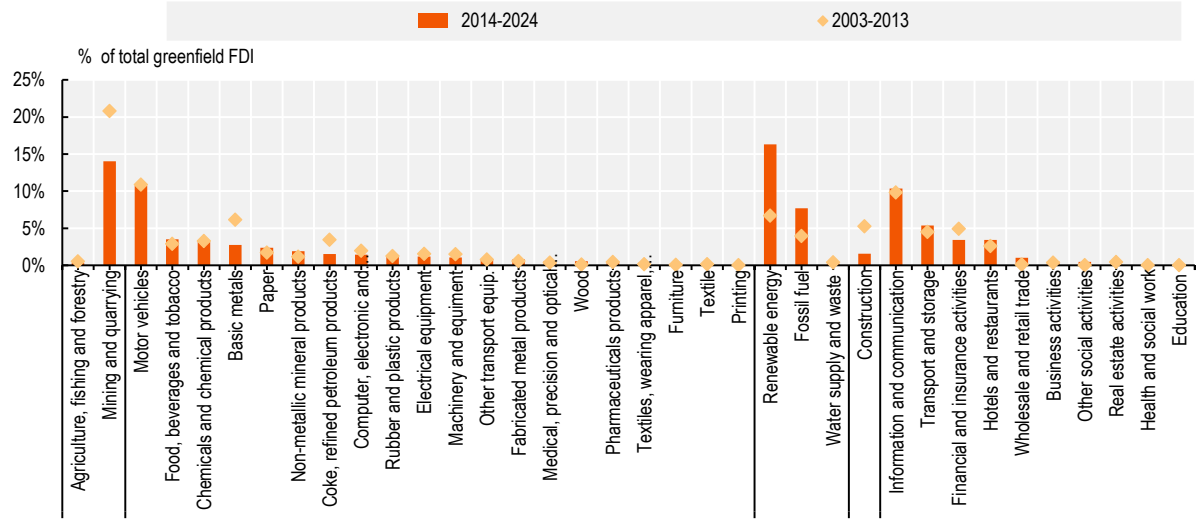
Between 2014 and 2024, LAC attracted just over USD 1 trillion in greenfield FDI, concentrated in a few key sectors. Manufacturing remained the main destination (35%), underscoring its structural weight in the

region's FDI profile, with motor vehicles (11%), food, beverages and tobacco (4%), chemicals and chemical products (3%) and basic metals (3%) absorbing most greenfield FDI (Figure 2.6). Services followed with around 25%, led by information and communication (10%), and transport and storage (5%), while energy accounted for 22%, mostly renewables. The primary sector still played a role (14%), largely through mining (14%), while agriculture remained marginal (at less than 1%). Construction accounted for around 5%.

Compared to 2003-2013, the overall structure of FDI changed only moderately, but notable shifts occurred within sectors. Manufacturing slightly declined, driven by reduced investment in metals and fossil fuel-related industries. Services modestly expanded, supported by transport and storage, wholesale and retail trade, and hotels and restaurants, while financial activities declined. The most significant re-allocation occurred in energy. Fossil fuels increased by 4 percentage points, driven mainly by new investment in gas. Renewables gained over 10 percentage points, confirming LAC's rising appeal for clean energy projects, supported by falling technology costs, better returns and rapid innovation (IEA, 2023[12]).

Figure 2.6. Renewable energy recorded the largest increases in greenfield FDI share

Total greenfield FDI to LAC, by sector, % of total greenfield FDI



Note: Business activities include professional, scientific and technical activities.
Source: Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/.

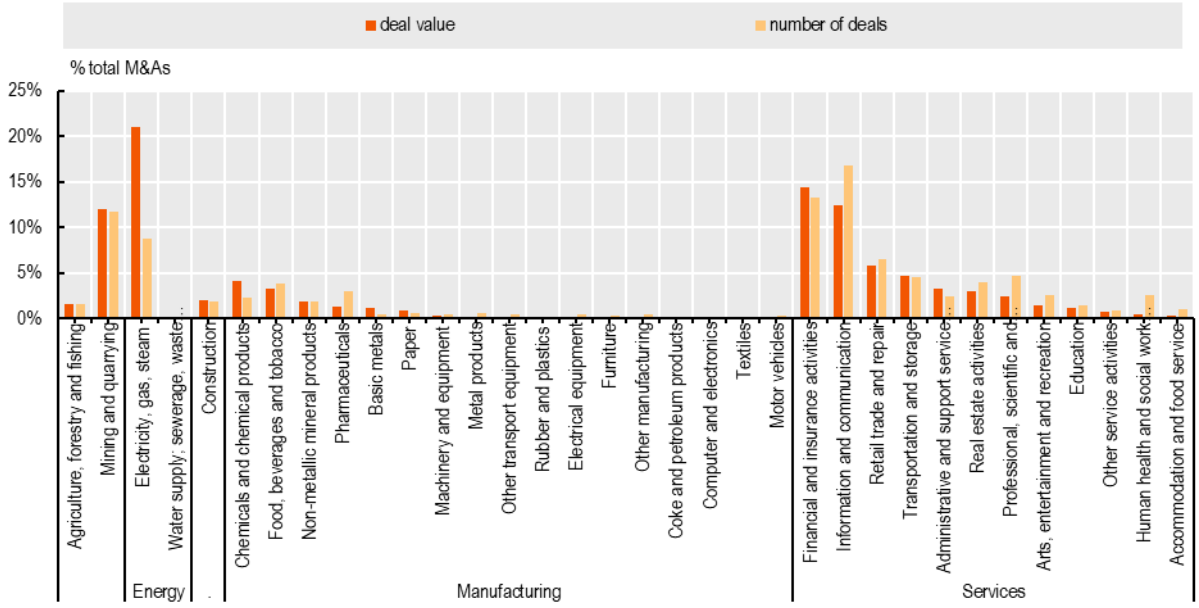
Between 2018 and 2024, LAC recorded over 1 500 cross-border M&A transactions worth more than USD 285 billion, though the true value is likely higher given that most deals did not disclose financial details. Around half of all transactions took place in services, followed by energy (21%), manufacturing (13%) and mining (12%) (Figure 2.7). The stronger concentration of M&A in services, compared with greenfield FDI, reflects the nature of these deals, which typically involve acquiring established firms, particularly common in service-based industries.

Within services, the bulk of disclosed M&A value was concentrated in financial and insurance activities (14%), information and communication (12%), retail trade (6%), and transport and storage (5%), revealing the sector's central role in cross-border transactions. In energy, all activity was in electricity (21%), overwhelmingly renewables, underscoring investors' growing strategic focus on clean energy. Manufacturing deals were smaller in scale and concentrated in chemicals and chemical products (4%), food, beverages and tobacco (3%), and non-metallic mineral products (2%), while mining attracted a further 12%. Overall, the distribution of M&As across activities within sectors broadly mirrored that of

greenfield FDI, with one key exception: motor vehicles, where limited local firm presence has made greenfield investment the preferred entry mode over acquisitions.

Figure 2.7. M&A deals are prevalent in electricity, mining, finance, and information and communication

M&A deals, by sector, 2018-2024, % of total



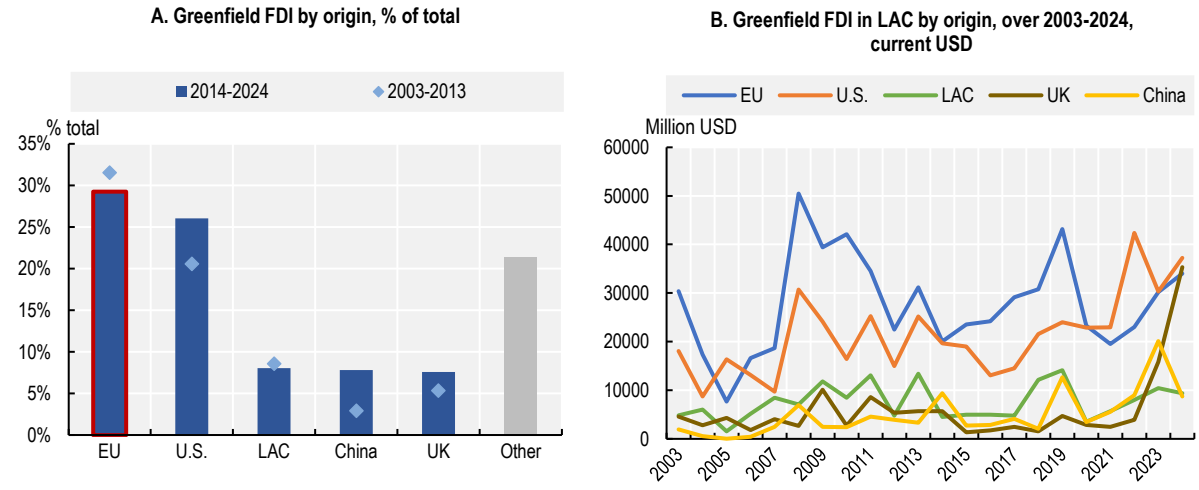
Note: Deal values are disclosed for only 35% of M&A transactions.
Source: Based on LSEG (2025[10]), Mergers and acquisitions (M&A), https://www.lseg.com/en/investor-relations/refinitiv-acquisition-documents.

2.2.4. The European Union and the United States are the leading investors in LAC

Between 2014 and 2024, EU firms were the leading source of greenfield FDI in LAC, investing about USD 300 billion (30% of the total). They were followed by companies from the United States (U.S.) (26%), LAC (8%), the United Kingdom (UK) (8%) and China (7%) (Figure 2.8, Panel A). Compared to the previous decade, EU greenfield investment declined slightly, by 2 percentage points in total share, yet the EU remained the leading investor and further consolidated its position. More dynamic growth came from the United States and China: US greenfield investment increased by USD 65 billion (a 6-point gain in share) and Chinese investment grew by USD 51 billion (a 5-point gain). Investment from the United Kingdom grew more modestly, gaining 2 percentage points in share. In contrast, greenfield FDI originating from LAC declined slightly both in absolute terms and relative share.

This recent performance builds on longer-term patterns. Since the early 2000s, EU companies have consistently been the main greenfield investors in LAC, with investment remaining well above other sources despite periodic fluctuations and showing renewed dynamism since 2021 (Figure 2.8, Panel B). The United States has also played a key role, with greenfield FDI gaining momentum after 2017, while the United Kingdom, LAC countries and China gradually expanded their presence. In particular, Chinese greenfield investment accelerated after 2018, reflecting deepening economic ties and strategic interest in key sectors across the region. Investment from the UK increased sharply in 2024.

Figure 2.8. EU and U.S. companies account for 60% of total greenfield FDI

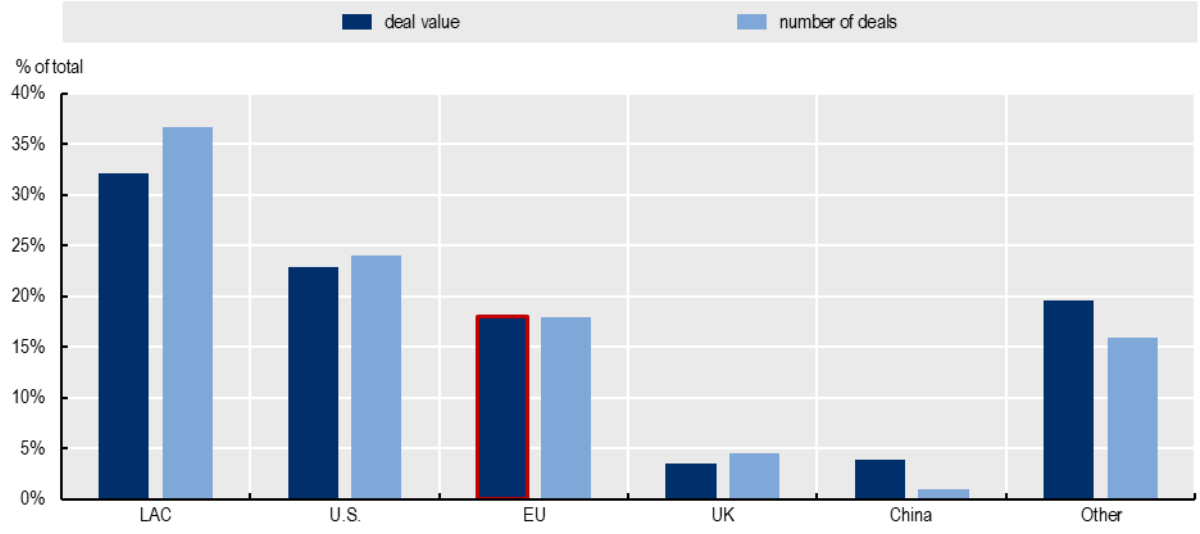


Source: Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/.

When examining cross-border M&A activity the most prominent role is played by LAC companies themselves. Over the 2018-2024 period, LAC companies accounted for the largest share of transactions, approximately 37% of total deals and the highest cumulative deal value, at around 32% (Figure 2.9). This intra-regional dynamic likely reflects the advantages of investing in familiar markets, including geographic and cultural proximity, linguistic commonalities, lower operational and logistical costs, and closer alignment in legal and regulatory frameworks. The United States is the second-largest source of M&A activity, representing 24% of deals and 23% of total value, followed closely by the European Union, with 18% in both categories. By contrast, M&A activity originating from China and the United Kingdom has remained relatively limited.

Figure 2.9. Intra-LAC cross-border transactions are the main driver of M&A activity in the region

M&As in LAC, by origin, cumulative sum over 2018-2024



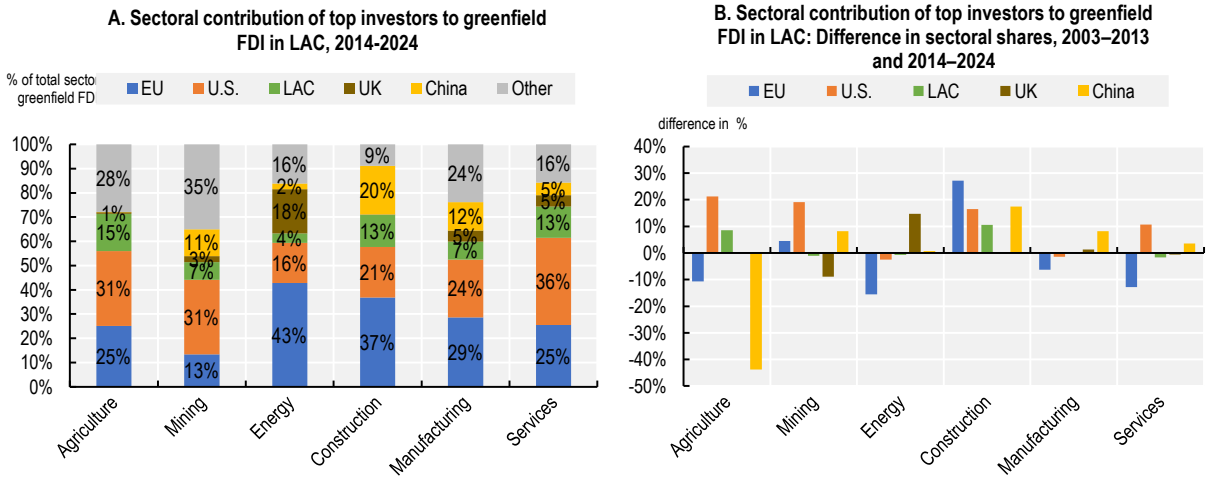
Note: Deal values are disclosed for only 35% of M&A transactions.
Source: Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/.

2.2.5. Top investors in LAC exhibit diverse sectoral profiles

Leading investors in LAC exhibit distinct sectoral profiles, both in terms of their relative contribution to total investment in each sector and the composition of their own investment portfolios in the region. Between 2014 and 2024, EU companies stood out as the main greenfield investors in energy and manufacturing, accounting for more than 40% of all energy-related projects and about one-third of manufacturing. They also maintained a strong presence in services, and in mining and quarrying (Figure 2.10, Panel A). The United States led greenfield investment in services and mining, while also playing an important role in manufacturing and energy. LAC firms contributed less overall, with their investments relatively concentrated in services. China's investment was more prominent in mining and manufacturing, whereas the United Kingdom had only a modest presence, with its strongest position in energy.

With the exception of construction and mining, the share of EU companies in greenfield FDI declined across most sectors (Figure 2.10, Panel B). In contrast, the United States and China were the most dynamic investors, increasing their shares in nearly all sectors. UK companies increased their presence in the energy sector, while investment from LAC companies showed a mixed performance, with overall small variations in their sectoral shares.

Figure 2.10. EU companies dominate energy and manufacturing, but their share has declined

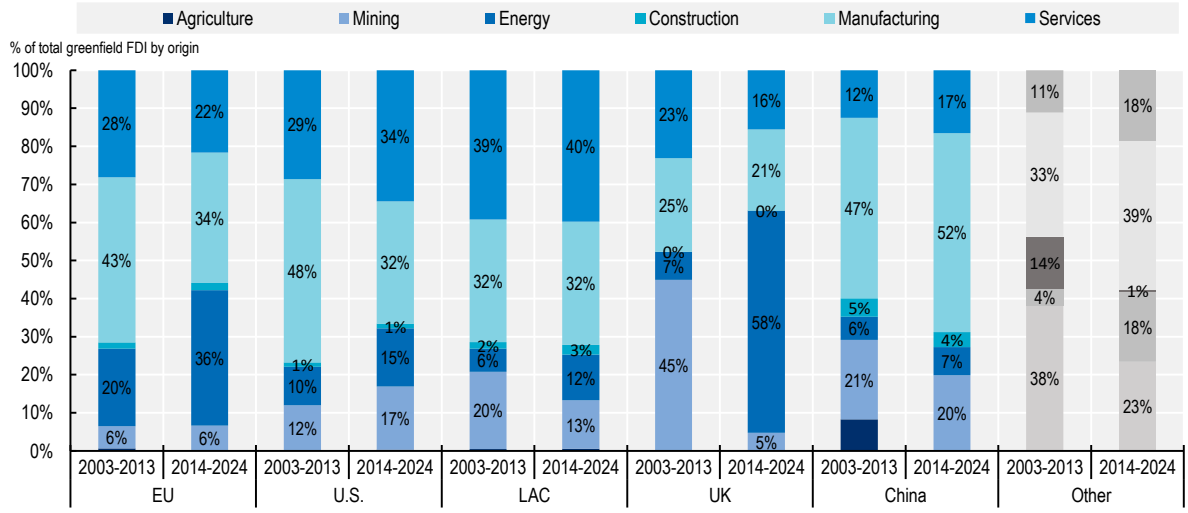


Source: Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/.

The main investors in LAC show distinct sectoral priorities. EU firms have tended to invest most heavily in manufacturing and energy, with smaller shares going to services and other sectors (Figure 2.11). This pattern is broadly mirrored by UK companies, while U.S. and LAC investors direct a relatively larger share of their capital to services and mining. Chinese firms stand out with a much stronger focus on manufacturing and mining, and comparatively limited investment in energy and services. Over the past decade, investment strategies have shifted. Mining has generally declined, except for U.S. investors, while energy has grown in importance across most groups, particularly for the EU and the UK. Manufacturing has lost ground for some of the more traditional investors, but expanded for others, including LAC firms. Services have expanded for most major players; however, the EU and the UK are notable exceptions, having experienced a decrease in their share.

Figure 2.11. In 2014-2024, the share of energy investment in total EU investment increased substantially, while the shares of manufacturing and services declined

Sectoral composition of greenfield FDI by origin



Source: Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/.

2.2.6. EU investment is increasingly focusing on sectors prioritised under the EU–LAC Global Gateway Investment Agenda

EU investment in LAC is undergoing a strategic shift, increasingly targeting areas under the EU–LAC GGIA, namely the digital transformation, the green transition (including sustainable energy and transport), education and health resilience. By promoting investment in these sectors, the EU seeks to strengthen infrastructure that fosters inclusive growth, supports digital and green transitions, and enhances resilience in partner countries.

While manufacturing remains one of the largest destination sector of EU investment (34% of total greenfield FDI during 2014-2024), the relative weight of both manufacturing and services declined between 2003-2013 and 2014-2024 as EU investors shifted focus towards energy, particularly renewables. The share of EU greenfield FDI in renewable energy nearly doubled over the past decade, increasing from 13% to 31% of total EU investment in the region (Figure 2.12). At the same time, investment in fossil fuel energy generation (coal, oil and gas) decreased slightly, from 7% to 5%, suggesting a gradual repositioning away from carbon-intensive activities.

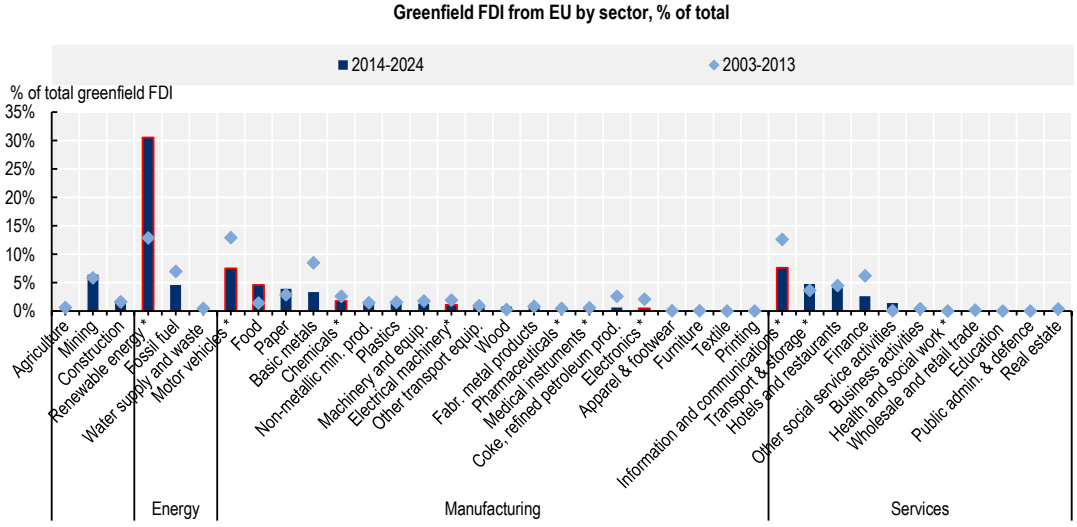
Despite a relative decline, manufacturing remains central to EU investment in LAC and has become increasingly concentrated in subsectors aligned with EU–LAC GGIA objectives. The motor vehicle sector remained the largest destination, despite a 5 percentage-point decline, with a modest increase in electric vehicle-related projects. Food, beverages and tobacco also gained in importance, accounting for 5% of total investment, up from 1% in the previous period. Chemicals and chemical products, supporting the resilience of pharmaceutical and health-related supply chains, accounted for 2% of total EU investment in 2014-2024, a 1 percentage point decline compared to the previous decade. Similarly, investment in basic metals fell from 9% to 4% and investment in electronics and electrical machinery, critical enablers of digital connectivity, remained low and declined over the period.

The services sector saw a decline in the share of EU greenfield investment in LAC over the past decade, due largely to a sharp contraction in information and communication services, which fell both in relative terms (from 13% to 8% of total investment) and in absolute value. This decline was primarily driven by a

significant reduction in telecommunications projects, a foundational enabler of digital service expansion. The contraction likely reflects a maturing of telecom markets across the region, limiting new entry and expansion opportunities. The share of EU services investment remained significant also in transport and storage (around 4%), slightly up compared to the previous period and in hotels and restaurants (a bit less than 4%).

Figure 2.12. EU greenfield investment increased significantly in renewable energy and food manufacturing

EU greenfield FDI to LAC, by sector, % of total EU greenfield FDI



Note: Bars with red borders indicate sectors that align with partnership areas under the EU–LAC GGIA (Box 1.1 in Chapter 1). Partnership areas: digital (information and communication, electronics, electrical machinery); climate and energy (renewable energy); transport (electrical motor vehicles within 'motor vehicles'); health (chemicals, pharmaceuticals, medical instruments, health and social work). Investments in education and research are cross-cutting in nature and cannot be captured within the ISIC Rev. 4 sector classification. Business activities include professional, scientific and technical activities.
Source: Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/.

M&A transactions concluded by EU companies also show a growing alignment with the priority sectors of the EU–LAC GGIA. Between 2018 and 2024, approximately 28% of total M&A deal value was in the energy sector, particularly in renewable energy projects. The services sector attracted the largest share overall, accounting for around 48% of total deal value. Within this, information and communications, an important segment of the digital sector, was the main target, receiving 13% of total M&A value. Other significant services sectors included financial and insurance activities (12%), and transportation and storage (7Mining and quarrying also attracted a notable share of investment, accounting for 8% of total deal value. Manufacturing received a comparatively smaller share (14%), with M&A activity concentrated in basic metals (5%), non-metallic mineral products (3%), food, beverages and tobacco (2%), and paper and paper products (2%).

2.3. The impact of FDI on innovation, technology upgrading, digital transformation and the green transition

2.3.1. FDI contributes to higher productivity, but concentrates in sectors with less potential for domestic linkages

The LAC region is in the midst of a significant economic and social reconfiguration, shaped by enduring structural constraints, such as low productivity growth, limited fiscal capacity, high informality and persistent inequality (OECD et al., 2024[2]). At the same time, the region has renewed its commitment to advance inclusive and sustainable development. Across the region, governments have recently introduced or revised national strategies to stimulate industrial and productive capacity (OECD et al., 2025[3]). These efforts focus on building technological know-how, expanding participation in higher segments of global value chains and reducing dependence on extractive industries. Emphasis is placed on fostering innovation, developing human capital and advancing the green and digital economy transitions (ECLAC, 2024[1]; OECD et al., 2024[2])

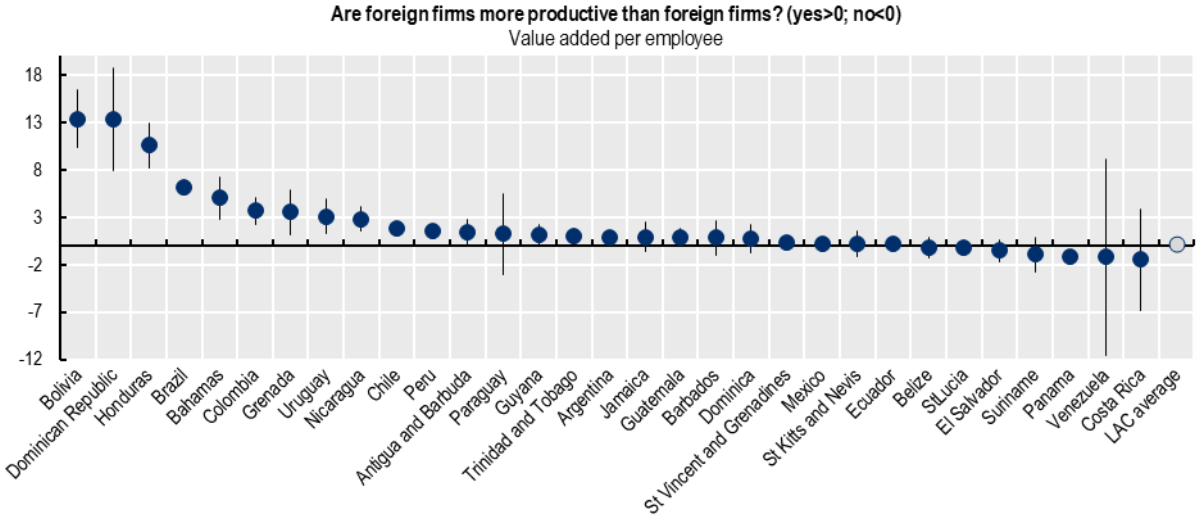
FDI can play a critical role in enhancing productivity, fostering innovation, and supporting technology transfer and value-added upgrading. Evidence from a wide range of countries demonstrates that FDI contributes to productivity gains not only within foreign firms but across the broader economy through spillover effects, such as knowledge diffusion, supply chain linkages and increased competitiveness. On average, foreign firms tend to be more productive than their domestic counterparts, owing to superior technologies from parent companies, as well as stronger managerial expertise and business practices (OECD, 2022[13]).

In addition to this direct impact, FDI can also generate indirect productivity gains for domestic firms through spillovers of technology and knowledge. However, such spillovers are not automatic; their extent and effectiveness depend heavily on the host country's absorptive capacity, strength of linkages between domestic and foreign companies, sectoral focus of the investment and quality of policy and institutional frameworks. Evidence from the OECD FDI Qualities Policy Toolkit (OECD, 2022[13]) shows that FDI is particularly effective in boosting productivity when it is efficiency-seeking and integrated into GVCs.

Foreign firms make a significant direct contribution to productivity in most LAC countries. The FDI Qualities Indicators (Box 2.2) show that in 24 out of 31 LAC economies, foreign firms have higher value added per employee, a key measure of labour productivity, compared to domestic firms (Figure 2.13). However, these averages mask considerable variation within countries and sectors. Research indicates that, in many cases, a small number of top-performing foreign firms drive much of the productivity gains at the sector level, meaning overall results may be influenced heavily by this limited group of highly productive foreign investors (OECD, 2019[14]; Garone et al., 2020[15]).

Figure 2.13. Foreign firms are, on average, more productive than domestic firms in most LAC countries

Relative difference between foreign and domestic firms' outcomes, 2010-2023



Note: The indicators show the relative difference between the average productivity of foreign and domestic firms, divided by the average productivity of domestic firms. Positive values indicate that foreign firms are more productive, while negative values suggest the opposite. Reference years vary across countries, ranging from 2010 to 2023.
Source: Based on World Bank (2023[16]), World Development Indicators, https://www.enterprisesurveys.org/en/enterprisesurveys.

The sectoral distribution of FDI provides further insight into its potential indirect contributions to productivity. When measured by value added per worker, labour productivity in LAC is highest in mining and quarrying, followed by financial services and energy (Figure 2.14). This is unsurprising given the capital-intensive nature of mining and energy, and the high revenue generation typically associated with the financial sector. Collectively, these three sectors accounted for approximately 39% of total greenfield FDI and 44% of greenfield FDI from the EU between 2014 and 2023.

Although these sectors rank among the most productive, FDI in mining, energy, and financial services is generally resource-seeking or market-seeking rather than efficiency-seeking. In mining and energy, foreign investors are primarily attracted by the region's abundant natural resources, while in financial services investment is typically driven by access to large consumer markets rather than by lower production costs or integration into local production networks. As a result, foreign firms in these sectors may operate in relative isolation from the domestic economy, relying less on local suppliers or labour beyond basic operations. This reduces the scope for backward linkages, knowledge transfer or technology diffusion to domestic firms, thereby limiting the potential for broader productivity spillovers across the economy.

The manufacturing sector, despite attracting the largest share of greenfield FDI (37% of total investments and 35% of those from the EU during the same period), exhibits significantly lower average labour productivity, estimated at roughly one-eighth of that in mining and quarrying. This disparity reflects the more labour-intensive production structures common to many manufacturing segments. Indeed, productivity within manufacturing varies substantially across subsectors. Medium-high-technology industries, such as motor vehicles, where a significant portion of FDI, including from the EU, is concentrated, generally demonstrate higher productivity levels compared to more traditional or lower-tech manufacturing activities. Unlike in resource-driven sectors, FDI in manufacturing is often motivated by efficiency-seeking objectives and integrated within GVCs, creating greater opportunities for knowledge

transfer, technology diffusion and stronger linkages with domestic firms. As a result, productivity spillovers from FDI are expected to be more pronounced in manufacturing.

Box 2.2. OECD FDI Qualities Indicators: Measuring the sustainable development impact of investment

The **OECD FDI Qualities Indicators** offer a comprehensive framework for assessing how foreign direct investment (FDI) contributes to sustainable development across economic, social and environmental dimensions. Developed under the OECD FDI Qualities Initiative, the indicators do not just measure the volume of FDI flows, but evaluate FDI impact in key policy areas, including productivity and innovation; digital transformation; employment and job quality; skills development; gender equality and the green transition. The indicators are constructed using comparable, publicly available data from both national and international sources and are designed to enable benchmarking across countries, sectors and over time.

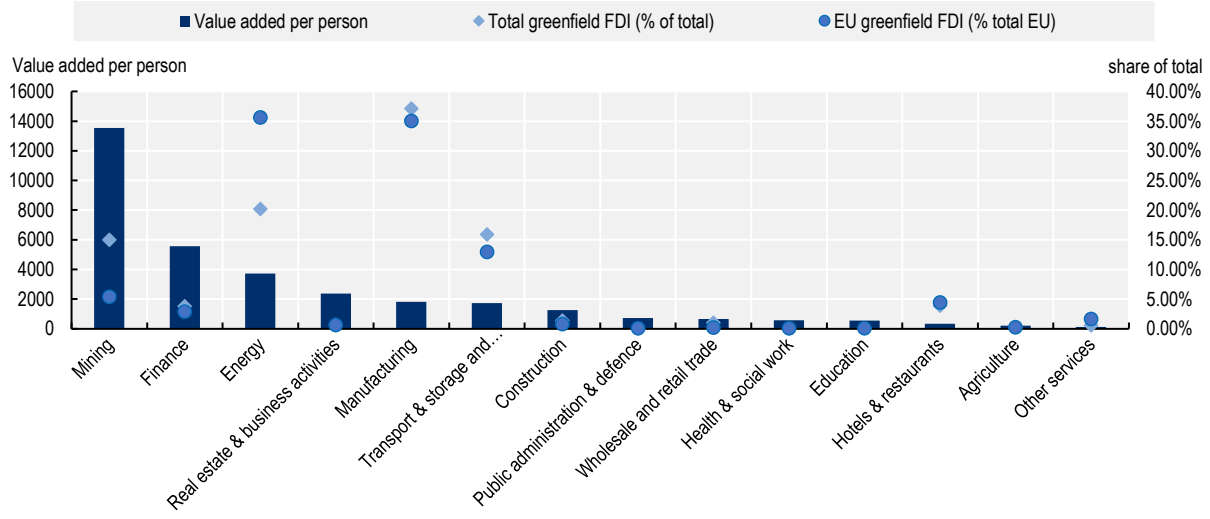
- **Sector-level indicators** rely on official FDI statistics and commercial databases on greenfield investment, and mergers and acquisitions (M&A). These indicators allow for comparisons between foreign and domestic investment across key sectors and are used to explore correlations with socio-economic outcomes (e.g. productivity, female employment).
- **Indicators based on firm-level data** are based on national business surveys and internationally comparable microdata sources, such as the World Bank Enterprise Surveys. These data help assess the performance of foreign-owned firms relative to domestic counterparts across various policy dimensions. However, not all microdata sources allow for clear identification of the origin of investment.

Source: OECD (2022[13]), FDI Qualities Policy Toolkit, https://www.oecd.org/en/publications/fdi-qualities-policy-toolkit_7ba74100-en.html.

Consistent with the analysis above, the most productive affiliates of EU companies located in LAC are concentrated in capital- and knowledge-intensive sectors, such as energy, particularly electricity, gas, steam and air conditioning supply, as well as motor vehicle manufacturing, chemicals and pharmaceuticals (Figure 2.15). These sectors also align with the priorities of the EU–LAC GGIA and have attracted substantial shares of EU greenfield investment. In addition, EU affiliates in financial and insurance services, wholesale and retail trade, and mining and quarrying also show strong productivity performance. Notably, in most of these high-productivity sectors, excluding wholesale and retail trade, EU affiliates also tend to pay higher average wages, pointing to a positive link between productivity and compensation (see Chapter 3).

Figure 2.14. The three most productive sectors received 39% of total greenfield FDI and 44% of EU greenfield FDI

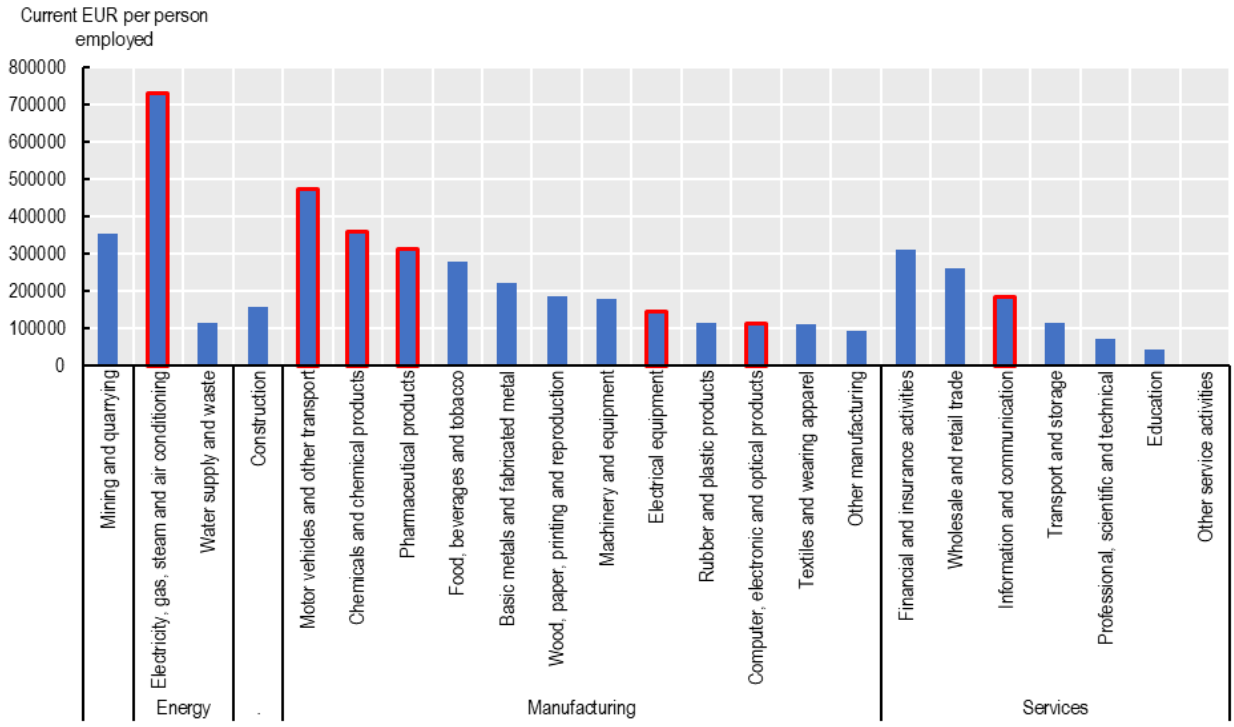
Value added per person (2023) and greenfield FDI (cumulative sum over 2014-2023), by sector



Note: Due to data limitations, value added is considered only for the five main LAC countries in terms of FDI destination and job creation: Argentina, Brazil, Chile, Colombia and Mexico. The reference year for VA varies across countries ranging from 2011 to 2023. The cumulative value of greenfield FDI over the period 2014-2023 is used as a proxy for FDI stock.
Source: Based on UN (2024[17]), National Account Data - Gross value added by sector, https://unstats.un.org/unsd/nationalaccount/data.asp; ILOSTAT (2024[18]), Employees by economic activity, https://ilostat.ilo.org/data/; Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/.

Figure 2.15. The most productive EU affiliates in LAC operate in EU–LAC GGIA priority sectors

Average net turnover per employee, 2021-2022



Note: * Net turnover per employee and labour cost per employee are calculated for each sector and averaged across four LAC countries: Argentina, Brazil, Chile and Mexico. Sectors with fewer than five reporting companies are excluded from the analysis.
** Bars with red borders indicate sectors that align with partnership areas under the EU–LAC GGIA (Box 1.1 in Chapter 1). Partnership areas: digital (Information and communication, electronics, electrical machinery); climate and energy (renewable energy); transport (electrical motor vehicles within "Motor vehicles"); health (chemicals, pharmaceuticals, medical instruments, health and social work). Investments in education and research are cross-cutting in nature and cannot be captured within the ISIC Rev. 4 sector classification
Source: Based on Eurostat (2021/2022[19]), Foreign controlling EU enterprises - outward FATS, https://ec.europa.eu/eurostat/databrowser/view/fats_out_activ/default/table?lang=en&category=gbs.fats_ou.

2.3.2. FDI drives the development of technology and knowledge-intensive sectors

Greenfield FDI in LAC supports the development of technology- and knowledge-intensive sectors (TKI) (Table 2.1). These sectors, characterised by their reliance on scientific expertise, R&D, innovation and skilled labour, are key drivers of productivity, innovation and long-term economic growth. They also play a critical role in enhancing competitiveness and tend to generate higher-quality jobs, offering better wages, improved working conditions and greater opportunities for skills development. Notably, many of these sectors align with the priority areas of the EU–LAC GGIA (Box 1.1 in Chapter 1), particularly in relation to digital (e.g. information and communication technology (ICT) goods, electrical equipment, telecommunications, digital services), health-related sectors (e.g. chemicals, pharmaceuticals) and green transport (e.g. electric vehicles).

Table 2.1. Technology- and knowledge-intensive (TKI) sectors

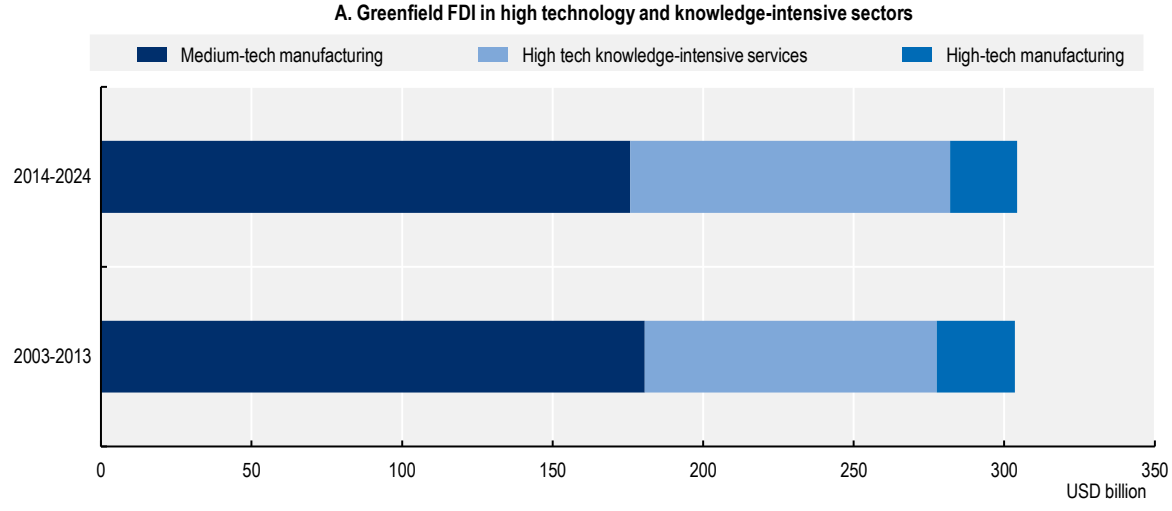
High- and medium-technology manufacturing	
High-technology manufacturing: manufacture of basic pharmaceutical products and pharmaceutical preparations; manufacture of computer, electronic and optical products	Medium-high-technology manufacturing: manufacture of chemicals and chemical products; manufacture of electrical equipment; manufacture of machinery and equipment n.e.c.; manufacture of motor vehicles, trailers and semi-trailers; manufacture of other transport equipment
Knowledge-intensive services[1]	
High-technology knowledge-intensive services: motion picture, video and television programme production, sound recording and music publishing activities; programming and broadcasting activities; telecommunications; computer programming, consultancy and related activities; information service activities; professional scientific and technical services	

Note: Eurostat classifies scientific research and development within the broader category of high-tech knowledge-intensive services. However, due to the limitations of greenfield FDI data, which do not allow for the isolation of FDI projects specifically targeting this subsector, our analysis considers the full ISIC Rev.4 Section 69–75 (Professional, Scientific, and Technical Services). This category includes scientific R&D as well as other related professional and technical services.
Source: Eurostat, (n.d.[20]), Technology classification of manufacturing industries, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:High-tech_classification_of_manufacturing_industries; Eurostat (n.d.[21]),Technology and knowledge classification of services, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Knowledge-intensive_services_(KIS).

In LAC, greenfield FDI in TKI sectors has remained broadly stable over the past decade. These sectors attracted around USD 620 billion in greenfield investment, representing about 30% of total FDI (Figure 2.16). Despite the absence of overall growth, the composition of investment within these sectors has slightly evolved. Medium-high-technology manufacturing, particularly in motor vehicles and chemicals, has increased modestly, maintaining its dominant position and accounting for 58% of total TKI investment. High-technology manufacturing, including pharmaceuticals and electronics, has remained stable at around 7–8%. Meanwhile, investment in high-technology, knowledge-intensive services has risen, from 32% to 35%.

Figure 2.16. FDI in high-technology and knowledge-intensive sectors has remained stable over the past two decades

Greenfield FDI in high-technology and knowledge-intensive sectors

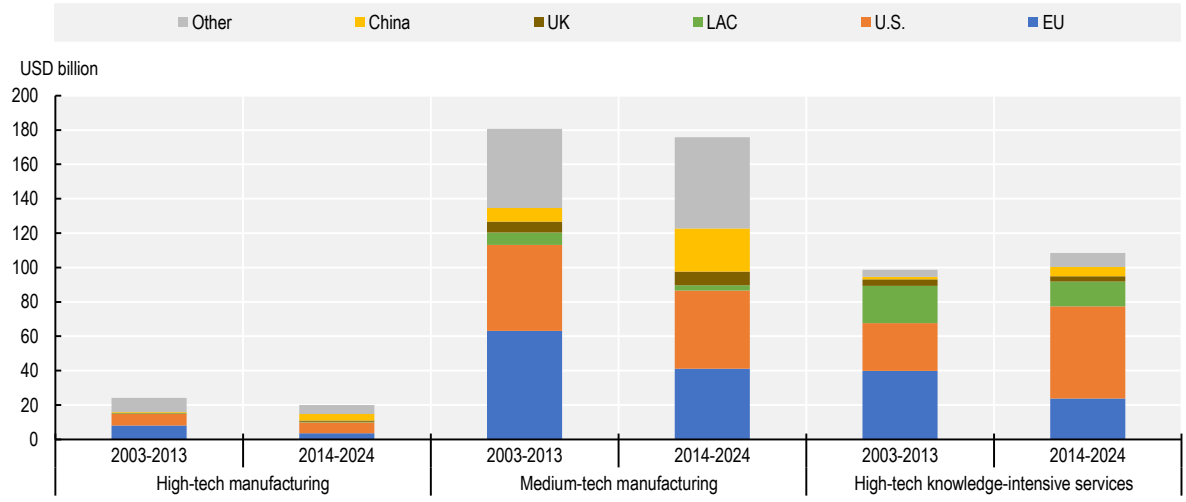


Note: The classification of technology and knowledge-intensive sectors follows Eurostat's methodology. For further details, see Table 1.1.
Source: Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/.

The European Union and the United States are the leading sources of investment in TKI sectors in LAC, though their investment profiles differ significantly. Between 2014 and 2024, the US was the main investor in medium-high-tech manufacturing, accounting for 26% of greenfield FDI, slightly ahead of the European Union at 23% (Figure 2.17). The United States dominated in high-tech segments, contributing 32% of greenfield FDI in high-tech manufacturing and 49% in high-tech knowledge-intensive services, compared to 18% and 22% from the EU, respectively. While the EU's share in TKI sectors fell by around 40 percentage points compared with the previous decade, particularly in high-tech manufacturing and other knowledge-intensive industries, the United States strengthened its leadership, especially in high-tech services, where its share increased by 21 percentage points. China has also emerged as a growing investor in TKI sectors. Although its overall share remains relatively small, its presence has expanded rapidly in recent years, particularly in medium-tech manufacturing. Investment in TKI sectors from the United Kingdom has remained modest over the past two decades, with only a slight increase in manufacturing.

Figure 2.17. FDI in high-technology knowledge-intensive services has increased slightly over the past decade

Greenfield FDI in high-technology and knowledge-intensive sectors, by origin



Note: The classification of technology and knowledge-intensive sectors follows Eurostat's methodology. For further details, see Table 1.1
Source: Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/.

2.3.3. Greenfield investment, particularly from the EU, is focused on core and support production activities

Business activities, even within the same sector, generate different levels of value along the value chain. The highest value is usually found in strategic corporate functions (e.g. headquarters, business services), as well as in pre-production stages such as R&D and design, and post-production activities including marketing, branding and after-sales services (Table 2.2). By contrast, core and support production activities (e.g. manufacturing, extraction), along with logistics and distribution, tend to generate less value added. Yet core and support production activities, particularly manufacturing, remain essential for building industrial capacity and driving productivity growth. They also provide greater opportunities for upstream and downstream linkages, thereby generating strong local spillover effects.

Table 2.2. FDI value chain activities classification

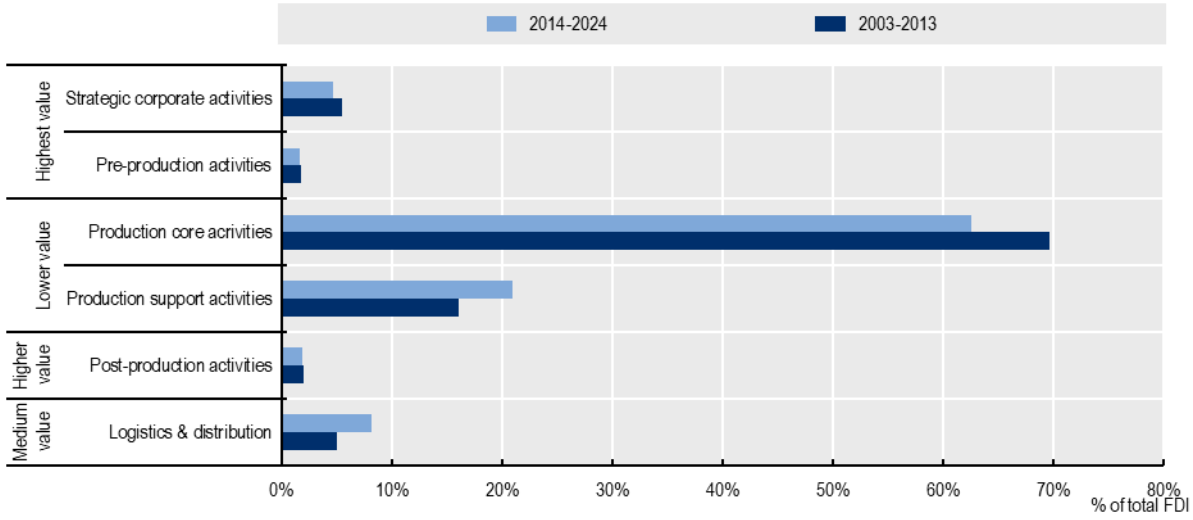
Business activity	Value chain activity	FDI value addition
Headquarters Business services Shared service centres	Strategic corporate activities	Highest value
Research and development Training and education	Pre-production activities	Highest value
Extraction Construction Manufacturing Recycling	Core production activities	Lower value
Electricity ICT and Internet infrastructure	Support production activities	Lower value
Sales, marketing and support services Technical support centres Maintenance and servicing Customer contact centres	Post-production activities	Higher value
Logistics, distribution and transportation	Logistics & distribution	Medium value

Source: Adapted from Crescenzi, Pietrobelli and Rabelotti (2013[22]), Innovation drivers, value chains and the geography of multinational corporations in Europe, https://academic.oup.com/joeg/article/14/6/1053/903721; Crescenzi and Harman (2023[23]), Harnessing Global Value Chains for regional development. How to upgrade through regional policy, FDI and trade, https://www.routledge.com/Harnessing-Global-Value-Chains-for-regional-development-How-to-upgrade-through-regional-policy-FDI-and-trade/Crescenzi-Harman/p/book/9781032410760.

Greenfield FDI in LAC remains concentrated in core and support production activities. Between 2014 and 2024, core production activities such as extraction, construction and manufacturing attracted about 63% of greenfield FDI, while support activities, including electricity and ICT infrastructure, accounted for another 21% (Figure 2.18). Compared with the previous decade, the share of core production declined slightly, while the share of support production activities increased, driven by investments in electricity. Logistics and distribution represented around 8% of total greenfield investment, expanding by nearly 70% compared to 2003-2013, largely reflecting stronger investment in transport and storage infrastructure. By contrast, higher-value-added functions, such as strategic corporate, pre-production and post-production activities, have attracted about 5% of greenfield investment, with little change over time.

Figure 2.18. Greenfield FDI is concentrated in production-related activities

Greenfield FDI by value chain activity, % of total FDI

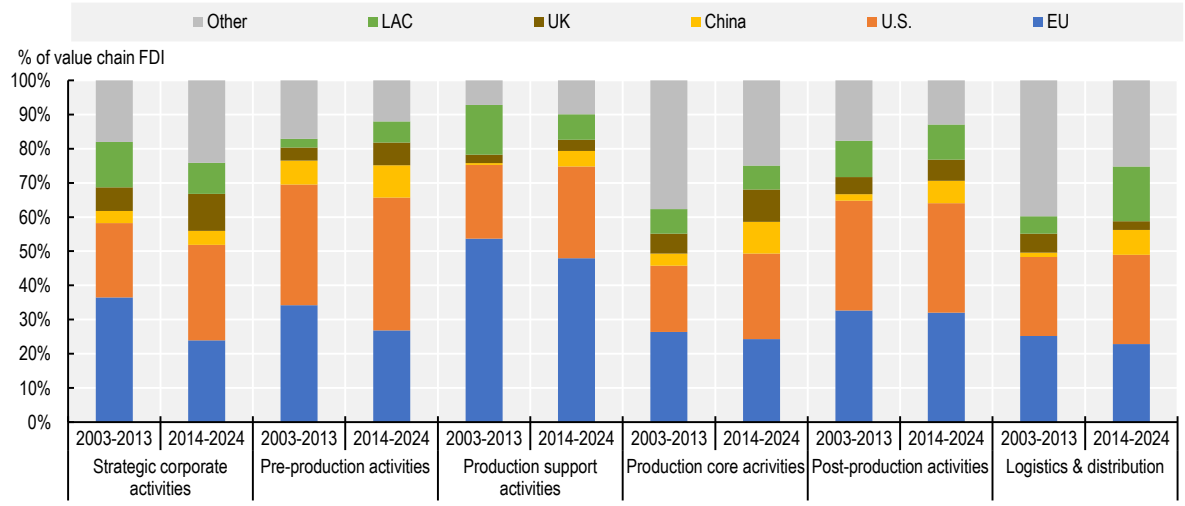


Note: Classification of greenfield FDI by value chain activities follows the methodology of Crescenzi, Pietrobelli and Rabelotti (2013[22]) and Crescenzi and Harman (2023[23]). For details on the classification, see Table 1.2.
Source: Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/.

The role of top investors in LAC varies across value chain activities. The European Union has a leading position in production-related activities, which has remained constant over the past decade, particularly in renewable energy (support production) and manufacturing (core production) (Figure 2.19). The United States continues to lead in higher-value activities, with a strong presence in strategic corporate, pre-production and post-production functions. China has expanded its footprint in core production, support activities and logistics, reflecting a growing focus on physical operations and supply chain infrastructure, though its presence in upstream, high-value activities remains limited. The United Kingdom shows signs of re-orienting towards more strategic functions, with increased investment in headquarters and pre-production activities. By contrast, LAC's own participation in higher-value segments has weakened.

Figure 2.19. The relevance of top investors varies across value chain activity

Greenfield FDI, by value chain activity and origin, % of total FDI



Note: Classification of greenfield FDI by value chain activities follows the methodology of Crescenzi, Pietrobelli and Rabelotti (2013[22]) and Crescenzi and Harman (2023[23]). For details on the classification, see Table 1.2.
Source: Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/.

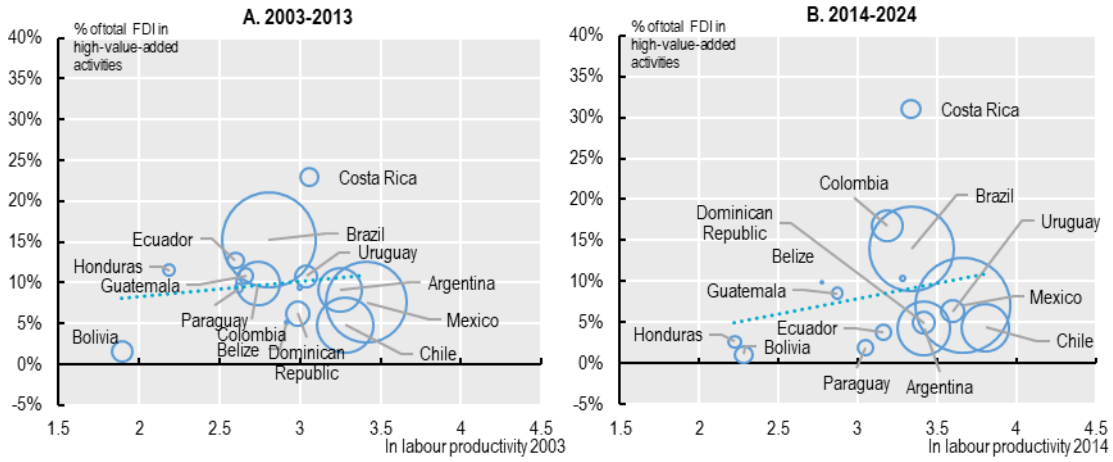
While investment in core and support production activities is important for building a productive manufacturing base and generates stronger linkages with the domestic economy, activities such as strategic corporate functions, pre-production and post-production tasks, are central to value creation. FDI in these segments can be particularly transformative, fostering the transfer of advanced skills, diffusion of managerial and training best practices, and the growth of local innovation ecosystems. For host countries, attracting such investment is key to upgrading their position in GVCs, helping domestic firms move towards the innovation- and higher-value segments of global production networks.

LAC countries can further harness the transformative potential of high-value FDI. While progress has been gradual for many countries, some are beginning to show promising signs of upgrading. Costa Rica stands out and Colombia is also making headway, with both countries expanding their participation in more knowledge-intensive activities (Figure 2.20). These early advances signal a shift toward higher-value engagement and may offer valuable lessons for other countries in the region (see Chapter 3).

Some of LAC's most productive and investment-attractive economies, such as Chile, Mexico and Brazil, remain leading destinations for FDI, though much of this investment is still concentrated in resource-based industries and medium-complexity manufacturing. This reflects the continued strength of these sectors, but also highlights the untapped potential to attract more high-value activities. Strong labour productivity is an important foundation, yet additional factors such as innovation capacity, skills and enabling frameworks will be key to drawing in more sophisticated forms of investment. Building on their established industrial bases, these countries have an opportunity to leverage FDI not only for horizontal growth, but also to advance vertical upgrading and functional diversification within global value chains.

Figure 2.20. Costa Rica and Colombia are showing signs of upgrading towards higher value activities

Greenfield FDI in high-value FDI and labour productivity (PPP), 2003-2013 and 2014-2024, % of total FDI



Note: The size of each bubble indicates the country's share of total greenfield FDI to LAC over the period considered. Classification of greenfield FDI by value chain activities follows the methodology of Crescenzi, Pietrobelli and Rabelotti (2013[22]) and Crescenzi and Harman (2023[23]). For details on the classification, see Table 1.2.

Source :Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/.; World Bank (2021[24]), Global Productivity: Trends, Drivers, and Policies, https://www.worldbank.org/en/research/publication/global-productivity.

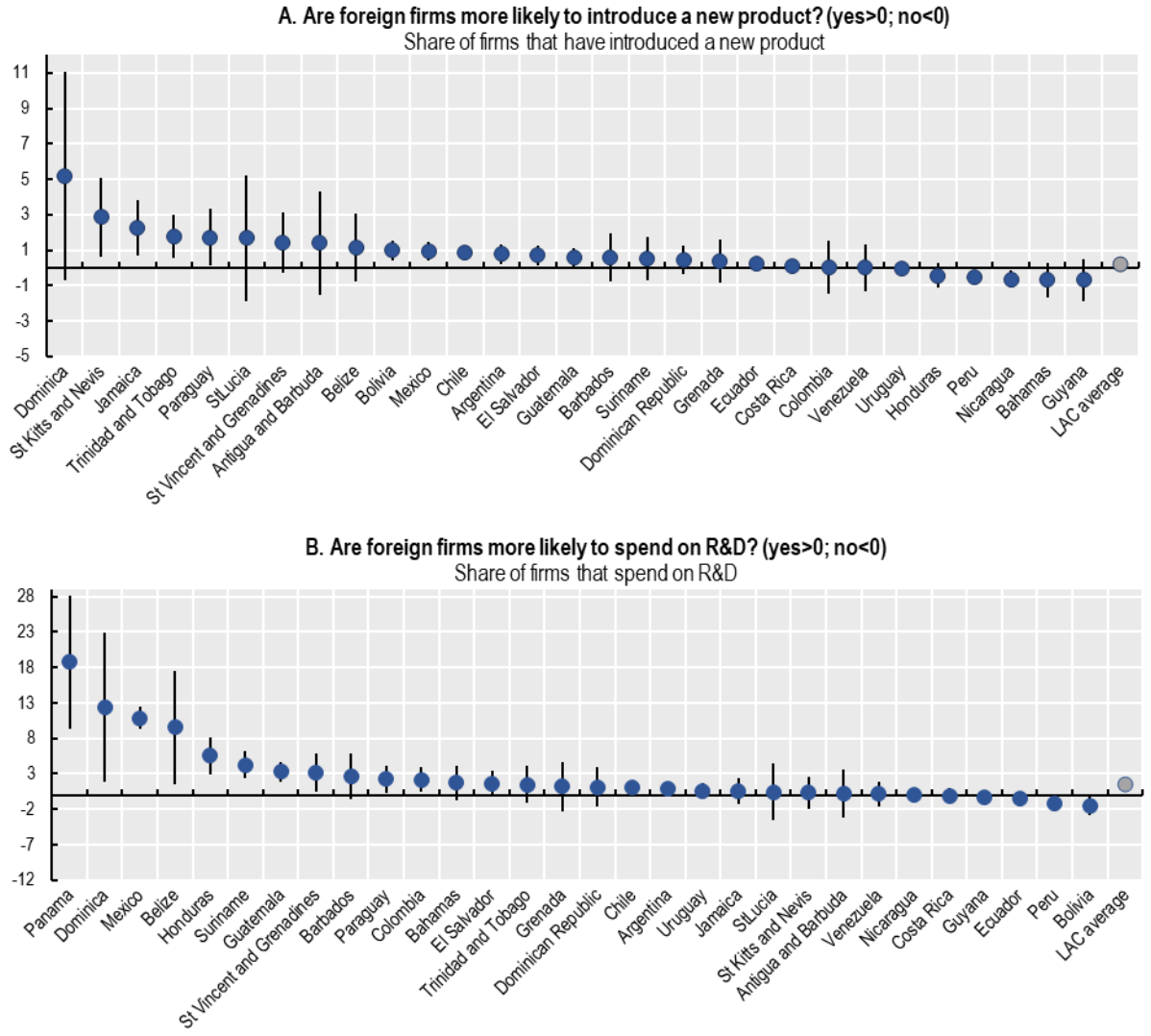
2.3.4. Foreign firms in LAC are more innovative than domestic firms

Research and development (R&D) carried out by companies, i.e. activities aimed at expanding knowledge and applying it to the creation of new products, services or processes, plays a critical role in driving innovation and enhancing productivity. R&D is also strongly associated with higher-quality employment as it tends to generate skilled jobs and promote learning and human capital development. Supporting investment in R&D is a key pillar of the EU–LAC GGIA, which seeks to strengthen scientific and technological collaborations with partner countries, including LAC economies.

As shown earlier, foreign companies operating in LAC are, on average, more productive than their domestic counterparts. This advantage largely stems from their access to advanced technologies through parent companies, as well as stronger managerial capabilities and more efficient business practices. For similar reasons, foreign firms are also more actively engaged in R&D. They often have better access to skilled labour and are more embedded in knowledge networks, including synergies with parent firms and other subsidiaries. According to the FDI Qualities Indicators, foreign firms in LAC are significantly more likely than domestic firms to engage in innovative activities. In most countries across the region (24 out of 31 with available data), foreign companies are more likely to introduce new products. In nearly as many (25 out of 31), they are also more likely to invest in R&D (Figure 2.21).

Figure 2.21. On average, foreign firms are more likely to introduce a new product and to spend on R&D

Relative difference between foreign and domestic firms' outcomes, 2010-2023



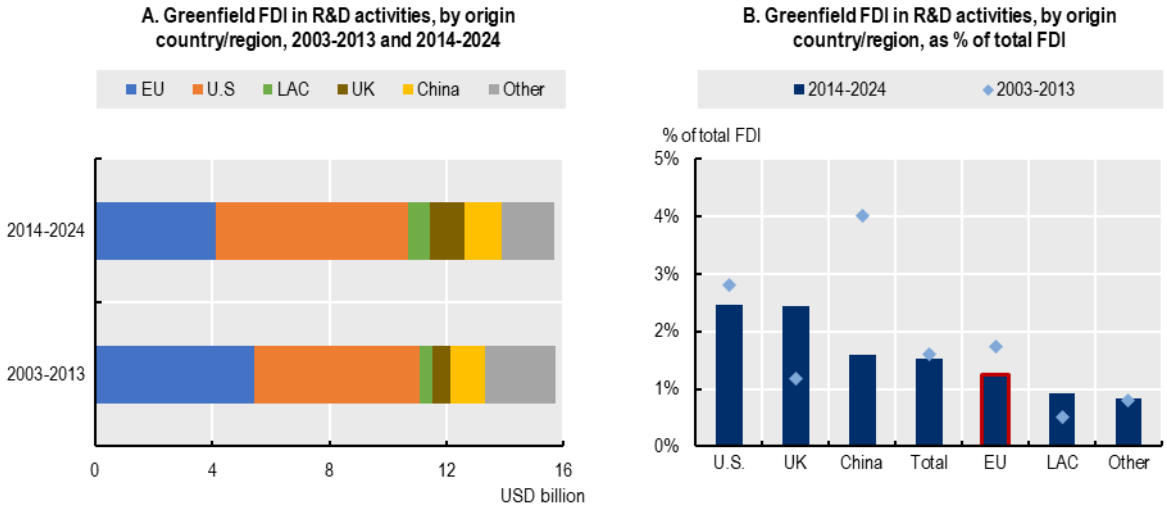
Note: In panel A, the indicator for Panama is equal to 52. For visualisation purposes, the value is not shown in the chart. The indicators in panels A–B show the relative gap between the average outcomes of foreign and domestic firms, for example, the difference between the share of foreign and domestic firms that have introduced a new product, divided by the average share of domestic firms that have introduced a new product. Positive values indicate that foreign firms outperform domestic firms (e.g. they are more likely to introduce a new product), while negative values suggest the opposite. Reference years vary across countries, ranging from 2010 to 2023.
Source: Based on World Bank (2023[16]), World Development Indicators, https://databank.worldbank.org/source/world-development-indicators.

The share of FDI directed toward business R&D in LAC remains well below that of other regions. Between 2003 and 2024, approximately USD 30 billion, equivalent to just 1.5% of total greenfield FDI, was allocated to R&D-related activities, a ratio that has remained broadly unchanged over the past two decades (Figure 2.22, Panel A). By contrast, over the same period, the share reached about 4% in the European Union, 3% in the United States and 5% in China.

Over this period, the EU has played an important role as a source of R&D-related investment. The EU accounted for 34% of total R&D FDI in the region during 2003-2013, falling to 26% in the subsequent

decade (2014-2024). The United States has been the leading source of greenfield R&D investment in LAC, with its share rising from 36% to 46% over the same period. Meanwhile, China and the United Kingdom have maintained a modest but consistent presence, each representing approximately 7-8% of R&D-related FDI in the last decade. Intra-regional investors from within LAC have contributed around 5% of total investment in this area. From the perspective of major investor countries, the share of FDI allocated to R&D relative to their total investment in LAC declined across the board, with the exception of the United Kingdom (Figure 2.22, Panel B).

Figure 2.22. About 2% of greenfield FDI is directed toward R&D activities



Source: Based on Financial Times, (2025[9]), FDI Markets (database), https://www.fdimarkets.com/.

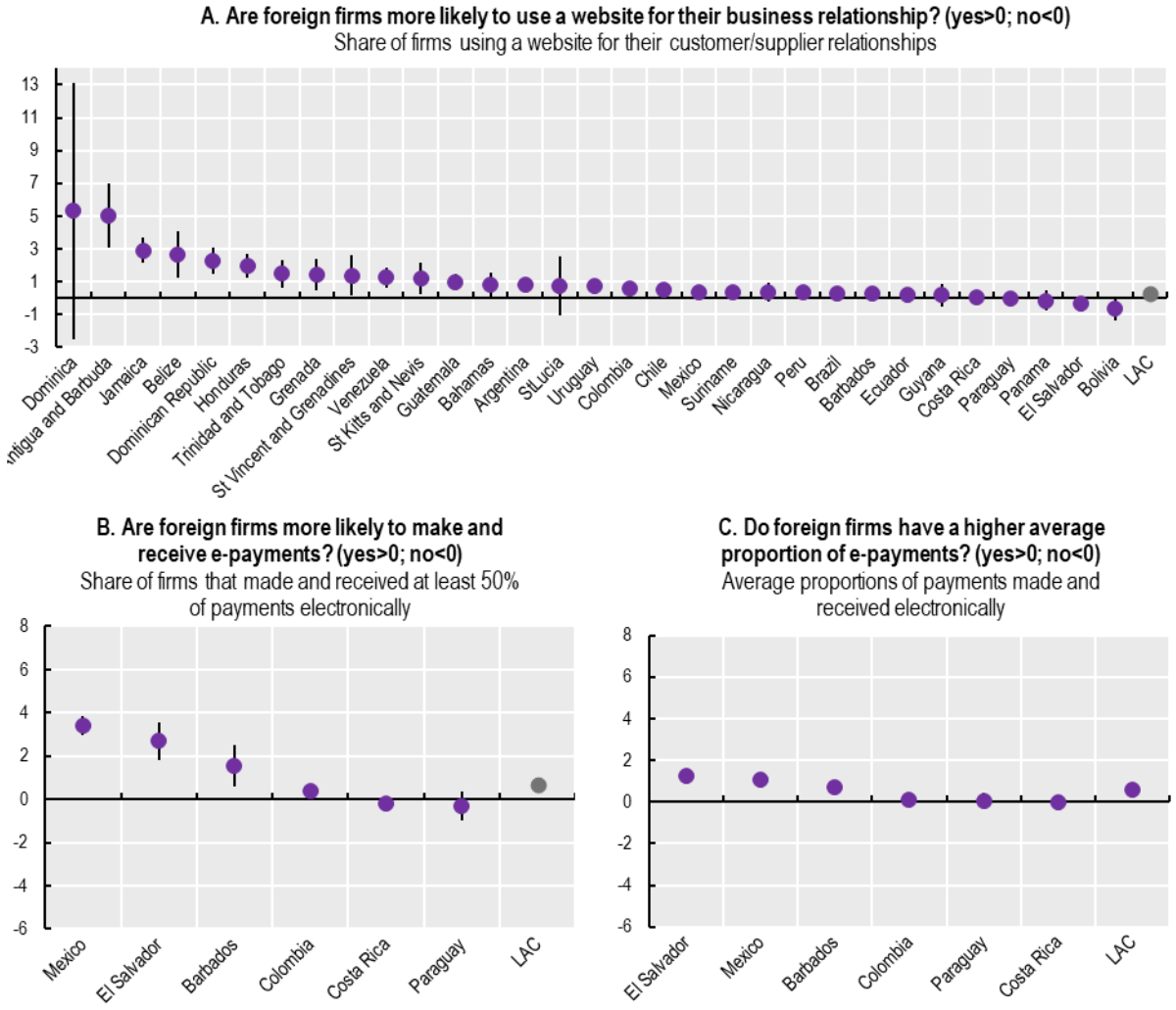
2.3.5. FDI is an important driver of digital transformation in LAC, particularly in services

FDI can accelerate an economy's digital transformation by facilitating the transfer of technology, skills and capital. Foreign firms often act as vectors of innovation by introducing advanced digital technologies. These platforms can significantly enhance productivity and competitiveness in host countries. FDI also contributes to the development of digital infrastructure, such as broadband networks, data centres and cloud services, which are essential enablers of the digital economy. In emerging and developing economies, foreign investors can fill critical gaps in financing and expertise, supporting governments' efforts to build inclusive and resilient digital ecosystems. Moreover, linkages between foreign investors and domestic firms can generate knowledge spillovers, supporting the digital upskilling of local suppliers and service providers (OECD, forthcoming[25]).

Digital technologies have become increasingly important for boosting productivity and enhancing the efficiency of business operations. Beyond cost reduction, they also offer opportunities to improve environmental performance. The FDI Qualities Indicators provide useful insights into how foreign and domestic firms incorporate digital tools into their day-to-day operations. The data indicate that foreign firms are consistently more likely to leverage digital technologies compared to their domestic counterparts in LAC. In 28 out of 31 LAC countries surveyed, a higher share of foreign firms reported using a website to interact with customers and suppliers (Figure 2.23, Panel A). Furthermore, in 4 out of 6 countries with available data, foreign companies are more likely to make and receive payments electronically (Figure 2.23, Panel B). In all 6 countries, they reported a higher average share of electronic payments made and received (Figure 2.23, Panel C), underscoring their greater integration of digital practices in business transactions.

Figure 2.23. Foreign firms are more likely to use websites and e-payments in business operations

Relative difference between foreign and domestic firms' outcomes, 2010-2023

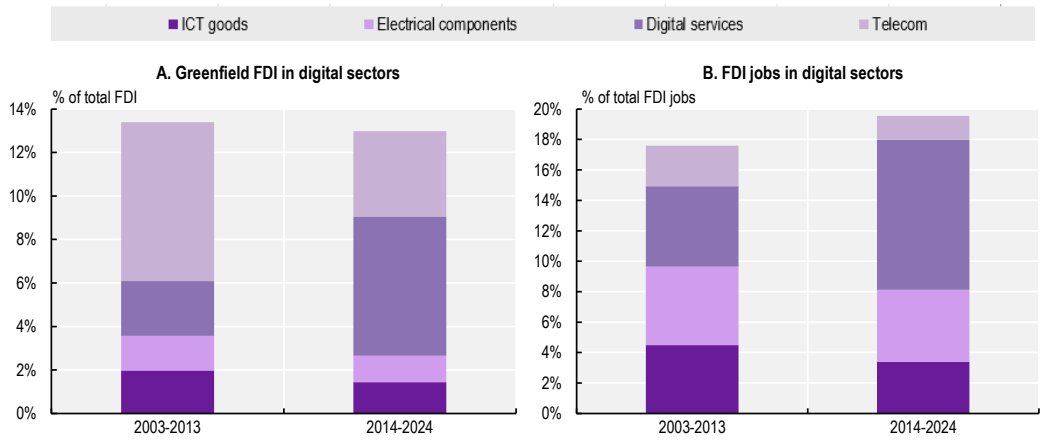


Note: The indicators in panels A–C show the relative gap between the average outcomes of foreign and domestic firms, for example, the difference between the average share of foreign and domestic firms using a website for their customer/supplier relationships, divided by the average share of domestic firms. Positive values indicate that foreign firms outperform domestic firms (e.g. are more productive), while negative values suggest the opposite. Reference years vary across countries, ranging from 2010 to 2023.
Source: Based on World Bank (2023[16]), World Development Indicators, https://databank.worldbank.org/source/world-development-indicators.

Over the past two decades, digital sectors in LAC have attracted approximately USD 260 billion in greenfield FDI, representing around 13% of total greenfield investment in the region (Figure 2.24, Panel A). While from 2003 to 2013 more than half of this investment targeted the telecommunications sector, the period from 2014 to 2024 saw a notable shift, with nearly half of digital FDI directed toward digital services. This transition reflects both the digital advancement of the region, enabling the emergence of more sophisticated, service-based digital solutions and the growing maturity of the telecommunications sector. As the backbone of digital transformation, FDI in telecommunications infrastructure has laid the groundwork for the expansion of other digital industries, particularly digital services. Furthermore, although the share of investment in digital services remained relatively stable over the two decades, the share of FDI jobs generated in digital sectors rose from 18% to 20%, indicating a transition toward more labour-

intensive activities (Figure 2.24, Panel B). In 2014-2024, half of the jobs in digital sectors were created in digital services, almost double the share in the previous decade (Chapter 2).

Figure 2.24. Greenfield FDI in digital sectors accounted for over 13% of total FDI and generated nearly 20% of all FDI-related jobs



Note: Digital sectors include digital services (e.g. computer programming activities, data processing and hosting activities, information services activities, etc.); ICT goods (electronics, computer equipment, etc.); electrical components (batteries, electrical equipment, wiring devices, etc.) and telecommunications (wired and wireless telecommunications activities and satellite activities).
Source: Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/.

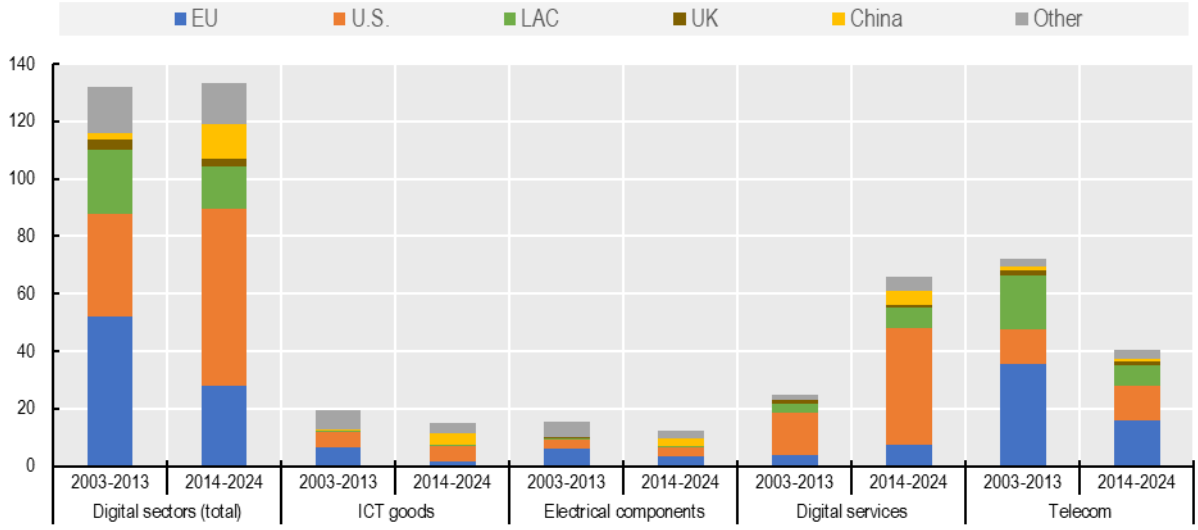
2.3.6. The European Union and the United States are major investors in LAC's digital sectors

Digital investment features prominently within the EU–LAC GGIA, which aims to boost sustainable and inclusive infrastructure development in LAC (Table 1.1 in Chapter 1). As part of this initiative, the EU has been seeking to strengthen digital connectivity and support the region's human-centred digital transformation through strategic investments. Even before the EU–LAC GGIA, the EU was a key investor in digital sectors across LAC. Between 2003 and 2013, the EU was the leading source of digital FDI in the region, accounting for approximately 40% of total investment, followed by the United States (27%) and intra-regional investors (17%) (Figure 2.25). However, in the period from 2014 to 2024, the United States emerged as the leading source, contributing 46% of digital FDI. In contrast, the EU's share fell to 21%, while intra-regional investment declined to 11%. Meanwhile, China's share increased from just 2% to 9% over the same period.

The rise of the United States as a leading investor was evident across all digital sectors and particularly pronounced in digital services, where it accounted for 62% of total investment between 2014 and 2024, amounting to USD 41 billion. In contrast, the EU's investment in digital sectors nearly halved over the same period. The decline was broad-based, with the sharpest drop observed in telecommunications, where EU investment fell from over USD 35 billion in 2003-2013 to USD 16 billion in 2014-2024. Digital services were the only subsector where EU investment increased, from USD 4 billion to 7 billion, yet its relative share declined from 15% to 11% as investment from other regions grew more rapidly. Meanwhile, Chinese investment in digital sectors grew markedly, rising from USD 2 billion in 2003-2013 to USD 12 billion in 2014-2024. This growth was distributed across all digital subsectors except telecommunications, where Chinese investment remained limited.

Figure 2.25. In the last two decades, digital FDI composition shifted from EU-led telecom investment to US-driven investment in digital services

Greenfield FDI, by digital sector and origin country/region, 2003-2013 and 2014-2024

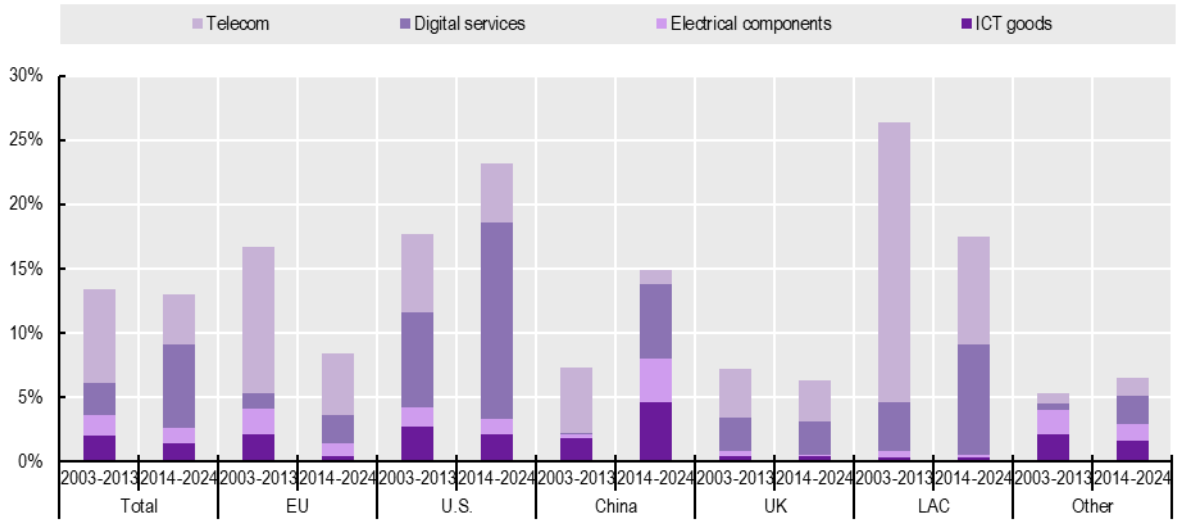


Note: Digital sectors include digital services (e.g. computer programming activities, data processing and hosting activities, information services activities, etc.); ICT goods (electronics, computer equipment, etc.); electrical components (batteries, electrical equipment, wiring devices, etc.); and telecommunications (wired and wireless telecommunications activities and satellite activities).
Source: Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/.

The composition of greenfield FDI portfolios in LAC reveals notable shifts in the relevance of digital sectors among top investor economies over time. From 2014 to 2024, the share of EU investment targeting digital sectors declined markedly, dropping to just 8% of total EU greenfield investment, down from 17% in the previous decade (Figure 2.26). Telecommunications made up the bulk of this reduced share, accounting for 5%. The United States significantly increased its focus on digital sectors in LAC, with digital investment rising to 23% of total US greenfield FDI in the region. Digital services alone accounted for 15%, reflecting the United States's growing strategic emphasis on high-value digital activities. China, meanwhile, emerged as a more prominent digital investor in LAC during this period. Nearly 15% of Chinese greenfield investment was directed toward digital sectors between 2014 and 2024, up from just 7% in the earlier decade. This shift reflects China's broader global push into digital infrastructure and technology markets. In contrast, intra-regional investment from LAC countries in digital sectors declined, falling from over 25% of total LAC-to-LAC investment in 2003-2013 to 18% in 2014-2024. This decrease was primarily driven by a sharp drop in telecommunications investment, which fell from 22% to just 8%, suggesting a maturing market and shifting priorities among regional investors. The share of digital investment originating from the United Kingdom was marginal, with little or no change in the two decades.

Figure 2.26. Between 2014 and 2024, 23% of US greenfield investment targeted digital sectors compared to just 8% of EU investment

Greenfield FDI in digital sector as share of total FDI in LAC, by investor country/region, 2003-2013 and 2014-2024



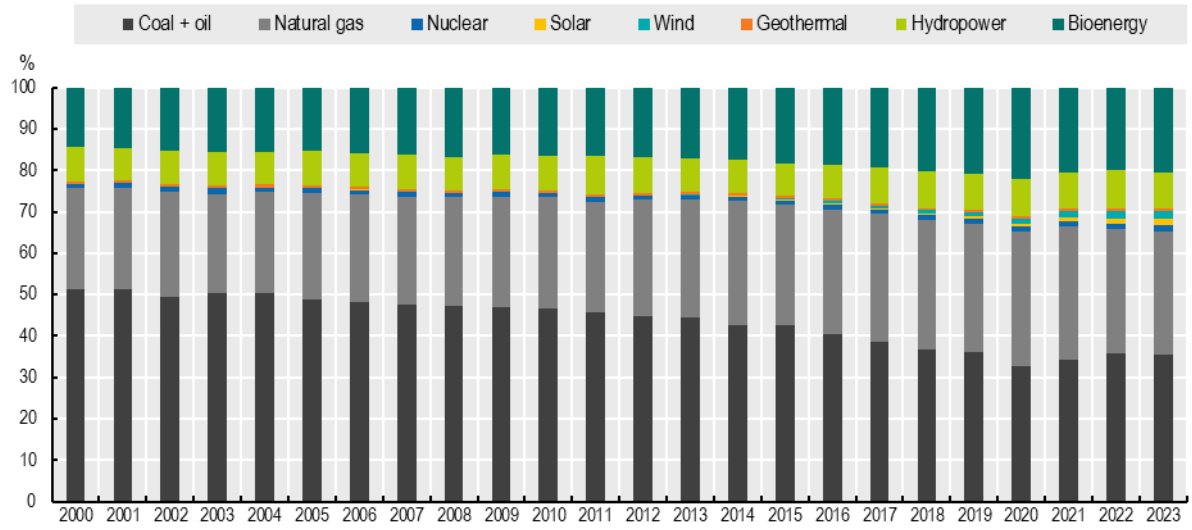
Note: Digital sectors include digital services (e.g. computer programming activities, data processing and hosting activities, information services activities, etc.); ICT goods (electronics, computer equipment, etc.); electrical components (batteries, electrical equipment, wiring devices, etc.); and telecommunications (wired and wireless telecommunications activities and satellite activities).
Source: Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/.

2.3.7. FDI is playing an important role in advancing LAC green transition

LAC holds strong potential for renewable energy. In 2023, renewables accounted for 33% of total energy supply in the region, up from 23% in 2003 (Figure 2.27). While change has been gradual, it remains well above the global average of 13%. However, the energy matrix across countries in the region is heterogeneous. The pace of the energy transition is shaped by factors such as natural resource endowments, geographic conditions, fossil fuel dependence, economic development, and institutional and financing capacity (IEA, 2023[12]). Advancing towards a more sustainable and diversified energy mix can help reduce emissions, lower energy costs, enhance energy security and lessen dependence on fossil fuel imports. Investing in clean technologies and electrification can also boost productivity, generate formal employment and support a more resilient and inclusive development path (OECD et al., 2022[26])

Figure 2.27. The relevance of renewable energy is gradually increasing in LAC's energy matrix

Evolution of the total primary energy supply matrix in LAC, 2000-2023



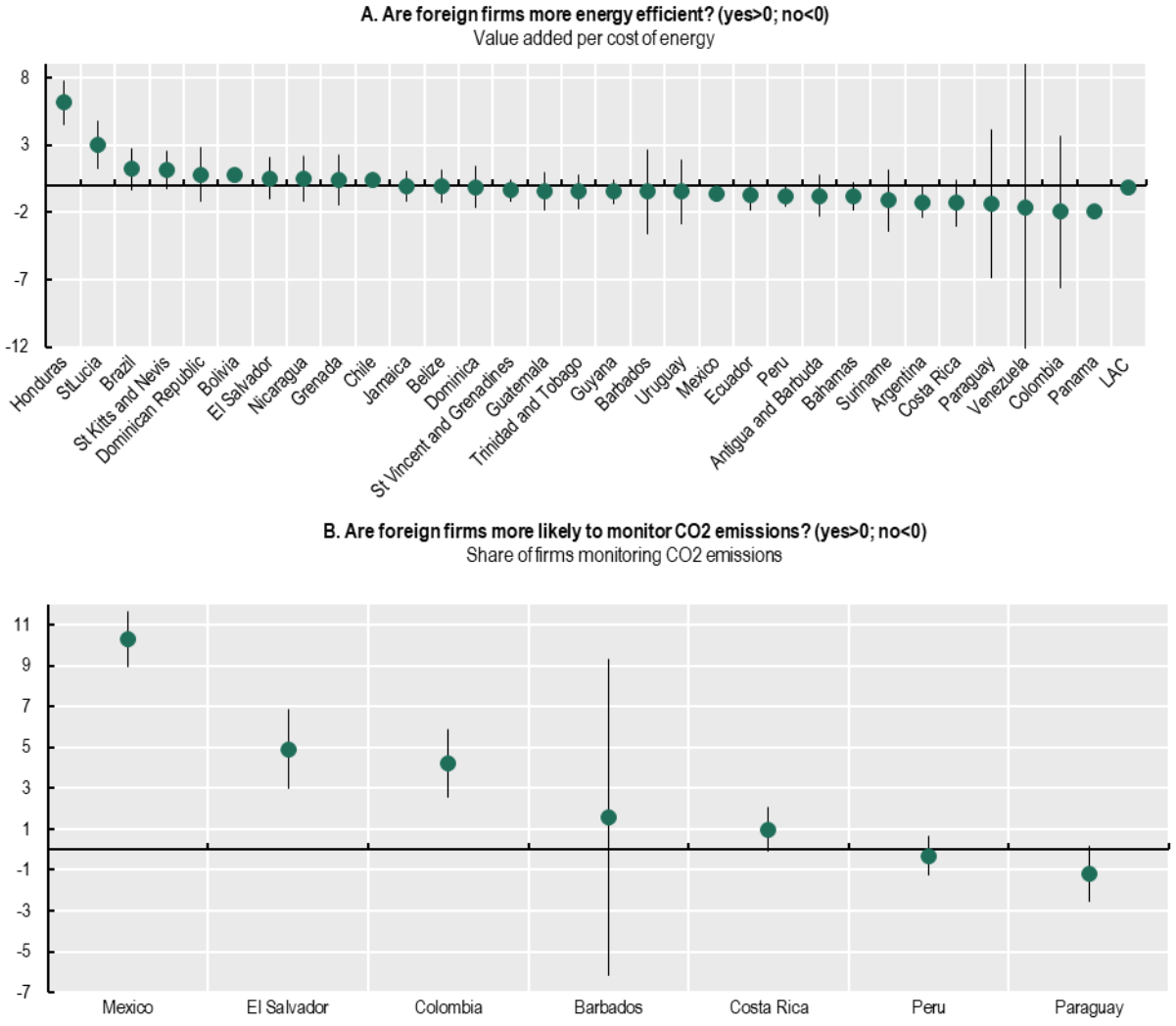
Note: Total energy supply consists of production + imports – exports – international marine bunkers – international aviation bunkers +/- stock changes.
Source: Based on OLADE (2023[27]), Energy Information System of Latin America and the Caribbean, https://sielac.olade.org/.

FDI can play a critical role in supporting LAC's green transition by mobilising capital, technology and expertise for climate change mitigation and adaptation, as well as by generating green jobs (see Chapter 3). However, evidence from other regions and countries suggests that the contribution of FDI to climate-related outcomes is highly dependent on domestic policy conditions (OECD, 2022[13]). A key channel through which FDI influences environmental outcomes is the operations and practices of foreign firms established locally. These firms often bring more advanced technologies and management practices, enabling greater environmental efficiency. Larger multinational enterprises, in particular, may face stronger incentives to meet environmental targets due to increased exposure to international media, investor scrutiny and stakeholder expectations. Moreover, many originate from countries with stricter environmental regulations and corporate sustainability standards, which can shape their behaviour and practices abroad.

Foreign firms in LAC do not hold a clear advantage over domestic firms when it comes to environmental outcomes. Data from the OECD FDI Qualities Indicators (Box 2.2) suggest that foreign firms are more likely to engage in environmental monitoring practices, such as tracking CO_2 emissions. In 5 out of 7 LAC countries for which data are available, a higher share of foreign-owned firms reported monitoring their emissions compared to domestic firms (Figure 2.28, Panel A). However, this does not necessarily translate into stronger performance on all environmental metrics. When energy efficiency is proxied by energy costs relative to value added, domestic firms tend to outperform their foreign counterparts. In fact, in only 10 out of 31 countries covered by the indicators are foreign firms, on average, more energy efficient than domestic firms (Figure 2.28, Panel B). A reason seems to be that foreign firms in LAC tend to concentrate in more energy-intensive sectors (e.g. mining, manufacturing), where efficiency gains are harder to achieve. By contrast, domestic firms are more prevalent in sectors that are structurally less energy intensive (e.g. services).

Figure 2.28. Foreign firms are, on average, less energy efficient, but more likely to monitor CO_2 emissions than domestic firms

Relative difference between foreign and domestic firms' outcomes, 2010-2023

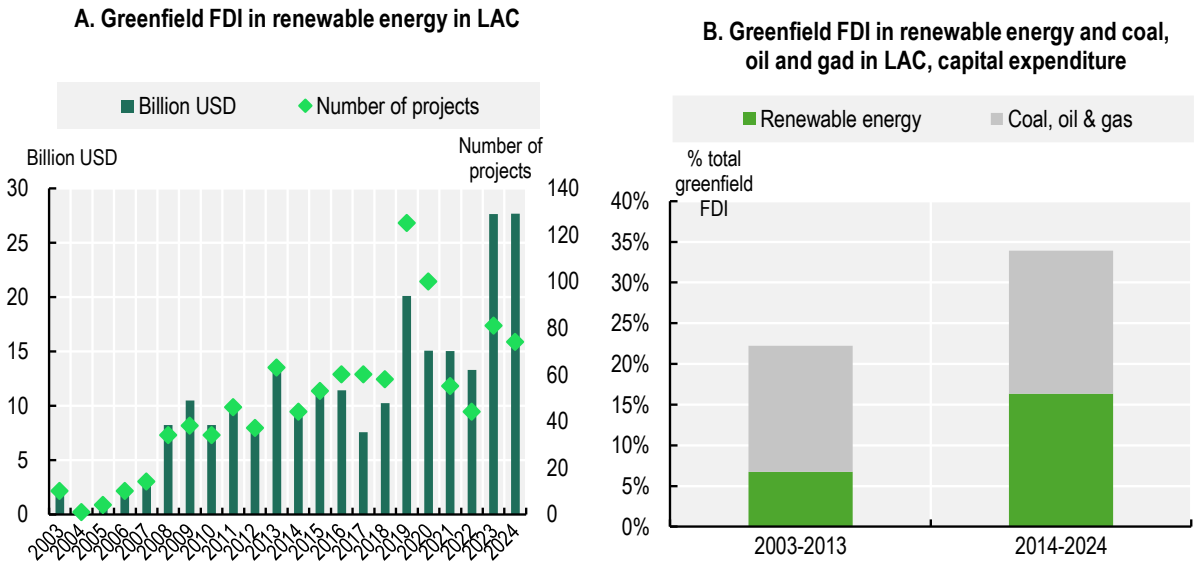


Note: The indicators in panels A and B show the relative gap between the average outcomes of foreign and domestic firms, for example, the difference between the average energy efficiency of foreign and domestic firms, divided by the average energy efficiency of domestic firms. Positive values indicate that foreign firms outperform domestic firms (e.g. are more productive), while negative values suggest the opposite. Reference years vary across countries, ranging from 2010 to 2023.
Source: Based on World Bank (2023[16]), World Development Indicators, https://databank.worldbank.org/source/world-development-indicators.

FDI has played an increasingly important role in advancing environmental objectives in LAC, particularly by supporting the development of the region's renewable energy sector. According to greenfield investment data, FDI in renewables has followed a strong upward trend over the past two decades, both in terms of investment and the number of announced projects. In 2003, greenfield FDI in LAC's renewable energy sector amounted to approximately USD 2 billion across around 10 projects (Figure 2.29, Panel A). By 2024, this figure had surged to USD 28 billion, with more than 70 projects recorded. Between 2003 and 2013, renewable energy accounted for just 7% of total greenfield FDI in the region compared to 15.5% for carbon, oil and gas (Figure 2.29, Panel B). Over the 2014-2024 period, the share of renewable energy rose significantly to 17%, while the share allocated to fossil fuel-related activities increased by only 2

percentage points. While investment in fossil fuel–related activities remains significant and is rising moderately, recent shifts suggest a growing alignment of FDI with LAC's climate and energy transition goals, alongside increasing investor interest in sustainable infrastructure and clean energy..

Figure 2.29. Greenfield FDI in LAC's renewable sector has grown significantly

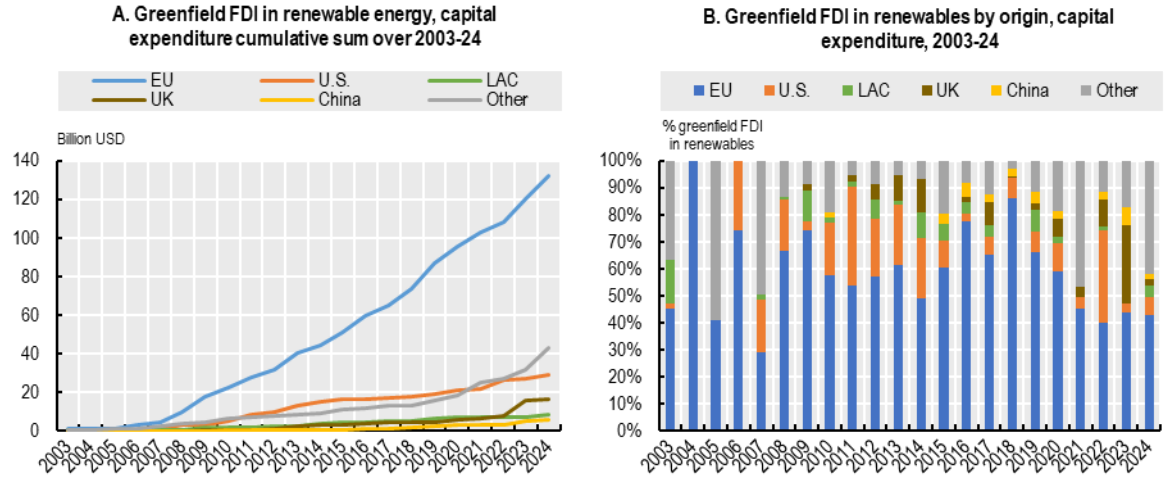


Source: Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/.

2.3.8. EU investment is leading the expansion of renewable energy in LAC

Climate and energy are central priorities of the EU Global Gateway (Table 1.1, Chapter 1), which seeks to promote sustainable, resilient and high-quality infrastructure worldwide to advance the green transition. The EU-LAC GGIA presented in 2023 placed clean energy investment at the core of its partnership engagement with LAC. The EU has long played a leading role in supporting renewable energy development in the region. Since the early 2000s, EU investors have consistently been among the most active in the region's renewable energy sector, with cumulative investments exceeding USD 130 billion by the end of 2024, well ahead of other major sources (Figure 2.30, Panel A). The United States ranked second, with just over USD 28 billion, followed by the United Kingdom (USD 16 billion), LAC countries themselves (USD 8 billion) and China (USD 6 billion).Over the past two decades, the EU has been, by far, the largest investor in renewable energy in LAC, maintaining a clear lead in cumulative terms and standing well ahead of other international investors. (Figure 2.30, Panel A). The EU's relative share has gradually declined in recent years, going from a peak of 86% in 2018 to the current 43%, reflecting growing interest from a broader pool of internal investors. Although annual figures show some volatility, the overall trend suggests that renewable energy in LAC is attracting a more diverse set of investors beyond the traditional top five sources (Figure 2.30, Panel B).

Figure 2.30. EU greenfield FDI in renewable energy has grown significantly since the early 2000s

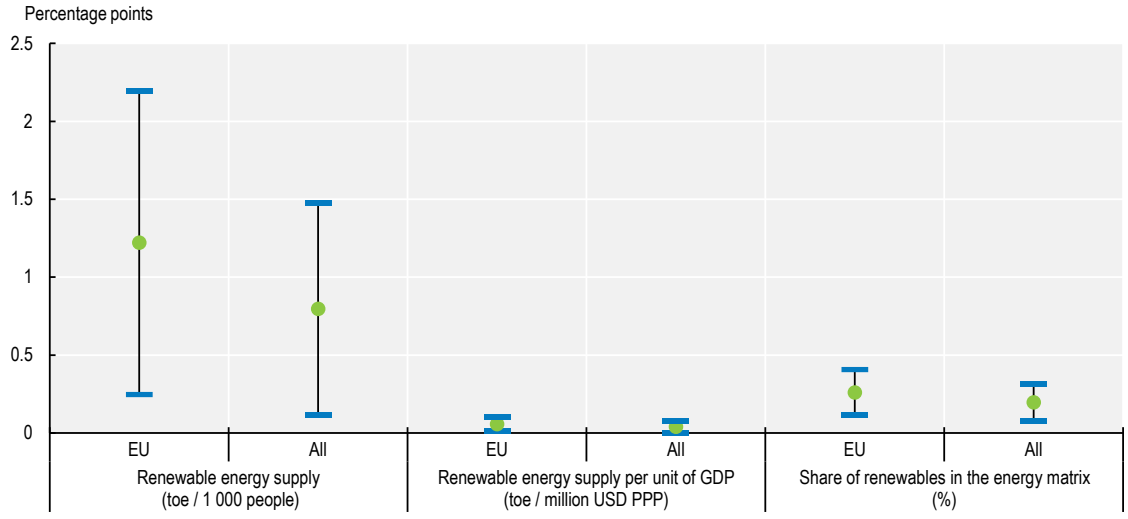


Note: Renewable energy includes solar, wind, marine, hydroelectric, geothermal electric power and biomass.
Source: Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/.

Solar projects are the primary target of renewable energy greenfield investment, accounting for 50% of the total, followed by wind projects at 29%. The type of renewable energy targeted varies significantly by investor origin. EU firms primarily invest in solar and wind power, while biomass is a key focus for investors from the United States, the United Kingdom and China. Hydropower continues to draw investment from both LAC countries and China. Brazil, Chile and Mexico are the main destinations for renewable energy greenfield FDI from all investor origins. However, there are notable differences in how extensively leading investors have engaged across the region. For instance, the United States has invested in renewable energy projects in 21 LAC countries and the EU in 18, reflecting a broad regional footprint. In contrast, China's investments are more concentrated, spanning only 7 LAC countries.

Empirical analysis confirms the significant role played by the EU in LAC's green transition. Greenfield FDI in the renewable energy sector, particularly originating from the EU, is positively associated to both the expansion of clean energy supply and the transformation of the energy matrix in LAC. A 10% increase in greenfield FDI from EU sources is associated with a rise of 1.2 tonnes of oil equivalent (toe) per 1 000 people in renewable energy supply compared to 0.8 toe for greenfield FDI from all sources. Similarly, EU-origin greenfield FDI is related to an increase of 0.1 toe per million USD of GDP (PPP), whereas no statistically significant effect is observed for global FDI (Figure 2.31). The share of renewables in the energy matrix also increases more sharply with EU investment, by 0.3 percentage points, relative to a 0.2-point increase linked to all-source FDI. These results suggest that EU greenfield FDI may be particularly effective in supporting the region's energy transition, potentially reflecting higher technological spillovers, stronger environmental safeguards or greater alignment with long-term sustainability goals (Annex 2.A).

Figure 2.31. FDI impact on renewable energy supply and on the energy matrix



Note: The figure displays the estimated percentage-point impact of a 10% increase in two years lagged capital investment from announced renewable energy FDI projects on three variables along with their 95% confidence intervals. "All" refers to all origin countries.
Source: Based on IRENA (2023[28]), Renewable Energy Statistics, https://www.irena.org/Data; Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/, OLADE (2023[27]), Energy Information System of Latin America and the Caribbean, https://sielac.olade.org/.

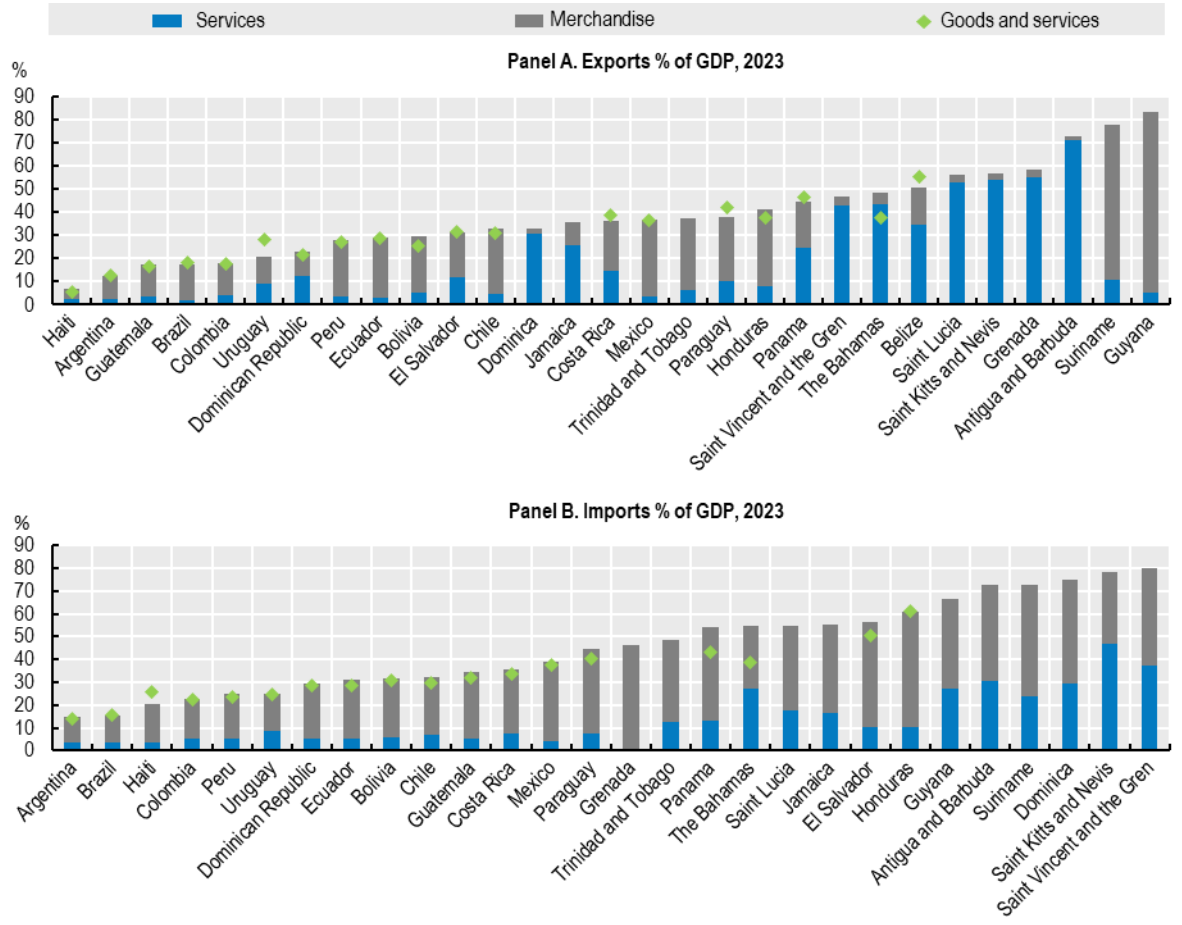
2.4. The impact of FDI on export diversification and GVC integration

2.4.1. Greenfield FDI is driving export diversification and industrial upgrading in LAC

The heterogeneous trade structure across LAC countries reflects the region's diverse economic profiles. In most LAC countries, exports and imports individually account for between 20% and 50% of GDP, underscoring the region's trade openness (Figure 2.32). However, significant variation exists, with some economies reaching up to 80% in trade activity. The composition of trade also varies significantly. Merchandise exports dominate in much of Latin America, reaching 28% in Chile and 33% in Mexico, while in several Caribbean economies, exports are driven primarily by tourism-related services, representing 50-70% of GDP. Imports are merchandise-based across all countries, representing up to 42% of GDP.

Figure 2.32. The composition of trade differs significantly among LAC countries

Trade (exports and imports) of goods and services by LAC economy, 2023, share of GDP



Note: Services and merchandise trade may not add up to total trade of goods and services as they are reported separately and may have differences in coverage and calculation methodologies.
Source: Based on WTO (2023[29]), WTO Statistics (database), https://data.wto.org/en.

2.4.2. FDI can play a crucial role in diversifying export baskets and increasing value added

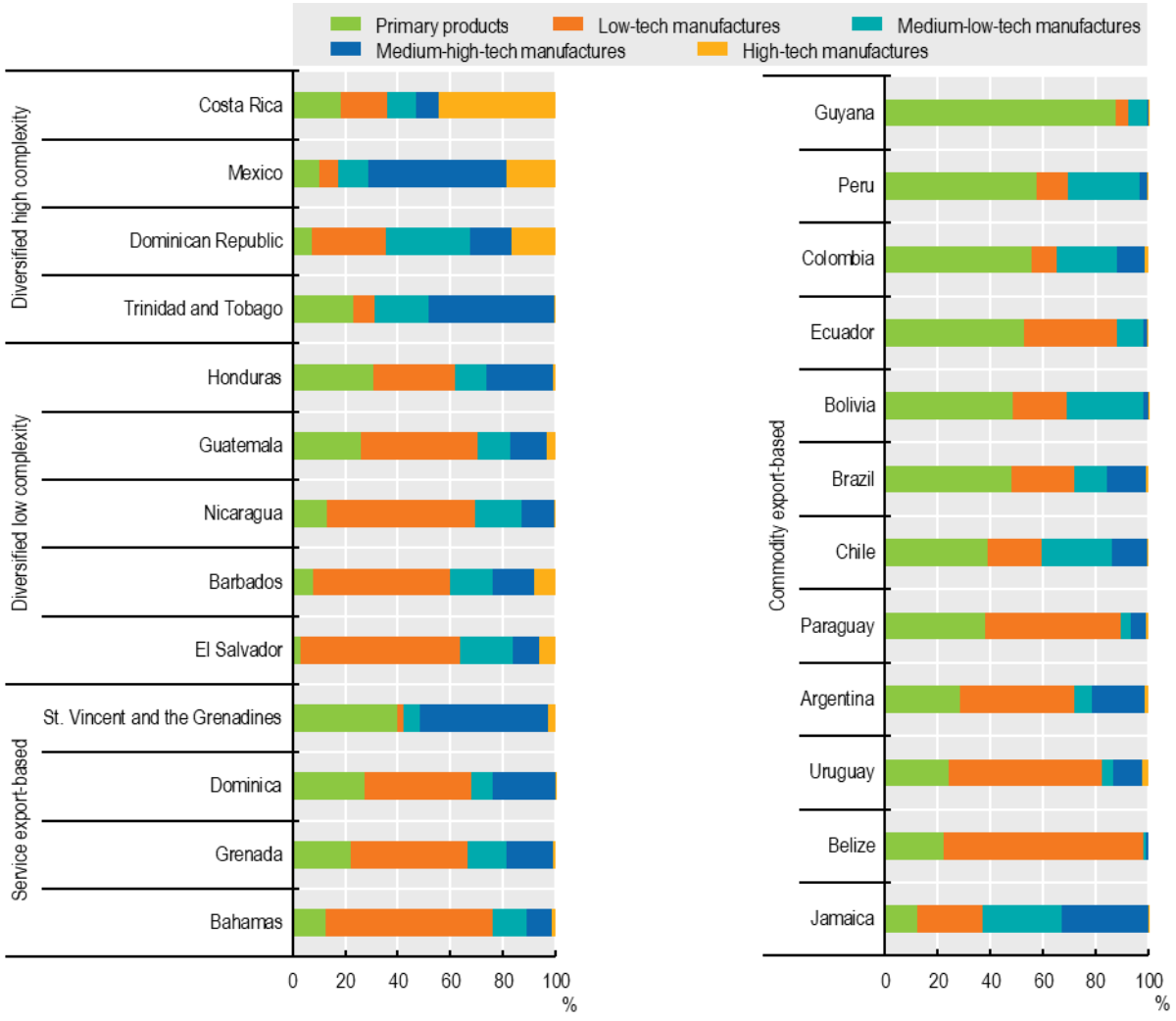
What a country exports matters as the structure and composition of a country's export basket can play a critical role in shaping its long-term growth. Empirical evidence shows that developing countries benefit from diversifying their exports and moving towards more sophisticated products, which are typically associated with higher productivity, greater potential for positive externalities and overall faster growth. Technologically advanced and skill-intensive exports are positively correlated with per capita income growth, especially in countries still below the technological frontier (Haussman, Hwang and Rodrik, 2006[30]; Hesse, 2008[31]; Carrasco and Tovar-García, 2021[32]). Moreover, diversification mitigates vulnerability to terms-of-trade shocks, reduces export instability and facilitates structural transformation (Hesse, 2008[31]).

While the export structure in LAC is diverse, many economies remain heavily reliant on commodities. In several countries, raw primary goods accounted for 24% to 88% of merchandise exports in 2023 (Figure 2.33). Many also export a high share of low-tech manufactures, often resource-based, reaching up to 57% of exports. Only a few economies, such as Costa Rica, the Dominican Republic and Mexico, have

more diversified and complex export baskets, with medium- and high-tech goods representing up to 80% of their merchandise exports. In contrast, other economies are diversified but reflect a lower economic complexity as they still concentrate on low-tech and primary exports, which together represent 60% to 70% of their export mix. Meanwhile, many Caribbean economies are heavily service-oriented, with services accounting for up to 97% of total exports and only a small share in primary or low-tech products.

Figure 2.33. Many LAC economies remain dependent on commodity-based exports

Merchandise export composition of LAC countries by economic profile, 2023

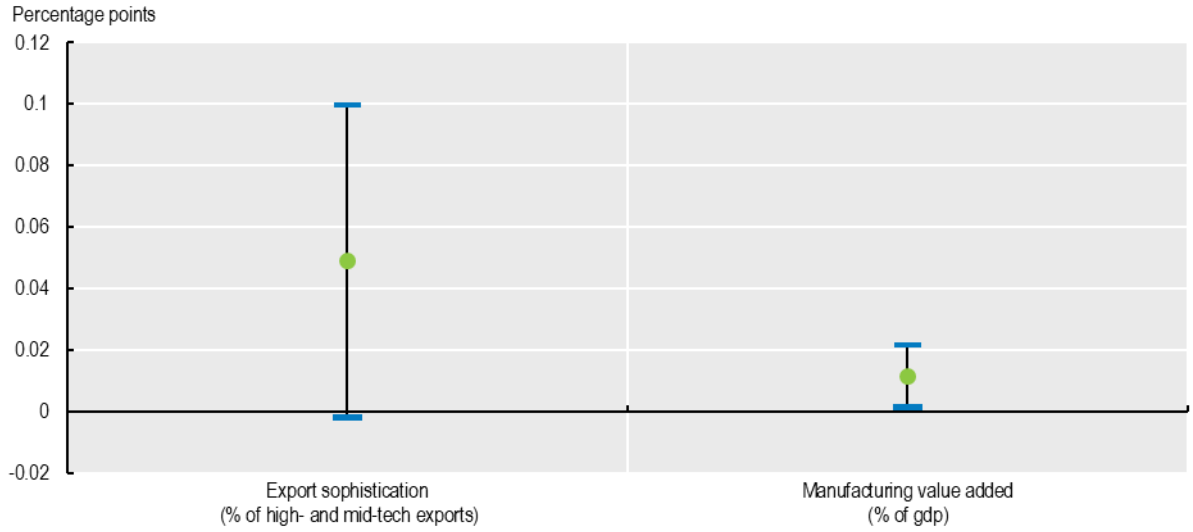


Note: Tech-intensity manufacturing groups are based on the OECD Technology Classification in ISIC Rev.3. Commodity export-based economies have more than 60% of their merchandise exports as raw commodities and resource-based products (Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Guyana, Jamaica, Paraguay, Peru, Suriname, Uruguay, Venezuela) (UNCTAD, 2023[33]). Service export-based economies exceed 45% in service trade (Antigua and Barbuda, the Bahamas, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines). Economies in the top 60 on the Economic Complexity Index (Costa Rica, the Dominican Republic, Mexico, Trinidad and Tobago) are categorised as diversified with high economic complexity (Harvard Growth Lab, 2023[34]). The remaining economies (Barbados, El Salvador, Guatemala, Honduras and Nicaragua) are categorised as diversified with low complexity.
Source: Based on WITS (2023[35]), World Integrated Trade Solution (database), https://wits.worldbank.org/.

FDI from strategic partners can amplify the benefits of productive transformation. FDI from the EU contributes significantly to diversification and industrial development in LAC as it is largely directed towards medium- and high-technology manufacturing. A 10% increase in EU capital expenditure is associated with a 0.05 percentage-point rise in the share of medium- and high-tech goods in total exports and a 0.01 percentage-point increase in manufacturing value added as a share of GDP (Figure 2.34) (Annex 2.B). These results point to the importance of attracting quality investment that is aligned with development priorities and directed towards sectors where the region has comparative advantages. Strengthening ties with partners that bring such investment can help maximise its impact on structural transformation.

Figure 2.34. EU greenfield investment has a positive impact on export sophistication and manufacture value added in LAC

EU greenfield FDI impact on export sophistication and manufacture value added

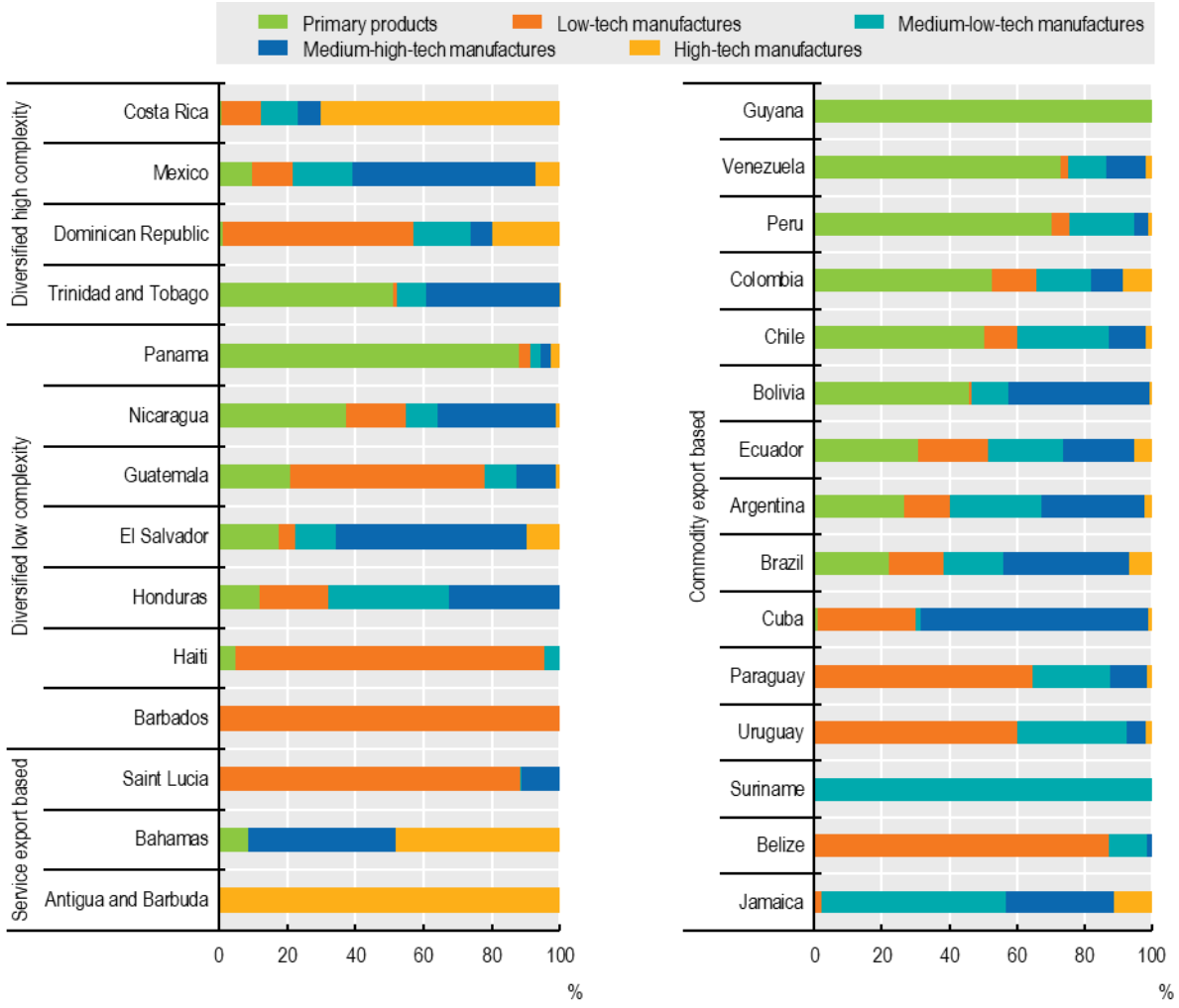


Note: The figure displays the estimated percentage-point impact of a 10% increase in one year lagged capital investment from announced FDI projects on the share of high- and mid-tech exports and on the share of manufacturing value added relative to GDP, along with their 95% confidence intervals.
Source: Based on Financial Times (2025[9]), FDI Markets (database) https://www.fdimarkets.com/; WITS (2023[35]), World Integrated Trade Solution (database), https://wits.worldbank.org/.

Over the past decade, a significant share of FDI has been directed toward sectors with medium levels of technological sophistication. In commodity-based economies, such as Argentina, Bolivia, Brazil, Chile and Uruguay, between 40% and 69% of merchandise-related FDI flowed into medium- and high-tech sectors, highlighting opportunities to diversify and upgrade their production structures (Figure 2.35). In diversified and complex economies, between 43% and 88% of FDI was channelled into medium- and high-tech industries. Services-exporting countries also attracted most investment in these segments, particularly in digital-oriented sectors such as ICT goods, electronic components and pharmaceuticals. Meanwhile, some less complex economies, such as Honduras and El Salvador, also received a relatively high share of FDI in medium- and high-tech sectors (68% and 78%, respectively), while others saw investment concentrate in primary and lower-tech activities, reflecting the current structure of their productive base.

Figure 2.35. A considerable share of greenfield FDI has been directed to medium- and high-tech sectors

Greenfield FDI, by LAC economic country groups and tech intensity, 2013-23



Note: Tech-intensity groups are based on the OECD Technology Classification. Capital investment corresponds to ISIC Rev.4 Divisions A–C, covering the primary sector and manufacturing industries.
Source: Based on Financial Times (2025[9]), FDI Markets (database) https://www.fdimarkets.com/.

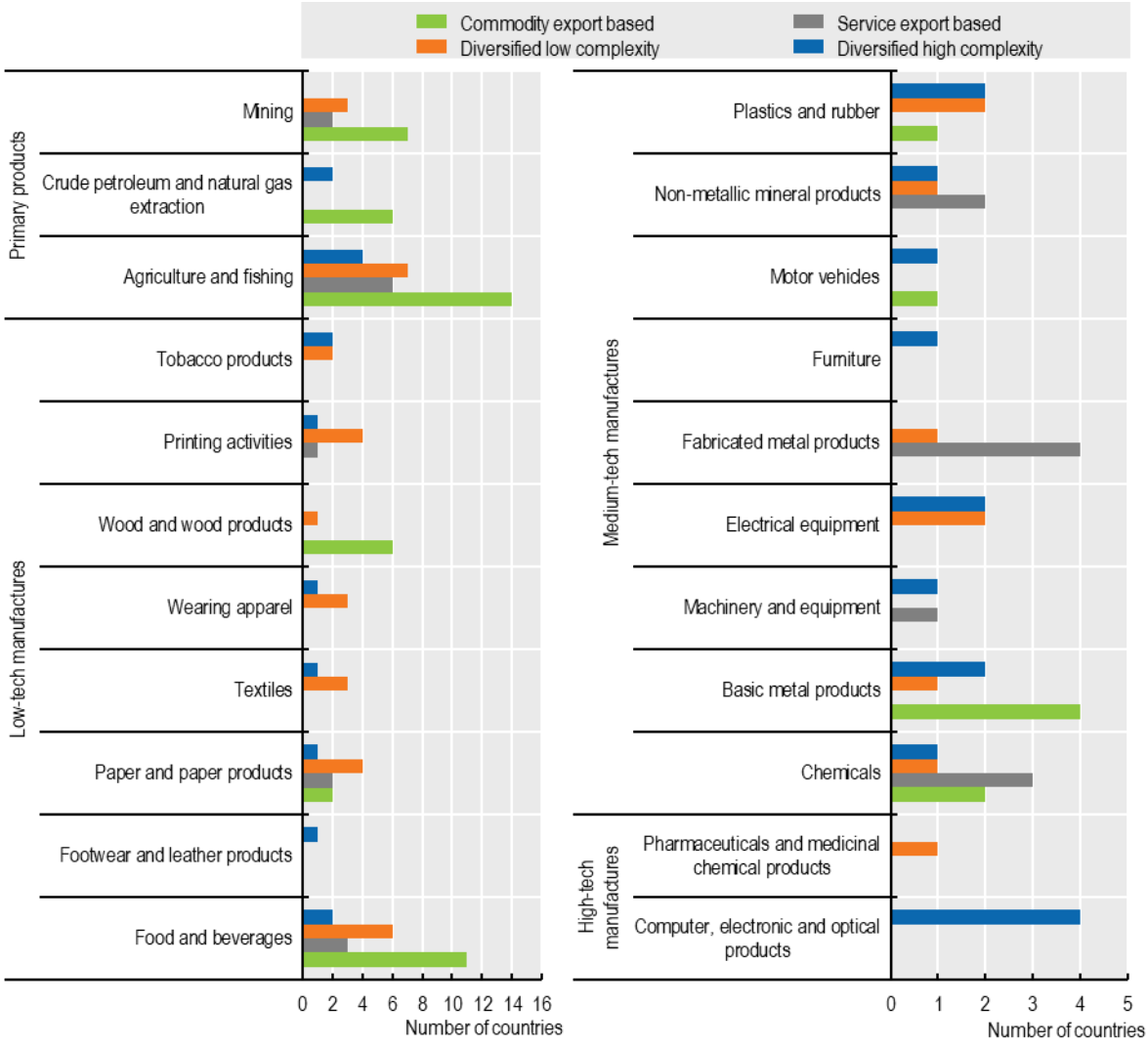
FDI in sectors that hold untapped potential can foster productive transformation. Revealed Comparative Advantage (RCA) analysis identifies these competitive strengths. RCA analysis shows that LAC countries tend to have competitive strengths in sectors aligned with their traditional export structures. RCA analysis identifies a country's key export strengths, providing a basis for diversification through related sectors rather than entirely new ones (Annex 2.C) (IMF, 2024[36]). Commodity-exporting economies exhibit RCAs in primary and low-tech manufactured goods, such as food and beverages. Diversified but low-complexity economies show RCAs in medium-tech manufacturing, while more complex economies display advantages in both medium- and high-tech sectors, pointing to their potential for further upgrading (Figure 2.36).

RCA also points to sectors that could support export diversification and higher value added. Beyond traditional strengths, some LAC countries show revealed comparative advantages in more technologically

intensive industries. Several commodity-based economies exhibit RCAs in medium-tech sectors, such as plastics, chemicals and metal products. Caribbean service-oriented economies, though focused on tourism, also show strengths in chemicals and metal products. Notably, a diversified low-complexity economy shows RCA in high-tech pharmaceuticals, while diversified high-complexity economies display RCAs in advanced sectors like electronics, computers and optical products. These patterns suggest untapped opportunities to shift into higher-value-added activities.

Figure 2.36. Sectors with RCA change widely by LAC countries

Number of countries with Revealed Comparative Advantages (RCA), by sector and tech-intensity group

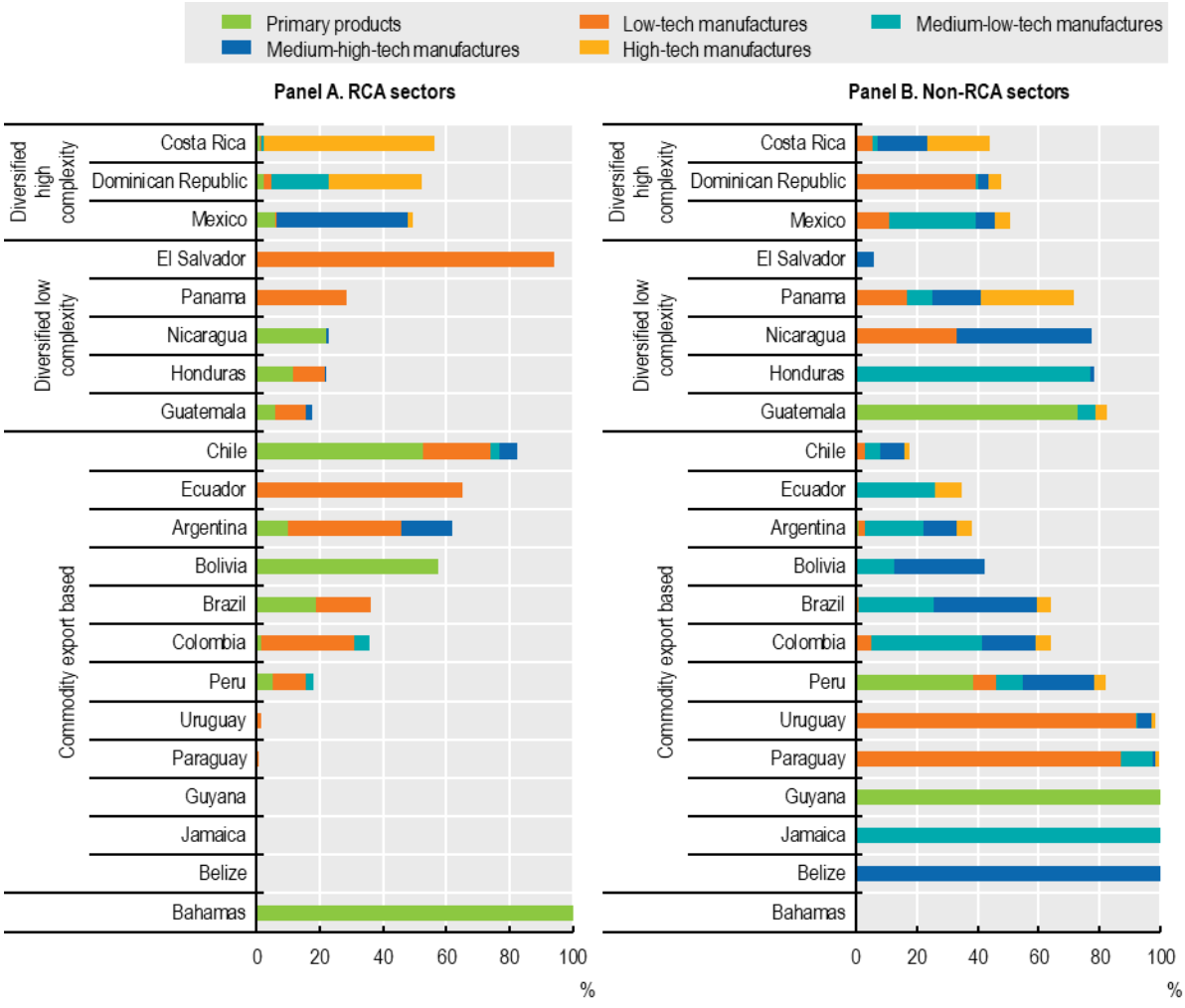


Note: Horizontal axis displays the number of countries that have a Revealed Comparative Advantage value (RCA) greater than 1 in each sector. RCA is calculated at the ISIC Rev.3 two-digit level following Balassa (1965[37]) methodology. Tech-intensity groups are based on the OECD Technology Classification in ISIC Rev.3. Commodity export-based economies have more 60% of their merchandise exports as commodities (Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Guyana, Jamaica, Paraguay, Peru, Suriname, Uruguay, Venezuela). Service export-based economies exceed 45% in service trade (Antigua and Barbuda, the Bahamas, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines). Economies in the top 60 on the Economic Complexity Index (Costa Rica, the Dominican Republic, Mexico, Trinidad and Tobago) are categorised as diversified with high economic complexity. The remaining economies (Barbados, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama) are categorised as diversified with low complexity.

Source: Based on WITS (2023[35]) World Integrated Trade Solution (database), https://wits.worldbank.org/.

Figure 2.37. EU greenfield FDI contribution to RCA and non-RCA sectors varies by LAC country and sector

Share of EU capital investment in RCA and Non-RCA sectors, by technological intensity, 2013-2023



Note: Tech-intensity groups are based on the OECD Technology Classification. Capital investment corresponds to ISIC Rev.4 Divisions A–C, covering the primary sector and manufacturing industries.
Source: Based on Financial Times (2025[9]), FDI Markets (database), https://www.fdimarkets.com/.; WITS (2023[35]), World Integrated Trade Solution (database), https://wits.worldbank.org/.

The alignment between EU FDI and sectors with revealed comparative advantages varies widely across LAC economies. In diversified and high-complexity economies, such as Costa Rica and Mexico, a significant share of EU investment (40% to 54%) has targeted medium-high- and high-tech RCA sectors, reinforcing export sophistication and supporting industrial upgrading (Figure 2.37, Panel A). These countries also receive investment in tech-intensive sectors where they currently lack an RCA, suggesting potential to absorb knowledge spillovers and develop new comparative advantages. In contrast, in countries that are commodity-export dependent or have diversified yet low-complexity economies, EU greenfield FDI is mainly directed toward primary sectors and low-tech manufacturing, reinforcing existing RCAs (Figure 2.37, Panel A). Given this investment pattern, there are opportunities to invest in more technology-intensive RCA sectors that could drive productive upgrading. In some of these countries, a larger share of EU greenfield FDI in non-RCA sectors flows into medium- and high-tech industries, which

can contribute to structural transformation and innovation (Figure 2.37, Panel B). In service-oriented economies, such as the Bahamas, EU greenfield FDI is concentrated in the primary sector, despite existing RCAs across various technology levels.

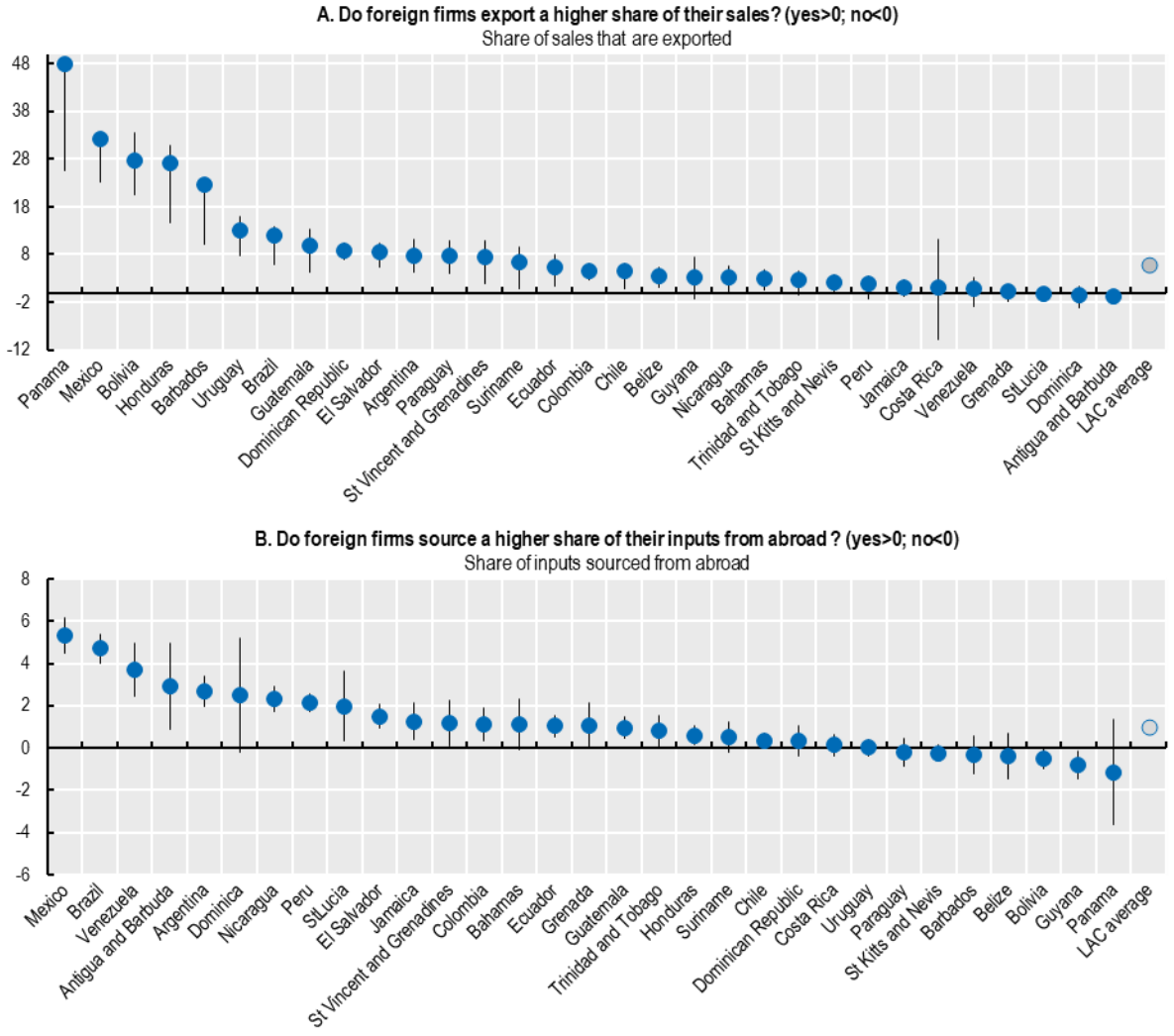
2.4.3. FDI reinforces LAC's resource-based, forward integration in GVCs

The alignment between EU-FDI and sectors with revealed comparative advantages varies widely across LAC economies. Integration into GVCs can be a powerful driver of economic diversification, job creation, local capability development and productivity growth. Foreign direct investment (FDI) plays a pivotal role in this process by connecting host economies to international production and distribution networks. Integration into GVC can occur through both backward and forward linkages. Backward GVC participation, measured as the share of foreign value added embodied in a country's exports, indicates the extent to which domestic production depends on imported inputs. Forward GVC participation, measured by the share of a country's domestic value added embodied in other countries' final demand, captures a country's role upstream in the value chain, supplying inputs rather than assembling final goods.

In LAC, as in most other regions, foreign firms are more deeply integrated into GVCs than their domestic counterparts. According to the FDI Qualities Indicators, in 28 out of 31 LAC countries, foreign firms export a higher share of their sales (Figure 2.38, Panel A). In 24 countries, they also rely more heavily on imported inputs (Figure 2.38, Panel B). These patterns highlight the critical role of foreign investors in deepening the region's participation in GVCs, particularly by fostering stronger trade linkages.

Figure 2.38. On average, foreign firms export a higher share of their sales and source a higher share of their inputs from abroad

Relative difference between foreign and domestic firms' outcomes, 2010-2023



Note: The indicators in panels A and B show the relative gap between the average outcomes of foreign and domestic firms, for example, the difference between the average share of sales that are exported of foreign and domestic firms, divided by the average share of sales that are exported of domestic firms. Positive values indicate that foreign firms outperform domestic firms (e.g. they export a larger share of their sales), while negative values suggest the opposite. Reference years vary across countries, ranging from 2010 to 2023.
Source: Based on World Bank (2023[16]), World Development Indicators, https://databank.worldbank.org/source/world-development-indicators.

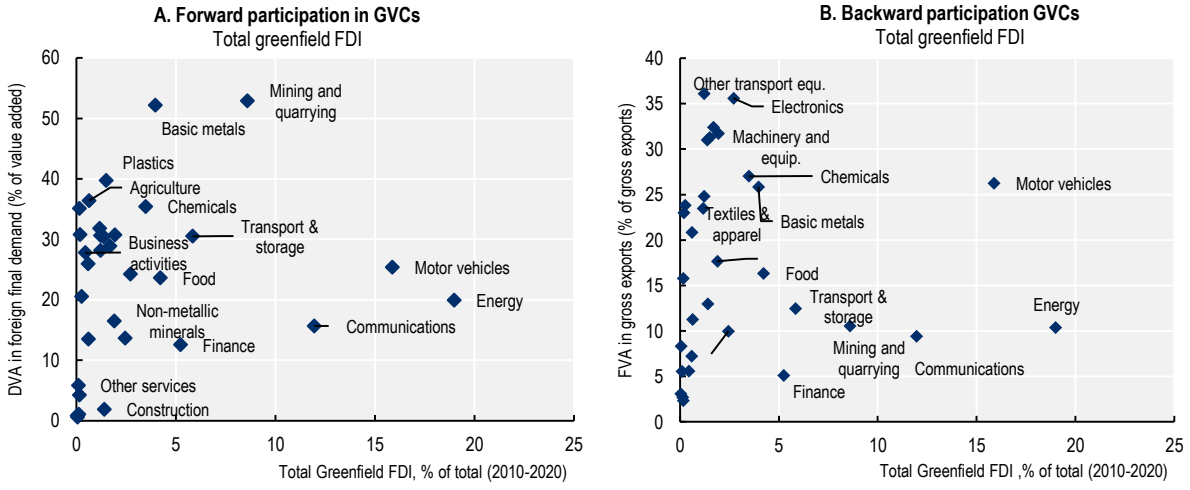
Despite the potential benefits of GVC integration, LAC's participation faces important structural challenges. Owing to the region's abundance of natural resources, most countries are primarily integrated through forward linkages, exporting natural resources and intermediate goods rather than higher-value final products. This resource-oriented pattern limits opportunities for industrial upgrading, diversification and the development of more sophisticated production capabilities.

The distribution of FDI further reinforces this challenge. Investment is largely attracted by natural resource endowments and domestic market size, which tends to deepen the country's reliance on resource-based sectors instead of fostering stronger participation in manufacturing or knowledge-intensive activities. The sectors attracting the largest shares of greenfield FDI in LAC are those that are predominantly forward-

integrated into GVCs, such as energy, and mining and quarrying, which primarily export raw materials for downstream production abroad (Figure 2.39, Panel A). Forward integration is also high in enabling services like communications, and transport and storage, which support a broad range of activities across value chains.

There are, however, some exceptions. The motor vehicles sector stands out, receiving relatively substantial investment and showing high levels of backward integration due to its reliance on imported components and intermediate inputs (Figure 2.39, Panel B). Similarly, some countries, notably Mexico, exhibit greater backward integration, reflecting stronger links to manufacturing value chains. Yet these remain exceptions, and overall, LAC's GVC integration continues to be constrained by its heavy dependence on natural resources. Greenfield FDI from the EU largely mirrors these patterns, with a strong concentration in natural resource-intensive sectors, particularly energy, that tend to be more forward-integrated into GVCs. The EU, however, also plays an important role in supporting investment in the motor vehicles sector, reinforcing backward linkages in this industry.

Figure 2.39. More FDI-intensive sectors tend to be more forward integrated in GVCs



Note: Forward participation in GVCs is measured by domestic value added in foreign final demand (% of value added). Backward participation in GVCs is measured by the share of foreign value added embodied in a country's gross exports (% of gross exports). Data are available for only six LAC countries: Argentina, Brazil, Chile, Colombia, Costa Rica and Mexico. Reference year is 2020. The cumulative sum of greenfield FDI between 2010-2020 is used as a stock measure for 2020.
Source: Based on OECD (2024[38]), OECD TiVA indicators https://data-explorer.oecd.org/?pg=0&bp=true&snb=14&tm=TIVA; Financial Times (2025[9]), FDI Markets (database) https://www.fdimarkets.com/.

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Annex 2.A. Empirical model to estimate the effect of FDI on the energy mix

This analysis draws on fixed-effects panel regressions to assess the impact of greenfield FDI on three renewable energy outcomes. The model covers 16 LAC countries over the period 2003-2023 and is specified as follows:

$$y_{it} = \beta_0 + \beta_1 \cdot \ln(\text{capital investment}_{it-2}) + \gamma \cdot \text{controls}_{it} + \delta \cdot \text{FE}_{it} + \epsilon_{it}$$

Where y_{it} is one of the following dependent variables for country i in year t:

1. **Renewable energy supply per capita**

Measures the amount of renewable energy available per person, expressed in tons of oil equivalent (toe) per 1 000 inhabitants. It reflects the intensity of renewable energy supply relative to population size, offering insights into access and distribution of clean energy.

2. **Renewable energy supply per unit of output**

Captures the volume of renewable energy supplied per unit of economic output, measured in toe per million USD of GDP (PPP). It serves as a proxy for the energy intensity of the economy, indicating how efficiently renewable energy is integrated into production.

3. **Share of renewables in the primary energy matrix**

Represents the proportion of a country's primary energy derived from renewable sources. It reflects the level of renewable energy integration in the national energy matrix and the shift away from fossil fuel dependence.

All dependent variables are sourced from OLADE-sieLAC, a comprehensive regional database that compiles and harmonises energy statistics for Latin America and the Caribbean.

The main explanatory variable is the **2-year lagged capital investment** from renewable energy announced projects, capturing delays between project announcements and operational impact. It is sourced from the *Financial Times* fDi Markets database, which tracks cross-border greenfield investment.

Control variables include electricity consumption (MWh per 1 000 people), 2-year lagged public investment in renewable energy (as a percentage of GDP) and capital investment in renewable energy originating from the rest of the world. Regressions include country and year fixed effects, and standard errors are clustered at the country level.

The results reflect robust empirical associations, but do not establish causal relationships.

Annex 2.B. Empirical model to estimate the effect of FDI on export sophistication, diversification and manufacturing value added.

This analysis draws on fixed-effects panel regressions to evaluate the impact of capital investment from announced greenfield projects on two key outcomes. The model covers 28 LAC countries over 2003-2023 and is specified as follows:

$$y_{it} = \beta_0 + \beta_1 \cdot \ln(\text{FDI capital investment}_{it-1}) + \gamma \cdot \text{controls}_{it} + \delta \cdot \text{FE}_{it} + \epsilon_{it}$$

Where y_{it} is one of the following dependent variables for country i in year t:

1. **Export sophistication**

Measures the share of medium- and high-technology goods in total merchandise exports. This indicator reflects the complexity and technological advancement of a country's export structure. Data from exports are sourced from the World Integrated Trade Solution (WITS) and classified according to the OECD Technology Classification in ISIC Rev. 3.

2. **Manufacturing value added**

Represents the manufacturing sector's contribution to GDP, expressed as a percentage. It captures the level of industrial upgrading and structural transformation within the economy. Data are sourced from the World Development Indicators of the World Bank.

The explanatory variable is the **1-year lagged capital investment from FDI**, capturing the delayed effect of project implementation.

Control variables include GDP per capita, trade openness (trade as % of GDP), financial development (private sector credit as % of GDP) and infrastructure (fixed broadband subscriptions per 100 people). Regressions include country and year fixed effects, and standard errors are clustered at the country level.

Results are reported for capital investment originating from the EU, while controlling for -year lagged capital investment from the rest of the world.

The results reflect robust empirical associations, but do not establish causal relationships

Annex 2.C. Assessing Revealed Comparative Advantages in LAC countries

The Revealed Comparative Advantage (RCA) analysis identifies sectors where a country exports more intensively than the global average, indicating areas of relative export strength. This tool is relevant to support export diversification, which typically occurs by strengthening existing competitive sectors and expanding into related areas rather than entering entirely new markets (IMF, 2024[36]). RCA analysis may also help guide trade policy by identifying sectors that benefit from improved market access and informing public investment to boost competitiveness. Moreover, by signalling advantageous sectors, RCA can contribute to attract and channel FDI, fostering productive transformation, and deeper regional and global integration (ECLAC, 2022[39]; Melo and Gonçalves, 2023[40]).

RCA values are calculated at the ISIC Rev.3 two-digit level following the (Balassa, 1965[37]) methodology:

$$\mathrm{RCA_{Ai}} = \frac{\frac{X_{Ai}}{\sum_j X_{Aj}}}{\frac{X_{wi}}{\sum_j X_{wj}}}$$

Where:

X_{Ai} : country A's exports of sector i

X_{wi} : world's exports of sector i

$\sum_j X_{Aj}$: country A's total exports of all sectors

$\sum_j X_{wj}$: world's total exports of all sectors

An RCA value equal or above 1 indicates a revealed comparative advantage in a given sector.

Source: (Balassa, 1965[37])

3 FDI in support of inclusive labour market outcomes: A closer examination of the EU contribution

This chapter examines the role of foreign direct investment (FDI) in shaping labour market outcomes in Latin America and the Caribbean (LAC), focusing on employment creation and the quality of jobs generated. It assesses the contribution of FDI to key dimensions of job quality, such as wages, job stability, working hours, labour formality, access to social security, opportunities for skills development and training, and gender equality. This chapter provides a comparative assessment of job creation by major investors in the region, with a special focus on the contribution of investment from the European Union (EU).

3.1. Summary

The establishment of new foreign business operations (or greenfield FDI) generated about 5.5 million direct jobs in Latin America and the Caribbean (LAC) between 2003-2024. This is equivalent to roughly 4.4% of formal employment in the region and underlines the importance of greenfield FDI for employment generation. Job creation in the region was particularly strong over the past decade: LAC accounted for 12% of global greenfield FDI-related jobs, well above the region's share of the world's population and of foreign investment. The region also recorded the second highest job creation intensity in the world, with nearly 3 000 jobs generated per USD billion invested. Notably, LAC was the only region to see an increase in FDI job intensity over time; that is, the number of jobs created per USD billion invested. This reflects an investment shift from capital-intensive sectors, such as mining, fossil fuels and telecommunications, towards more labour-intensive activities like manufacturing, transport and storage, business services and digital services.

Over the past decade, manufacturing has been the main engine of job creation in LAC, generating 54% of total greenfield FDI-related jobs. The motor vehicles sector alone contributed nearly 20% of all greenfield FDI-related employment, largely concentrated in Mexico. Services accounted for another 35%, with digital services emerging as the most dynamic segment, representing 12% of total greenfield FDI employment in 2014-2024. The energy sector recorded the fastest job growth, with employment in renewable energy more than doubling during the last decade, rising from 1% to 3% of total greenfield FDI jobs, albeit from a relatively low base. Overall, these shifts reflect the broader re-allocation of investment toward activities tied to digital transformation and the energy transition.

Owing to their significant share of total greenfield FDI in LAC, the European Union (EU) and the United States (U.S.) were the two largest sources of greenfield FDI employment in the region, together accounting for nearly 60% of all jobs created by foreign investors. Between 2003 and 2024, EU greenfield FDI generated 1.6 million jobs, more than any other investor, though its share of total greenfield FDI-related employment fell slightly from 30% to 27% as other investors expanded their presence in labour-intensive activities. In particular, the United States expanded investments in digital services, while China increased investments across various manufacturing industries. EU greenfield FDI-related job creation has also become more geographically concentrated: between 2014 and 2024, Mexico absorbed 42% of all EU-related FDI jobs, while employment generation linked to EU greenfield investment declined in Brazil and several other markets.

Over the past two decades, the profile of EU job creation in LAC has evolved significantly. The share of EU greenfield FDI jobs linked to the priority sectors of the EU-LAC Global Gateway Investment Agenda (GGIA), including digital, green energy and health, rose from 23% in 2003-2013 to 35% in 2014-2024. More than half of EU-related jobs are still in manufacturing, especially in motor vehicles, food and beverages, and electrical equipment. Services account for 36% of EU jobs, with information and communication services emerging as the most dynamic area of growth and now accounting for 13% of EU-related employment in the region. Within this sector, the emphasis of EU investment has shifted from telecoms infrastructure, more prominent in the previous decade, towards digital services. Digital services have become a significant source of EU-driven job creation, particularly in countries such as Argentina, Mexico and Brazil. The renewable energy sector has also grown strongly, responsible for 6% of total EU greenfield FDI-related jobs in 2014-2024, an increase of 3 percentage points compared to the previous decade.

The job intensity of EU investment in LAC has increased slightly over the past two decades, averaging about 2 500 jobs per USD billion invested, lower than the 3 200 jobs generated by US investment and the 2 880 linked to Chinese investment. This pattern reflects the EU's strong focus on capital- and technology-intensive sectors, such as renewables, and high-tech manufacturing, a focus further reinforced by the priorities of the GGIA. Although there has been some re-orientation toward more labour-intensive activities,

particularly digital services, EU investment in LAC remains concentrated in sectors that generate relatively few jobs per unit of capital.

While job creation is an important policy objective, the quality of job opportunities created is equally critical. FDI in LAC contributes positively to several key dimensions of job quality: foreign firms are more likely to offer permanent contracts and pay higher wages than domestic firms. In some countries, such as Bolivia and El Salvador, the foreign wage premium is greatest among low-wage workers, helping reduce inequality at the bottom of the pay scale. They also tend to employ a higher share of women; however, they are not more likely than domestic firms to promote women to leadership roles. Overall, the concentration of greenfield FDI in male-dominated sectors, such as medium- and high-tech manufacturing, energy, mining and quarrying, and transport and storage, may perpetuate gender disparities in the labour market as women are less likely to benefit from the higher-quality jobs typically generated by foreign firms in capital- and technology-intensive sectors.

EU greenfield investment in LAC is associated with higher-quality jobs. In Brazil, Uruguay and Guatemala, over 80% of EU greenfield FDI-related employment is concentrated in sectors where average wages are 1.5 to 1.8 times higher than the national average. These sectors also show a lower incidence of low-wage employment compared to the broader economy. Moreover, EU greenfield FDI-intensive sectors are characterised by higher levels of labour formality and better social security outcomes. In Brazil, for example, nearly 90% of workers in these sectors are employed under formal contracts. Similar patterns are observed in Colombia and Uruguay, where EU-invested sectors exhibit higher rates of pension coverage and access to health insurance. On average, EU affiliates in the region reported the highest average wages in capital- and technology-intensive sectors, including chemicals, computers and electronics, pharmaceuticals, and information and communication services.

EU greenfield investment also appears to play a positive role in supporting skills development in LAC. Although investment projects targeting education and training activity make up less than 1% of total FDI, EU investors represent around 32% of these investments, with more than half directed to manufacturing and supporting the development of technical skills. In addition, sectors with a strong EU presence tend to employ a more qualified workforce: in Brazil, for instance, 85% of workers in sectors with a strong EU presence have completed secondary or tertiary education compared to 69% in sectors with limited or no EU investment.

EU greenfield investment in LAC is heavily concentrated in male-dominated industries, such as manufacturing and energy, where female participation remains low. By contrast, in sectors with higher female employment, including education, and professional and technical services, EU affiliates typically offer lower wages than those found in male-dominated industries, mirroring broader cross-industry pay gaps. This pattern indicates that EU investment may risk reinforcing existing gender inequalities in LAC labour markets.

3.2. The role of FDI in supporting job creation

3.2.1. Greenfield FDI created 12% direct jobs in LAC in the last two decades

FDI, particularly greenfield projects, plays a critical role in job creation. Greenfield FDI involves the establishment of new production facilities or business operations from the ground up, directly contributing to employment generation in host countries. Beyond the immediate jobs created, greenfield investment also stimulates indirect employment through supply chain linkages as foreign firms engage with local suppliers, service providers and distributors (OECD, 2022[1]). While FDI has played a role in supporting employment across LAC, the scale and distribution of job creation vary widely depending on sectoral focus and investment characteristics (Box 3.2).

Statistics on jobs created by FDI are not systematically collected in most countries. Project-level data on greenfield FDI provide a valuable alternative, offering comparable estimates of direct employment creation across countries. Although these figures do not necessarily reflect the exact number of jobs generated as they are often based on investor announcements, they give a useful indication of the employment impact of such investments (see Box 3.1).

Over the past two decades, greenfield FDI has generated around 5.5 million direct jobs across the LAC, equivalent to 12% of global greenfield FDI employment (Figure 3.1, Panel A). While this share is lower than that of Europe and Central Asia (28%), and East Asia and the Pacific (26%), which together account for more than half of all FDI-generated jobs worldwide, it remains significant as it exceeds LAC's 8% share of the global population. FDI has also been relatively employment-intensive in the region. Between 2014 and 2024, LAC attracted about 10% of global greenfield FDI capital investment, a slightly smaller share than its contribution to job creation, suggesting that investment projects in the region tend to create proportionally more jobs. Measured against LAC's domestic labour markets, the impact is also notable. Between 2003 and 2024, greenfield FDI-created jobs represented about 4.4% of formal employment in LAC, a share comparable to Europe and Central Asia (4%), higher than in East Asia and the Pacific (3.5%) and North America (2.3%), though below Sub-Saharan Africa (5%) and South Asia (8%).

Box 3.1. Measuring the direct employment impact of FDI

Assessing the direct employment effects of foreign direct investment (FDI) is challenging, especially for cross-country or sectoral comparisons. Official FDI statistics, usually based on surveys of foreign-owned firms, provide valuable macroeconomic information, but rarely include detailed data on jobs created.

To address this gap, many analyses use greenfield FDI project data, which offer a consistent and comparable measure of direct job creation across countries. These figures indicate the number of jobs projects announce or are estimated to create rather than verified employment outcomes.

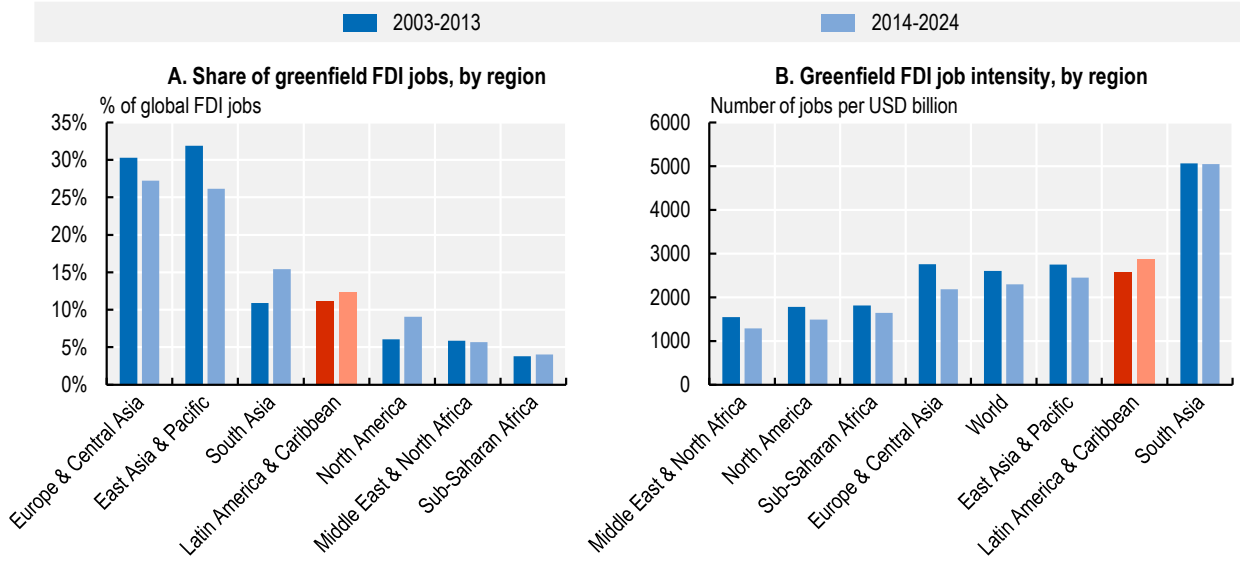
One widely used source is the *Financial Times*' *fDi Markets* database, which compiles project-level information on company activities, capital investment and employment. Where direct figures are unavailable, jobs and investment are estimated using a standardised proprietary methodology. While this approach differs from official government data, it allows for systematic analysis of FDI-related employment effects that are otherwise not captured in national statistics.

To fully understand the impact of FDI on employment in LAC, it is important not only to consider the total number of jobs generated, but also the extent to which investment translates into employment, measured by the number of jobs generated per USD billion invested. Greenfield FDI in LAC is estimated to have generated nearly 3 000 direct jobs per USD 1 billion invested in 2014-2024, second only to Southeast Asia (Figure 3.1, Panel B). FDI-driven job intensity varies significantly across regions, shaped by both sectoral composition and the geographical distribution of investment. South Asia exhibits the highest job intensity, supported by robust FDI in business services, alongside investment in relatively more labour-intensive manufacturing activities (OECD, Forthcoming[2]). In LAC, job intensity is bolstered by FDI in the manufacturing sector, particularly in Mexico, as well as increasing flows into digital and business services. North America and Europe's lower job intensity reflects a concentration of FDI in tech-intensive sectors such as information and communication technology (ICT). In the Middle East and North Africa (MENA) and Sub-Saharan Africa, FDI is primarily in capital-intensive industries, including energy, extractives and real estate, resulting in limited direct employment impact (OECD, Forthcoming[2]).

LAC is the only region where the job intensity of FDI increased between the last two decades (2003-2013 and 2014-2024). This indicates that FDI in the region shifted toward more labour-intensive sectors or activities, enhancing the potential contribution of greenfield FDI to employment generation. In particular,

greenfield FDI declined in capital-intensive sectors, such as mining, fossil fuels, telecommunications and financial services, areas that have historically generated relatively few jobs. At the same time, FDI expanded in more labour-intensive sectors, such as food, beverages and tobacco, and transport and storage. Notably, some re-allocation within sectors has also taken place. For example, within the broader information and communication sector, FDI has shifted from traditional telecommunications toward digital services, which tend to be more labour-intensive. These sectors not only offer higher employment per unit of investment, but also gained a larger share of total FDI, contributing significantly to the rise in overall job intensity during the last two decades. Notably, in the post-COVID years (2019-2024), job intensity has shown a declining trend in line with global trends driven by different factors, including inflation and redirection of FDI toward capital-intensive sectors, such as renewable energy (OECD, Forthcoming[2]).

Figure 3.1. One USD billion of greenfield FDI in LAC generates nearly 3 000 new jobs



Note: The aggregate for LAC excludes Aruba, the Bahamas, Bermuda, Cayman Islands, Curaçao, Turks and Caicos.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

Box 3.2. FDI impact on employment creation in LAC

Foreign direct investment has contributed to employment creation across Latin America and the Caribbean, though its overall impact remains modest and shaped by sectoral composition, investment modality and local economic structure.

Macroeconomic studies point to a positive association between FDI inflows and employment growth, both in the Caribbean (Craigwell, 2006[4]) and in Latin American economies (Modrego et al., 2022[5]) (Vacaflores, 2011[6]). A study on Mexican states finds that FDI reduces the overall unemployment rate, but does not have significant impacts on informal sector employment and unemployment duration (Sharma and Cardenas, 2018[7]). Employment gains in Latin American countries tend to be more significant in countries with more stable macroeconomic conditions and low inflation (Vacaflores, 2011[6]).

At the sector level, the most consistent employment effects are observed in manufacturing and export-oriented industries. In Mexico, for example, FDI has had a statistically significant impact on employment (Saucedo, Ozuna and Zamora, 2020[8]), though the scale has been relatively limited and concentrated

in blue-collar roles within capital-intensive, export-focused industries (Waldkirch, 2011[9]) (Waldkirch, Nunnenkamp and Alatorre Bremont, 2009[10]). These jobs are often tied to export platforms, especially in industries like automotive and electronics. Yet the magnitude of employment creation is modest and employment gains tend to diminish in higher-skill, technology-intensive segments (Nunnenkamp and Alatorre, 2007[11]).

Moreover, while greenfield FDI is generally more labour-intensive than mergers and acquisitions, its job creation potential can be curtailed when the investment is concentrated in capital-intensive activities. In Mexico's automotive sector, for example, large-scale greenfield projects expanded production capacity, but relied heavily on automation, limiting local employment impact despite strong export growth (Ramírez, 2000[12]).

Indirect employment effects, such as those generated through linkages with local suppliers, have been weaker than expected in much of the Caribbean. Structural constraints, such as small domestic markets, limited capabilities among local firms and low integration into global value chains restrict the extent to which FDI can generate spillover-driven job creation (Sanchez-Martin, de Pinies and Antoine, 2015[13]). In larger countries like Brazil, foreign capital is linked to positive impacts on the labour market, especially regarding human capital development (Arbache, 2004[14]).

Taken together, the evidence suggests that, while FDI can support employment in LAC, its effect is far from automatic. Policy efforts that enhance workforce skills, strengthen domestic supplier networks and align FDI attraction with inclusive employment goals are essential to maximising job creation.

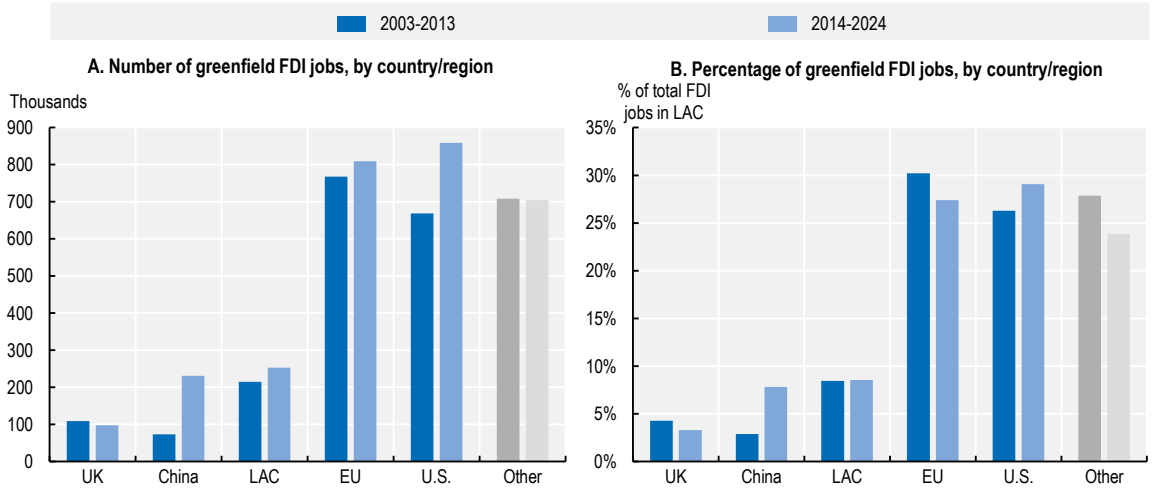
3.2.2. The European Union and the United States have contributed considerably to job creation in LAC

Greenfield FDI from the European Union and the United States plays a particularly important role in job creation across LAC. Between 2003 and 2024, investors from the EU were the leading source of FDI-related employment in the region, generating nearly 1.6 million direct jobs, followed closely by investors from the United States, with 1.5 million jobs (Figure 3.2, Panel A). Combined, these two sources accounted for nearly 60% of all greenfield jobs created in LAC over the past two decades (Figure 3.2, Panel B). In order of magnitude, the direct jobs created by EU and US investors combined were equivalent to around 2.5% of formal employment during the same period. Investors from within the LAC region also made a notable contribution, generating about 9% of total FDI jobs. Other important investors included China and the United Kingdom, which contributed 6% and 4% of total FDI-related jobs, respectively.

The relative importance of major investor countries in FDI-related job creation has shifted over the past two decades. Except for the United Kingdom, all major investors increased their employment generation in the most recent decade (2014-2024) compared to the earlier period (2003-2013). EU investments generated over 800 000 jobs between 2014 and 2024, representing an increase of over 40 000 compared to the previous decade (Figure 3.2, Panel A). While EU FDI-related employment experienced growth in absolute numbers, its share of total FDI-related employment in LAC declined slightly from 30% to 27%, indicating that EU job creation grew more slowly than the regional average (Figure 3.2, Panel B). This occurred even though the EU's share of capital investment in LAC remained relatively constant at around 30% across both decades, suggesting that EU investment became less labour-intensive over time and shifted toward more capital-intensive sectors, like renewable energy (see Chapter 1). The United States recorded a more substantial increase, generating an additional 190 000 greenfield FDI-related jobs in 2014-2024 compared to 2003-2013 (Figure 3.2, Panel A). This expansion raised the US share of total employment from greenfield FDI by 3 percentage points, up to almost 30% of total greenfield FDI-related jobs (Figure 3.2, Panel B).

China experienced the most pronounced growth, more than doubling its share of FDI-related employment in the region from 3% to 8%. This trend closely mirrored the rise in its share of FDI capital investment in LAC over the same period (see Chapter 1). Investors from the LAC region contributed to 9% of total greenfield jobs during 2014-2024, maintaining the same share as in the previous period. The United Kingdom was the only major investor to experience a decline in both absolute job creation and relative share, with its contribution falling from 4% to 3%. These trends highlight both the enduring significance of traditional investors, such as the European Union and the United States, and the rising influence of newer players like China in shaping the employment landscape linked to greenfield FDI in LAC.

Figure 3.2. Combined US and EU investors accounted for nearly 60% of all FDI jobs in 2014-2024



Note: The aggregate for LAC excludes Aruba, the Bahamas, Bermuda, Cayman Islands, Curaçao, Turks and Caicos.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

The contribution of greenfield FDI to job creation and the relative importance of different investor countries vary significantly across LAC economies. Between 2014 and 2024, FDI-related employment was heavily concentrated in the region's largest markets, with Mexico alone accounting for 46% of total greenfield FDI jobs, followed by Brazil (16%) and Colombia (7%) (Figure 3.3, Panel A). While these major economies dominated job creation across all sources of FDI, their respective contributions reveal distinct regional patterns (Figure 3.3, Panel B). EU greenfield FDI was the leading source of FDI-related employment in several South American countries, most notably in Argentina (37%), Brazil (31%), Chile (40%) and Uruguay (55%), as well as in Caribbean economies such as Cuba (49%) and the Dominican Republic (35%). In contrast, the United States held a stronger position in Central America and Mexico, where it accounted for 32% of total FDI job creation, surpassing the EU's 25% share in those sub-regions.

Over the past two decades, the overall distribution of FDI-related jobs across LAC countries remained relatively stable, with only a few economies experiencing significant shifts in the volume or composition of job creation between 2003-2013 and 2014-2024. In South America, Chile and Colombia, for example, followed contrasting trajectories: Chile experienced a moderate decline in FDI-related employment, largely due to reduced inflows from traditional partners, such as the United States and the United Kingdom, while Colombia saw a modest increase, supported by steady investment from the United States and the European Union and growing contributions from intra-regional sources.

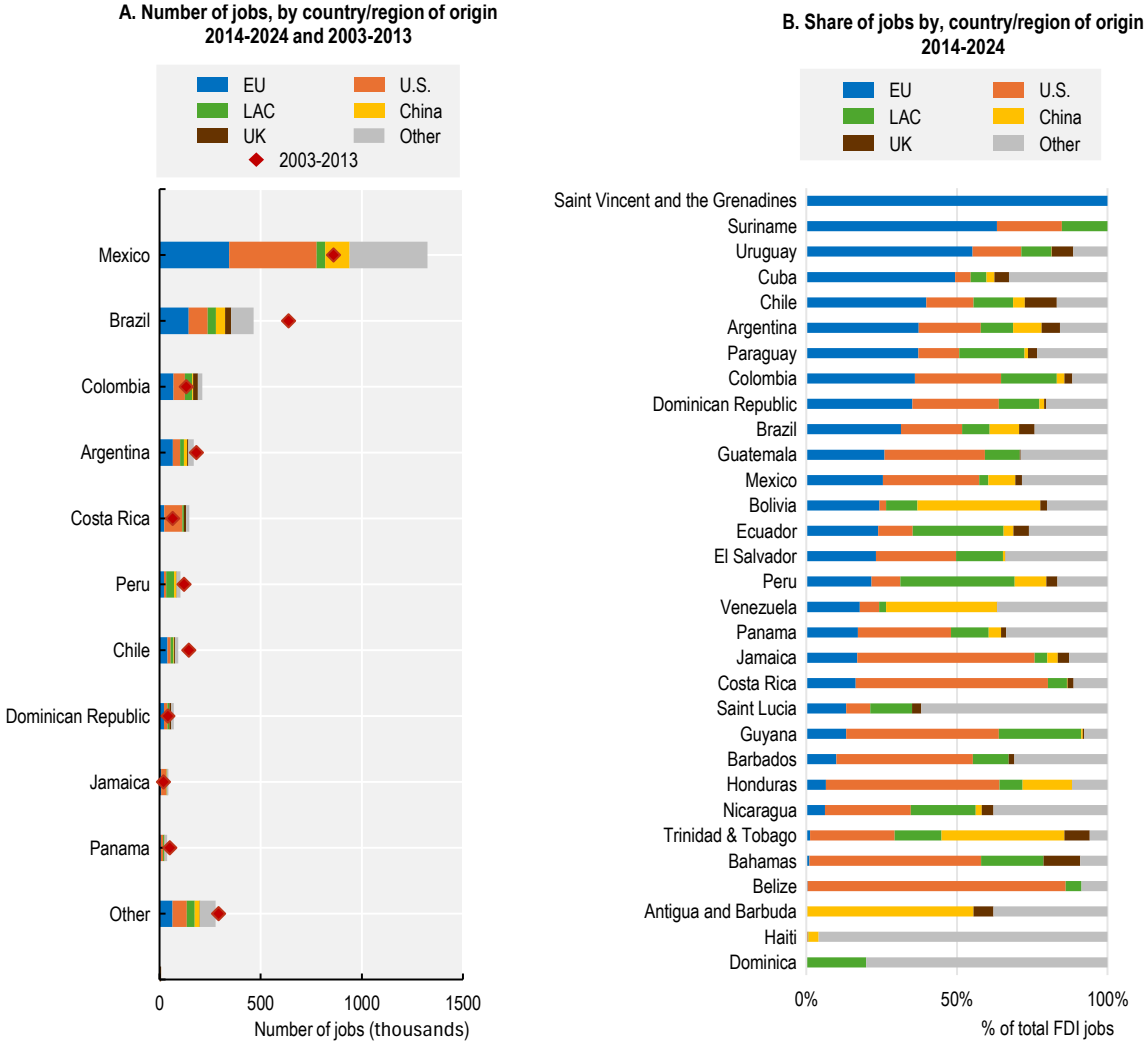
Among smaller economies, several also registered meaningful changes. Panama, for example, saw a moderate decline in FDI-related employment, driven by the United Kingdom and the European Union. Costa Rica saw a substantial increase, benefiting from deeper integration into high-value global supply

chains and strong investor interest from OECD partners. In the Caribbean, the Dominican Republic saw a 50% job increase over the two decades, supported by US and EU investment, and new announcements from Asia. FDI jobs in Jamaica more than doubled, driven by US investment. Guyana recorded one of the strongest increases in the region, driven by large-scale investment in its emerging oil and gas sector, particularly from the United States, regional investors and the European Union.

At the regional level, the most significant structural shifts were shaped by trends in Mexico and Brazil. Mexico experienced a strong increase during the 2014-2024 period, led by rising investment from the United States and China, and reflecting tighter integration into North American manufacturing networks. In contrast, Brazil saw a net decline, driven by reduced job creation from the EU in the manufacturing sectors (see Box 3.3 for a detailed exploration of job creation trends in Mexico and Brazil).

While the largest economies in LAC naturally attract the highest volumes of investment and account for the majority of FDI-related employment, smaller developing economies can realise greater relative gains. In many of these countries, FDI often represents a higher share of GDP compared to larger or more advanced economies. In such contexts, even modest FDI inflows can have a significant impact on labour markets, given the smaller size of the working-age population and more limited domestic investment capacity. In environments where alternative sources of capital and industrial upgrading are scarce, FDI has the potential to play a more transformative role, creating jobs and serving as a catalyst for economic diversification and skills development.

Figure 3.3. Mexico accounts for nearly 50% of all greenfield FDI jobs generated in LAC



Note: In panel B, countries are ranked according to the share of FDI jobs created by EU investors.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

Box 3.3. FDI job creation trends in Mexico and Brazil

Mexico and Brazil together account for over 60% of total greenfield FDI-related job creation in Latin America and the Caribbean, as well as a comparable share of overall greenfield FDI inflows into the region. Combined, they also represent more than half of the region's total population. Given their dominant role, trends in these two economies are crucial to understanding the broader employment impact of FDI across the region. Changes in the volume, source or sectoral focus of FDI in Mexico and Brazil disproportionately shape regional dynamics, driving patterns of job creation, industrial upgrading and deeper integration into global value chains throughout Latin America and the Caribbean.

In Mexico, total FDI-related employment increased by 58%, rising from 860 000 jobs in 2003-2013 to more than 1.35 million in 2014-2024 (Figure 3.3, Panel A). As a rough point of comparison, average total employment grew by about 21% over the same period, indicating that FDI-related jobs expanded at a much faster pace than overall employment. The United States was the main contributor to FDI jobs

growth, accounting for approximately 27% of the increase. This underscores the significance of geographic proximity and deep supply chain integration. US-related employment growth was driven primarily by investments in information and communication, and motor vehicle manufacturing. China also emerged as a major new player, contributing nearly 23% of Mexico's FDI job growth. This increase was driven primarily by increases in motor vehicle manufacturing, as well as strong growth in electrical equipment, machinery and furniture manufacturing, highlighting a growing investment relationship likely due to shifts in global production networks. The EU accounted for 19% of the growth, representing 28% of total FDI-related employment in 2014-2024. The largest contributions came from the manufacture of motor vehicles; trailers and semi-trailers; and information and communication.

Brazil experienced a marked decline in greenfield FDI-related job creation. Between 2014 and 2024, nearly 180 000 fewer FDI jobs were generated compared to the previous decade (Figure 3.3, Panel A). In contrast, average total employment increased by around 8% during the same period, showing that the downturn was specific to FDI-related jobs rather than a reflection of broader labour market dynamics. The decline in FDI-related jobs was largely driven by a reduction in EU investment, which resulted in almost 100 000 fewer jobs, accounting for close to 60% of the overall decline. The drop in EU-related jobs was especially pronounced in motor vehicle manufacturing and construction. At the same time, there were notable increases in areas such as renewable electric power generation and food, beverages and tobacco manufacturing, highlighting a partial re-orientation of EU investment toward more capital-intensive, sustainable and consumer-oriented sectors.

The number of jobs created by the United States also dropped, decreasing by 27%, largely due to reduced investment in the manufacturing of motor vehicles, and machinery and equipment. Nevertheless, some investors expanded their presence, partially offsetting the decline. FDI-related employment from LAC investors nearly doubled, mostly due to an increase in the number of jobs created in the retail sector. Similarly, jobs generated by Chinese greenfield investment increased by nearly 60%, driven by transportation and storage, and manufacture of electrical equipment. These trends might point toward a restructuring in Brazil's investment landscape, with the declining presence of traditional partners in job-intensive sectors, partially balanced by a shift toward more capital-intensive sectors and an increasing engagement from regional and emerging players. The observed decline in greenfield FDI in Brazil's automotive sector might reflect a predominantly domestic-market orientation in which incumbents have already installed sufficient capacity to serve local demand, alongside ongoing industry restructuring. Despite this, the EU remained the leading source of FDI employment in Brazil, responsible for 31% of total greenfield FDI jobs in 2014-2024.

Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

3.2.3. More than half of greenfield FDI jobs in LAC were created in the manufacturing sector

During 2014-2024, manufacturing accounted for more than half of greenfield FDI-related employment in LAC, followed by services, which generated 35% of total FDI-related jobs (Figure 3.4). Energy, agriculture, construction and mining together represented only around 11% of total FDI employment. This sectoral distribution differs markedly from the region's overall employment structure, where manufacturing represented just 11% of total jobs and services around 65% (ECLAC, 2023[15]). This suggests that greenfield FDI creates a disproportionately higher share of jobs in manufacturing than in services, thereby diverging from prevailing labour market patterns.

Compared with the previous decade, the composition of FDI-driven jobs shifted significantly. The most notable change was in the energy sector, where FDI job creation doubled, mostly driven by jobs in renewable energy, reflecting the region's rising positioning as an attractive destination for renewable

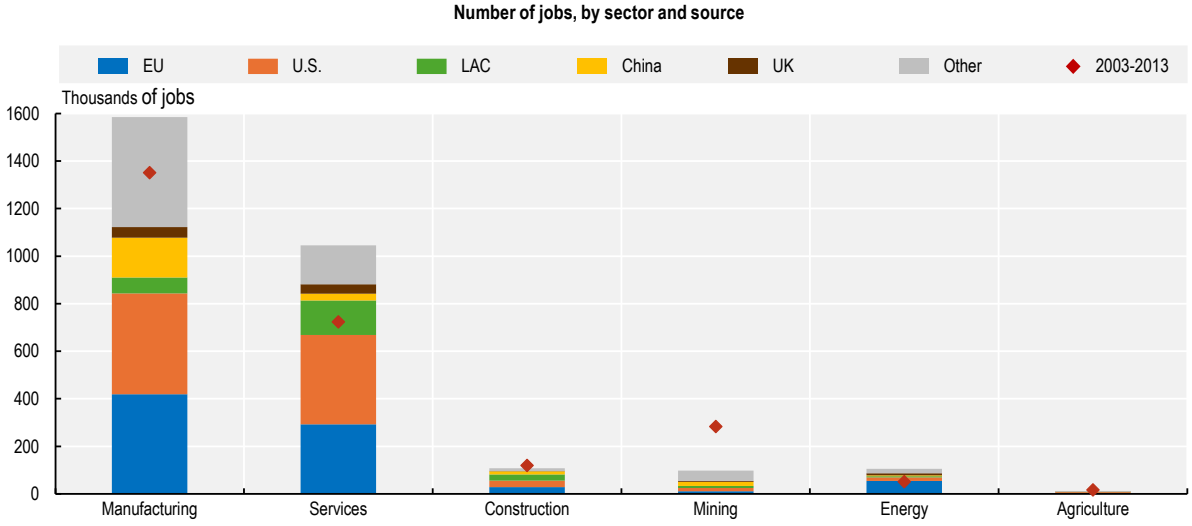
energy investment (see Chapter 1). Services also expanded strongly, with FDI jobs rising by 45%, while manufacturing saw a more moderate increase of 18%. In contrast, FDI jobs in resource-based sectors contracted, with mining declining by 66% and agriculture by 27%. Job creation in the construction sector also declined. These shifts point to a re-orientation of FDI toward greener and more service-oriented economic activities.

Between 2014 and 2024, the sectoral composition of FDI-related job creation in LAC varied considerably by investor origin, reflecting distinct strategic priorities. Investors from the EU were the main source of greenfield FDI jobs in the energy sector, accounting for 52% of total jobs, far ahead of other investors, including those from the United States (14%), the United Kingdom (9%), LAC (5%) and China (3%). This reflects the European Union's strong orientation toward energy, and in particular, renewable energy investment. In manufacturing, investors from both the European Union and the United States were the primary sources of FDI-related employment, each contributing approximately 26% of total FDI jobs. Investors from China followed with 11%, while investors from the region and the United Kingdom accounted for smaller shares. Job creation in services was led by investors from the United States, which accounted for 36% of total FDI jobs, followed by EU investors with 28%. Investors from LAC contributed 14%, indicating a significant intra-regional component. China and the United Kingdom accounted for 4% and 3% of service sector jobs, respectively.

Other sectors showed more balanced investor participation. In construction, investors from the European Union, the United States and LAC accounted for comparable shares of FDI jobs (24-26%), with China contributing 13% and the United Kingdom less than 1%. In mining, despite a broader decline in total FDI jobs, job creation was more concentrated, with investors from China leading (19% of jobs in the sector), followed by investors from the United States (15%), the European Union (11%) and LAC (8%). In agriculture, investors from the United States led with 30% of total FDI employment, followed by investors from the EU (27%) and regional investors (16%), while the United Kingdom and China had a more marginal role.

Figure 3.4. Manufacturing accounted for over 50% of all jobs generated by greenfield FDI

Number of jobs created by greenfield FDI in LAC, by origin country/region, 2003-2013 and 2014-2024



Note: The sectoral aggregates presented refer to the ISIC Rev.4 sectoral classification.
Source: Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

FDI jobs in LAC are significantly concentrated across a narrow set of subsectors and countries. In 2014-2024, the motor vehicles industry alone accounted for over half a million jobs in the manufacturing sector,

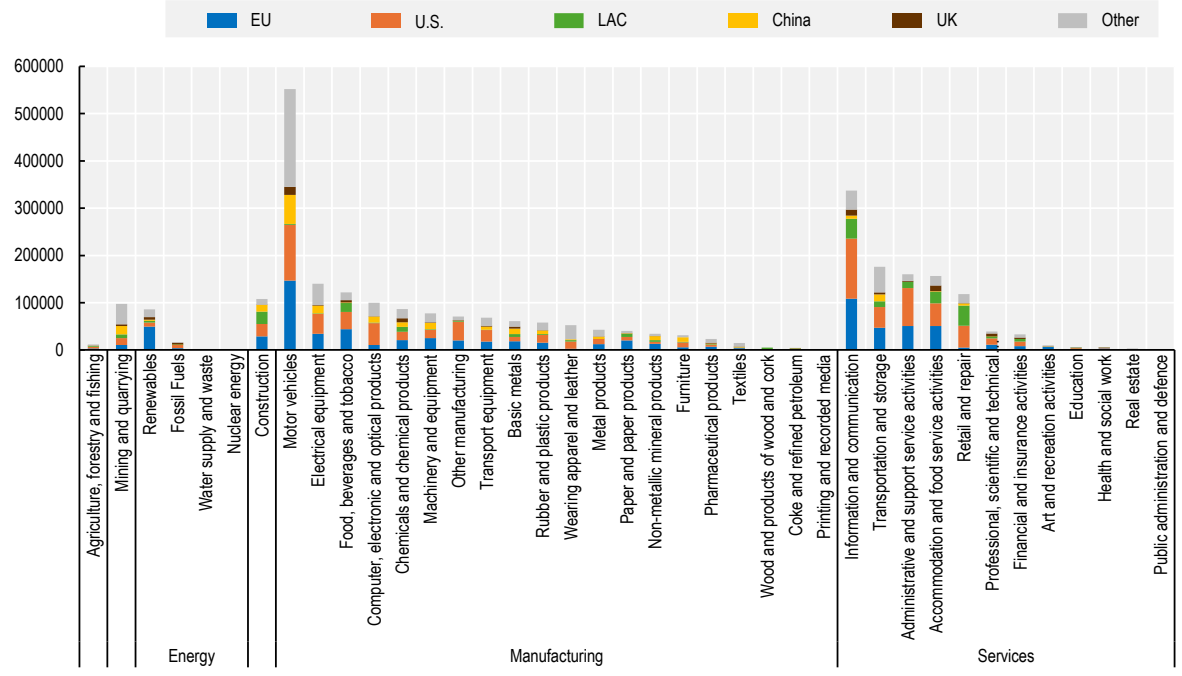
nearly 20% of all FDI-related employment. Investors from the European Union and the United States were the top contributors, responsible for more than half of the FDI jobs in the sector, reflecting broad international interest in the LAC automotive sector.

Mexico captured the bulk of motor vehicles FDI jobs, with nearly 78% of the regional total, followed by Brazil with 13% and Argentina with 5% (Financial Times, 2025[3]). The strong geographic concentration reflects the robust industrial capabilities and established value chains in these countries, particularly Mexico, which has positioned itself as a global automotive manufacturing hub thanks to its competitive labour costs and proximity to the US market. Excluding Mexico, the motor vehicle subsector accounts for only 8% of total FDI jobs across the rest of LAC, where manufacturing jobs are more evenly distributed.

Within services, information and communication emerged as the primary driver of FDI job creation. Greenfield FDI in the sector generated approximately 337 000 jobs during 2014-2024, equivalent to 12% of the regional total. The United States and the European Union again emerged as key players, while LAC-based investors also played a notable role, accounting for 11% of total FDI jobs in the sector.

Figure 3.5. Motor vehicles accounts for almost 20% of total greenfield FDI jobs

Number of greenfield FDI jobs in LAC, by sector and origin country/region, 2014-2024



Note: The sectoral aggregates presented refer to the ISIC Rev.4 sectoral classification.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

ICT-related employment also exhibited a more balanced geographical distribution than manufacturing. While Mexico still accounted for the largest share (30%), other countries also captured significant portions: Brazil accounted for 20%, Colombia 13%, Argentina 12% and Costa Rica 9%. This more balanced distribution reflects the broader geographic reach of digital and technology-related investments, which are less dependent on large-scale industrial infrastructure and more sensitive to factors such as skills availability, connectivity infrastructure and supportive regulatory environments. In contrast, other service subsectors, such as finance and professional services, generated comparatively limited employment, pointing to more constrained FDI engagement in these areas.

3.2.4. Job creation by EU investors was substantial in sectors prioritised by the EU-LAC Global Gateway Investment Agenda

EU greenfield FDI-related job creation in LAC is undergoing a structural transformation, increasingly aligning with the core priorities of the EU-LAC Global Gateway Investment Agenda (GGIA), namely digital sectors, climate and green energy, health, education, and sustainable transport (see Box 1.2 in Chapter 1). While total EU greenfield FDI-related job creation in the region grew by a modest 6% between 2014 and 2024 compared to the previous decade, this aggregate figure masks significant shifts in sectoral composition. The share of EU-related jobs in sectors targeting EU-LAC GGIA's priorities rose from 23% to 35%. These job creation trends mirror a deeper re-allocation of EU investment capital, with FDI flows increasingly targeting technology-intensive and sustainability-oriented sectors (see Chapter 1). This shift reflects both the strategic orientation of the EU-LAC GGIA and evolving corporate priorities to support greener, more digital and socially inclusive development pathways in LAC.

Manufacturing remained the largest source of greenfield FDI-related jobs from EU investors, accounting for just over half of all jobs created between 2014 and 2024. Job creation became concentrated in fewer subsectors: motor vehicles remained the dominant sector, jobs in food, beverages and tobacco nearly doubled and electrical equipment also recorded notable gains. At the same time, job creation declined in basic metals, and computer and electronic products, which together accounted for a net loss of over 30 000 jobs.

Services accounted for approximately 36% of all EU greenfield FDI jobs in LAC between 2014 and 2024 (Figure 3.6). Digital sectors, a priority for the EU-LAC GGIA, recorded the most dynamic growth in job creation. The share of EU greenfield FDI-related jobs in information and communication services increased from 16% to 19%, largely driven by the expansion of software development and information technology (IT) services (see 3.2.6 below). These activities generated over 50 000 net new jobs, with growth concentrated in Argentina, Mexico and Brazil. Meanwhile, employment in telecommunications and ICT hardware declined, pointing to a shift from infrastructure deployment to digitally enabled services.

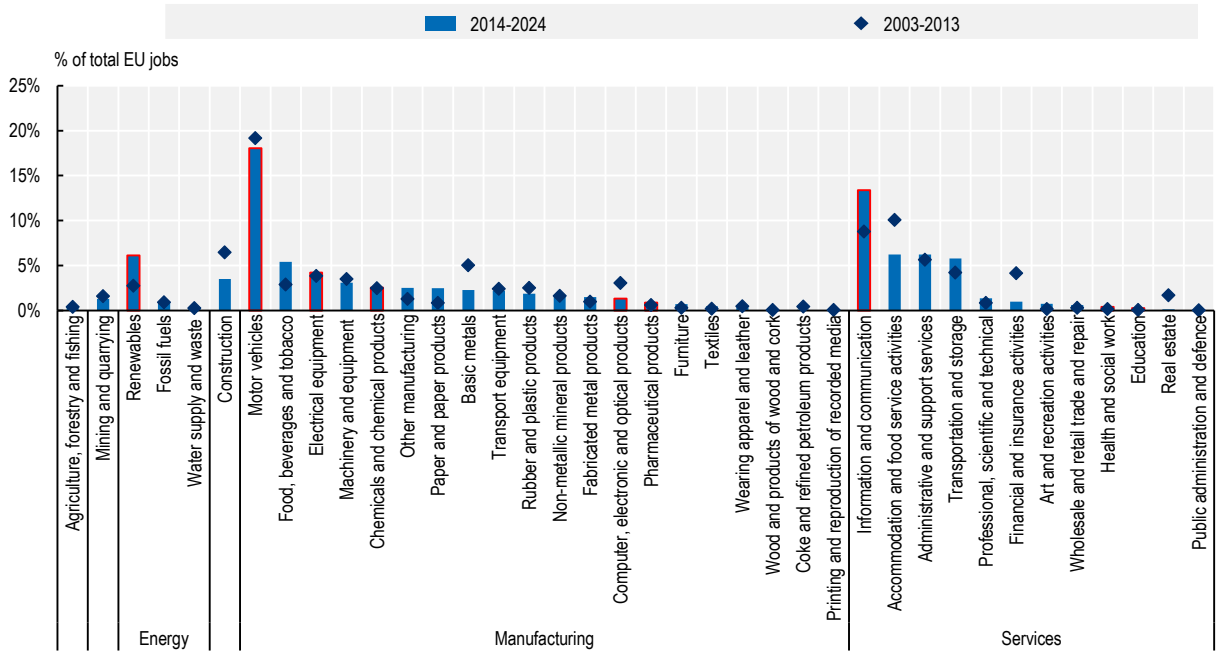
The broader services sector showed mixed results. Employment in transportation and storage increased significantly. Administrative and support services also recorded moderate growth. In contrast, several more traditional service industries contracted. Accommodation and food services recorded the largest decline, down by almost 26 000 over the two decades, while financial services and real estate also saw substantial reductions.

Other priority sectors of the EU-LAC GGIA – education and health – also recorded significant growth in FDI-related job creation. Jobs created in education increased nearly fivefold over the period, reflecting growing investor interest in human capital development, training and institutional capacity-building in the region. In health-related industries, jobs in pharmaceuticals, medical instruments, health services and chemicals grew from 4.5% to around 11% of total EU FDI-related jobs. Growth was strongest in medical instruments, where jobs nearly tripled, followed by steady gains in health services and pharmaceuticals. By contrast, the chemical sector maintained a stable share of jobs, accounting for 2.5% of total EU-FDI jobs.

Jobs created by EU investors in the renewable energy sector, a central pillar of the EU-LAC GGIA, doubled in both absolute and relative terms, rising from 3% to 6% of total EU FDI jobs in LAC. Nearly 50 000 jobs were created in the sector between 2014 and 2024 compared to 21 000 in the previous decade. In contrast, job creation in fossil fuel-based power generation declined, signalling a gradual shift away from carbon-intensive activities. Similarly, green transport, particularly electric motor vehicles, experienced strong growth, with its share of total EU FDI-related jobs increasing nearly fourfold, from 1% to 5%. This surge reflects the EU's deepening engagement in sustainable mobility and infrastructure development across the region.

Figure 3.6. Motor vehicles, and information and communication account for the largest shares of jobs generated by EU greenfield investors

Sectoral distribution of EU greenfield FDI jobs in Latin America and the Caribbean, % of total EU jobs, 2003-2013 and 2014-2024



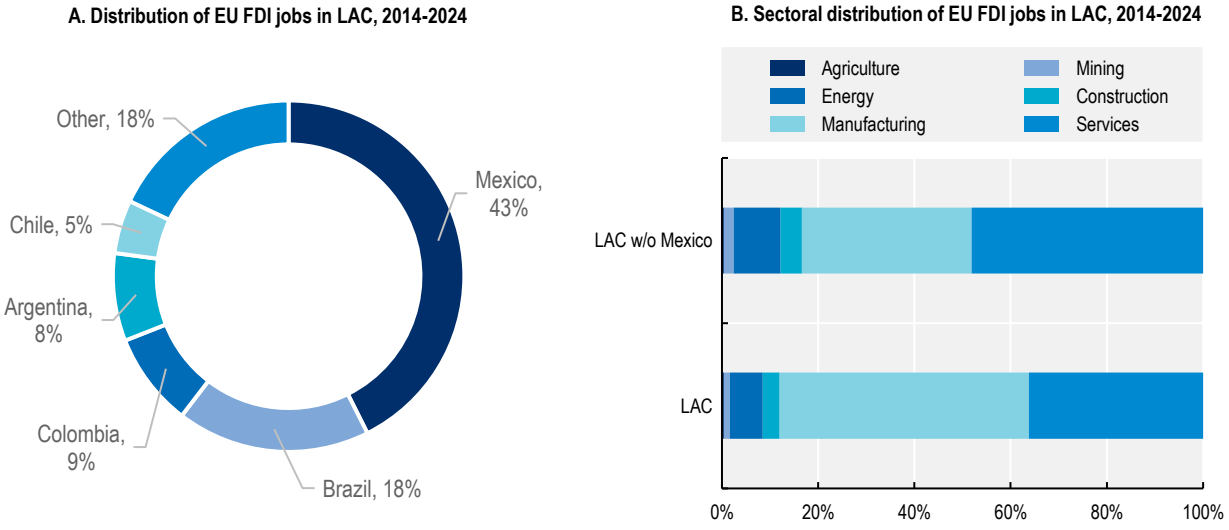
Note: The sectoral aggregates presented refer to the ISIC Rev.4 sectoral classification.
Note: Bars with red borders indicate sectors that align with partnership areas under the EU-LAC Global Gateway Investment Agenda (See Box 1.2 in Chapter 1). Partnership areas: digital (information and communication, electronics, electrical machinery); climate and energy (renewable energy); transport (electric motor vehicles within "Motor vehicles"); health (chemicals, pharmaceuticals, medical instruments, health and social work). Investments in education and research are cross-cutting in nature and cannot be captured within the ISIC Rev. 4 sector classification.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

Between 2014 and 2024, EU-related job creation became more geographically concentrated, with Mexico emerging as the main recipient. During this period, Mexico accounted for 43% of all EU greenfield FDI-related jobs in the region, up from 33% in 2003-2013. In contrast, Brazil's share fell sharply, from 33% to 18%, reflecting lower levels of EU investment, particularly in motor vehicles and basic metals (Box 3.2). If Mexico is put aside, EU greenfield FDI-related job creation across the rest of LAC declined by around 10%. This underscores Mexico's growing importance as a key destination for EU investment and a primary driver of greenfield FDI-related job creation in the region.

The sectoral composition of EU greenfield FDI-related employment in LAC changes notably when Mexico is excluded from the analysis. In this scenario, manufacturing accounts for 35% of total EU greenfield FDI-related jobs. Within manufacturing, food, beverages and tobacco becomes the top employment-generating sector, accounting for 7% of total jobs, up from 4% in 2003-2013. In contrast, the motor vehicles sector contributes only 5%, marking a sharp decline from 15% in the previous decade. This drop primarily reflects reduced job creation in Brazil's motor vehicles industry, historically a key destination for EU manufacturing investment. In parallel, services emerge as the leading sector of EU greenfield FDI-related employment in the rest of the region. Information and communication activities account for 18% of total jobs, followed by administrative and support services (10%), and accommodation and food services (8%). The renewable energy sector also gains relative importance, making up 9% of EU FDI-related jobs, up from 3% in the

previous decade. This highlights the rising significance of green investments in smaller and mid-sized economies, such as Chile.

Figure 3.7. EU FDI jobs are concentrated in few countries



Note: The sectoral aggregates presented refer to the ISIC Rev.4 sectoral classification.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

3.2.5. The bulk of EU affiliates' employment is found in labour-intensive services sectors

Employment data from EU-controlled firms operating in Brazil, Mexico, Argentina, Chile, Uruguay and Venezuela, available through Eurostat's Foreign Affiliates Statistics (FATS), provide additional insights into the employment contribution of EU investment in the region. Unlike greenfield FDI data, which capture employment generated through the establishment of new facilities or operations, FATS data reflect longer-term employment within established EU affiliates in LAC, offering a more comprehensive view of durable job creation.

In 2022, the most recent year for which data are available, the six LAC countries accounted for approximately 16% of total extra-EU employment by EU affiliates. This figure highlights the region's considerable role in the global operations of EU multinationals. In absolute terms, EU affiliates employed an estimated 2.7 million individuals across the six countries. EU's affiliates' employment is highly concentrated in Brazil and Mexico, which together represent over 80% of the total (Figure 3.8, Panel A). Brazil alone accounts for more than one million jobs, or approximately 49% of the regional total. Mexico follows with 34%. Argentina and Chile, with 8% and 7%, respectively, while Uruguay and Venezuela each account for less than 2%. As a point of comparison, EU affiliates accounted for about 2% of total formal employment across the six countries in 2022. Their relevance, however, varies by country: EU affiliates represented around 2% of formal employment in Argentina and Brazil, 3% in Chile and Uruguay, 4% in Mexico, and only 0.2% in Venezuela (Figure 3.8, Panel A). While their overall share may appear modest, the contribution of EU affiliates to employment is economically meaningful, reflecting their role in job creation and fostering economic linkages with the EU.

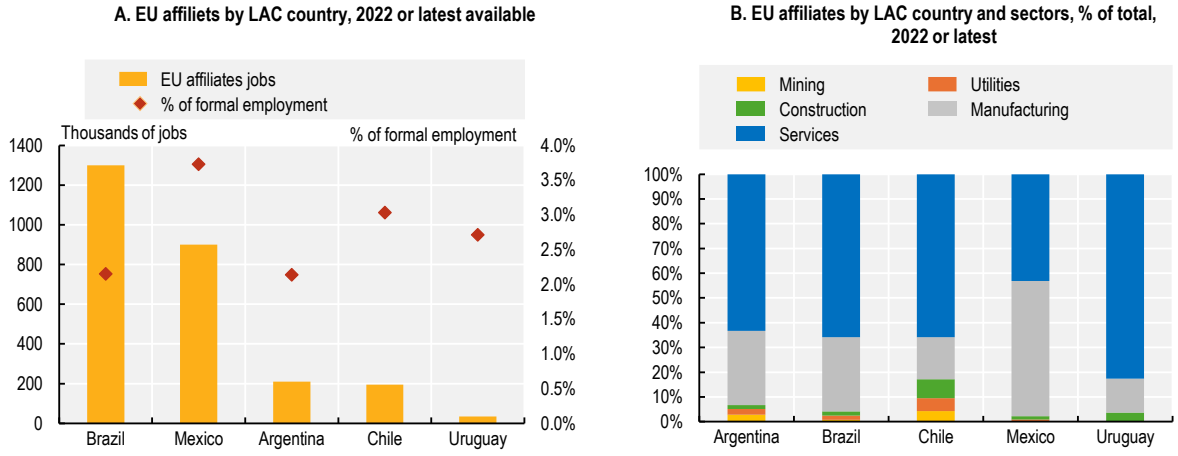
EU affiliate employment is predominantly service based. Services account for 60% of total employment, while manufacturing represents 36%. The remaining employment is spread across construction, extractive industries and utilities. Within the services sector, employment is concentrated in business-oriented and knowledge-intensive activities. Retail trade is the largest subsector, accounting for 21% of total services employment, followed by administrative and support services at 20%, and professional and scientific

activities at 17%. The information and communication sector accounted for 14% of total EU affiliates' employment. Other services, including finance, transport and accommodation, are present, but represent smaller shares.

Manufacturing employment is more narrowly distributed across select subsectors. Approximately 30% of manufacturing jobs are concentrated in motor vehicle production, particularly in Mexico and Brazil. The food, beverages and tobacco industry accounts for around 13%, while machinery and equipment contribute 11%. Additional manufacturing activities, such as chemicals and electronics, also contribute significantly to EU affiliates' employment and have attracted substantial shares of EU greenfield investment.

These figures stand in contrast to the distribution of greenfield FDI jobs, which are more heavily concentrated in manufacturing sectors. This divergence likely reflects both differences in investment modalities and methodological approaches. EU investors may be more inclined to undertake greenfield investment in manufacturing, where establishing new production facilities is often necessary, while preferring brownfield modes, such as mergers or acquisitions, for investments in services. Consequently, EU affiliate employment in the region is predominantly service based. In addition, greenfield FDI data report the total number of jobs a project is *expected* to generate over its implementation period, whereas affiliate statistics capture the number of people employed in a specific year. These definitional differences may further contribute to the variation observed across the two datasets.

Figure 3.8. EU affiliates reported the highest number employees in Brazil and Mexico

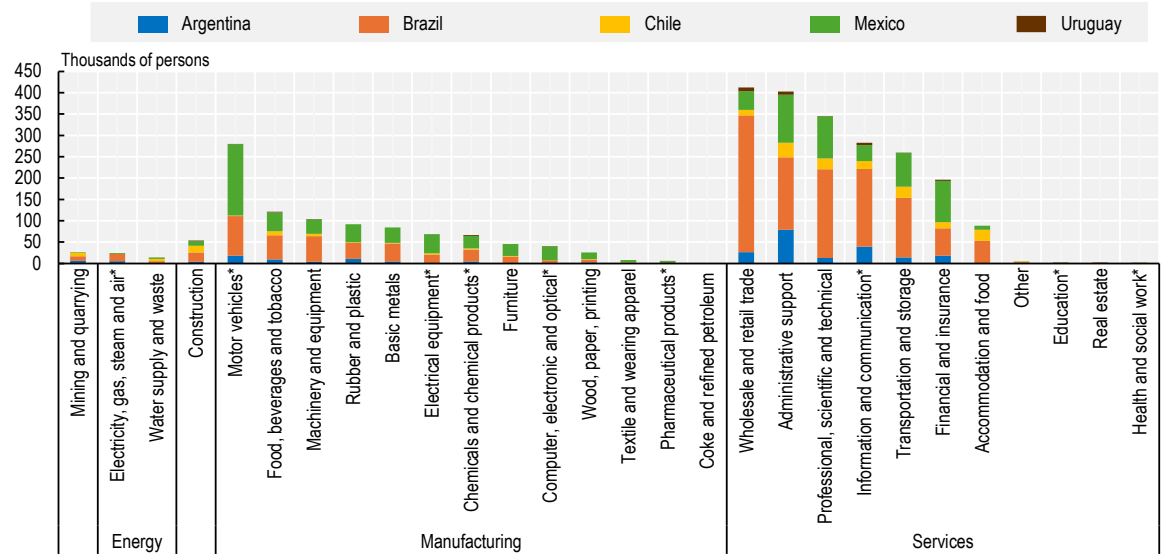


Note: The data show the reported number of employees of EU affiliates in LAC, covering five countries: Brazil, Mexico, Argentina, Chile, Uruguay. Venezuela is excluded due to a lack of data at the sectoral level.
Source: Eurostat (2021/2022[16]), Foreign controlling EU enterprises - outward FATS, https://ec.europa.eu/eurostat/databrowser/view/fats_out_activ/default/table?lang=en&category=gbs.fats_out.

The employment contribution of EU affiliates varies considerably across the five LAC countries with available data (Figure 3.9). In Brazil, EU affiliates' jobs are predominantly in services, which accounts for about 75% of employment, supported by a relatively diversified manufacturing base. Mexico shows a more industrial profile: manufacturing represents 54% of EU affiliates' jobs, driven largely by the motor vehicle industry, which alone generates nearly one-third of EU affiliates' employment in the country. In Argentina and Chile, EU affiliates' employment is mostly service based; Argentina also retains notable activity in food and chemicals, while Chile's services focus on logistics and business support. Uruguay stands out as the most service-specialised economy, with over 90% of EU affiliates' jobs concentrated in professional, administrative and financial activities, reflecting its role as a hub for regional headquarters and back-office operations.

Figure 3.9. EU affiliates have the highest number of employees in wholesale and retail trade, administrative and professional activities

Number of persons employed by EU affiliates, by LAC country and subsector, in 2022 or latest year available



Note: The data show the reported number of employees of EU affiliates in LAC, covering five countries: Brazil, Mexico, Argentina, Chile, Uruguay. Due to confidentiality constraints, data for Venezuela are not available.
* indicate sectors that align with partnership areas under the EU Global Gateway Investment Agenda (See Box 1.2 in Chapter 1). Partnership areas: digital (information and communication, electronics, electrical machinery); climate and energy (renewable energy); transport (electric motor vehicles within "Motor vehicles"); health (chemicals, pharmaceuticals, medical instruments, health and social work). Investments in education and research are cross-cutting in nature and cannot be captured within the ISIC Rev. 4 sector classification.
Source: Eurostat (2021/2022[16]), Foreign controlling EU enterprises - outward FATS, https://ec.europa.eu/eurostat/databrowser/view/fats_out_activ/default/table?lang=en&category=gbs.fats_out.

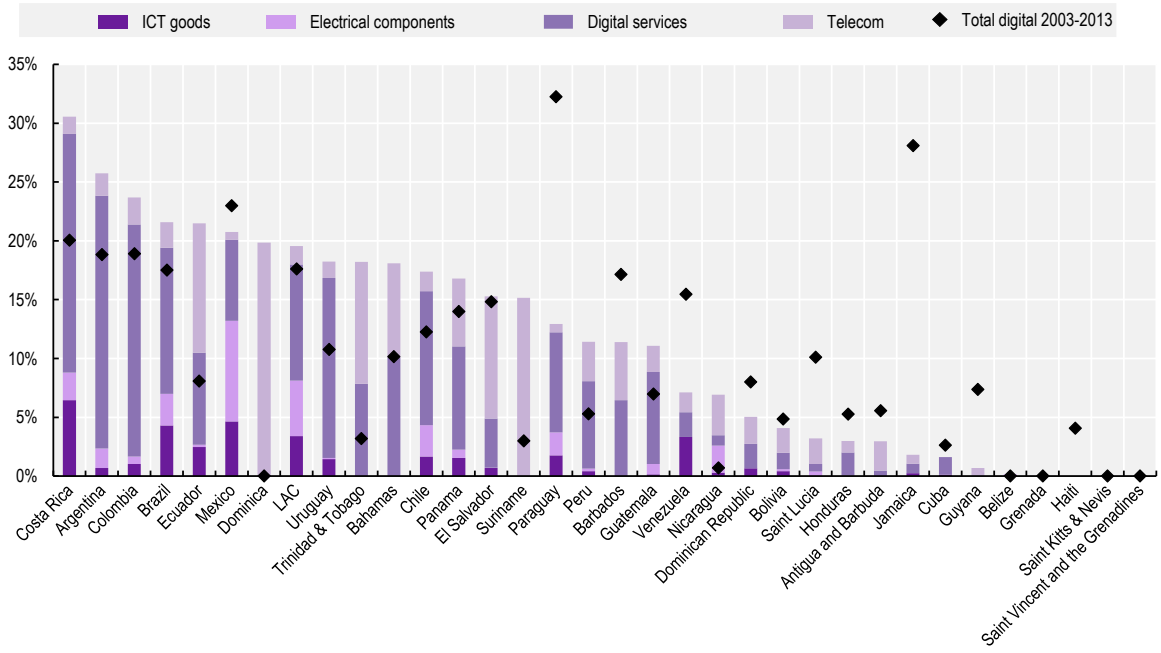
3.2.6. Digital greenfield FDI from EU and U.S. is becoming a key source of jobs in LAC

Digital sectors have become an increasingly important source of FDI-related job creation in LAC. From 2014 to 2024, greenfield investments in these sectors accounted for 20% of total greenfield FDI jobs, an increase of 2 percentage points compared to the previous decade, underscoring their growing impact on the region's labour market (Figure 3.10).

The relevance of digital sectors in FDI-related job creation varies significantly across countries in LAC. In Costa Rica, Argentina and Colombia, digital sectors accounted for approximately one-quarter of total FDI-related jobs during 2014-2024, reflecting more developed digital ecosystems. In contrast, countries such as Guyana and Belize saw digital sectors contribute less than 1% of FDI-related jobs, highlighting more limited digital ecosystems and local digital capabilities. Compared to the 2003-2013 period, the share of FDI-related jobs in digital sectors increased in most LAC economies between 2014 and 2024. However, a few exceptions stand out. In Mexico, the Dominican Republic and Bolivia, the share of digital FDI-related jobs declined slightly, while in Paraguay and several Caribbean countries, the decline was more marked.

Figure 3.10. Approximately 20% of all FDI-related jobs in LAC are generated in digital sectors

Greenfield FDI jobs in digital sectors, by digital subsector, 2003-2013 and 2014-2024, % of total FDI jobs



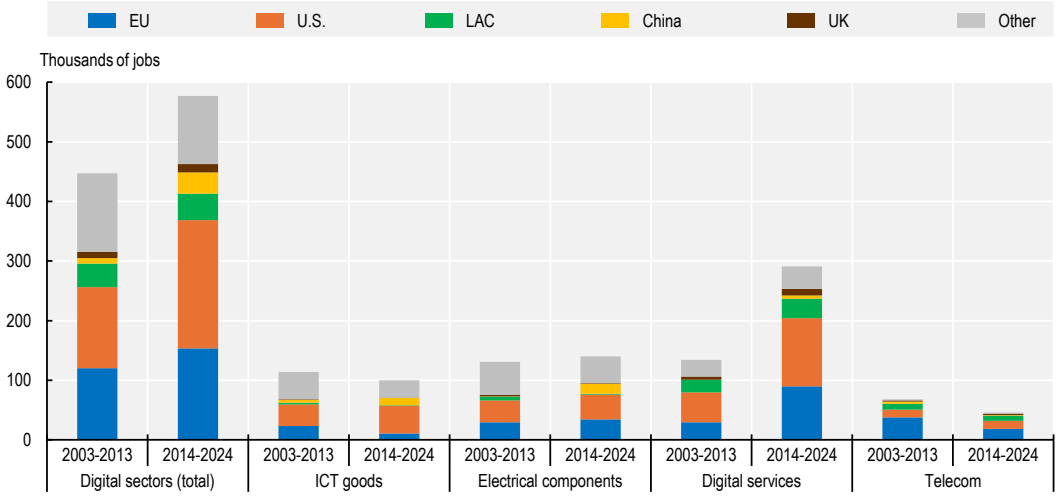
Note: Digital sectors include digital services (e.g. computer programming activities; data processing and hosting activities; information services activities, etc.); ICT goods (electronics, computer equipment, etc.); electrical components (batteries, electrical equipment, wiring devices, etc.); and telecommunications (wired and wireless telecommunications activities and satellite activities).
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

The majority of greenfield FDI-related jobs in digital sectors were generated by investors from the United States and the European Union, who together have played a leading role in shaping digital greenfield FDI employment in LAC (Figure 3.11). Between 2014 and 2024, these two investor regions were responsible for the bulk of greenfield FDI-related job creation in digital sectors across the region. The EU accounted for 27% of digital FDI-related jobs, maintaining a stable share compared to the previous decade, while the United States expanded its footprint, increasing its share from 30% to 37%. However, the EU remained particularly influential in telecommunications and digital services, accounting for 40% of telecom-related FDI jobs and more than one-third of all FDI-related employment in digital services in the region.

The EU has long been a leading investor in telecommunications in LAC, playing a pivotal role in expanding digital connectivity across the region, even before the launch of the EU-LAC Digital Alliance in 2023, which has boosted digital collaboration within the EU-LAC GGIA. Early investments focused on strengthening telecom infrastructure, which laid the groundwork for more advanced digital ecosystems. As basic connectivity became more widespread, investment increasingly shifted toward digital services, supporting the growth and diversification of service-based digital activities.

Figure 3.11. Over the last decade, greenfield FDI jobs in digital sectors increased by nearly 30%, driven by the U.S. and the EU

Greenfield FDI jobs in digital sectors, by origin country/region, 2003-2013 and 2014-2024, thousands of jobs

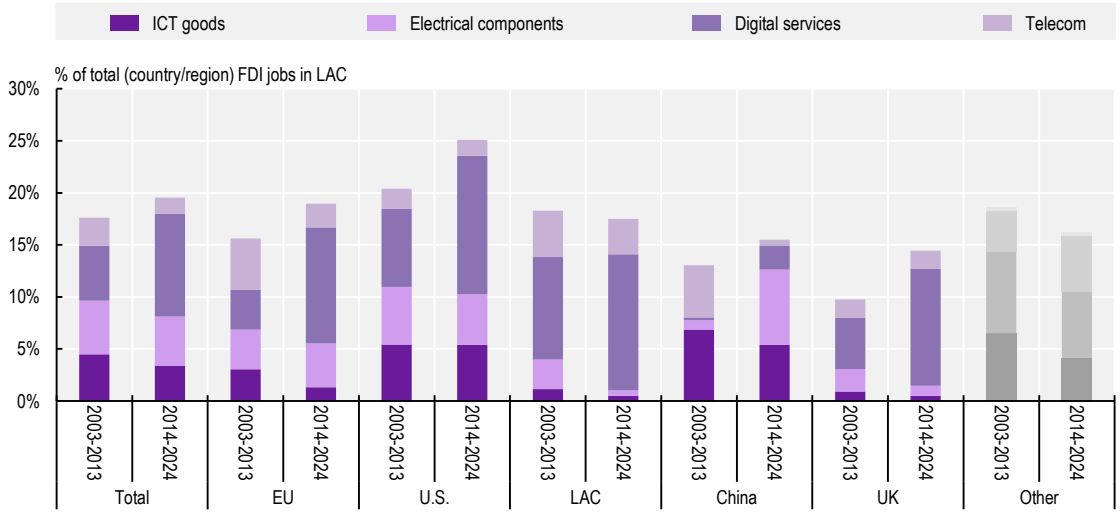


Note: Digital sectors include digital services (e.g. computer programming activities; data processing and hosting activities; information services activities, etc.); ICT goods (electronics, computer equipment, etc.); electrical components (batteries, electrical equipment, wiring devices, etc.); and telecommunications (wired and wireless telecommunications activities and satellite activities).
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

European Union FDI is shifting from capital-intensive ICT production toward digital services. In 2014-2024, digital sectors accounted for nearly 20% of all EU FDI-related jobs, up from 15% in the preceding decade (Figure 3.12). This reflects a shift from ICT goods and telecommunications infrastructure toward more labour-intensive digital services, such as software development, IT consulting, and business process. This transition helped sustain job creation in digital sectors despite lower investment volumes than in previous periods. A similar trend is observed in US greenfield FDI in LAC. Digital sectors generated 25% of US FDI-related jobs in 2014-2024, up from 20% in 2003-2013. Within this, digital services alone accounted for 13% of total US FDI-related employment, reflecting a clear move toward service-based and knowledge-intensive activities.

Figure 3.12. More than 10% of US and EU greenfield FDI jobs were generated in digital services

Greenfield FDI jobs in digital sector as share of total FDI jobs in LAC, by investor country/region, 2003-2013 and 2014-2024



Note: Digital sectors include digital services (e.g. computer programming activities; data processing and hosting activities; information services activities, etc.); ICT goods (electronics, computer equipment, etc.); electrical components (batteries, electrical equipment, wiring devices, etc.); and telecommunications (wired and wireless telecommunications activities and satellite activities).
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

3.2.7. EU investors account for over half of all FDI-related jobs in renewable energy

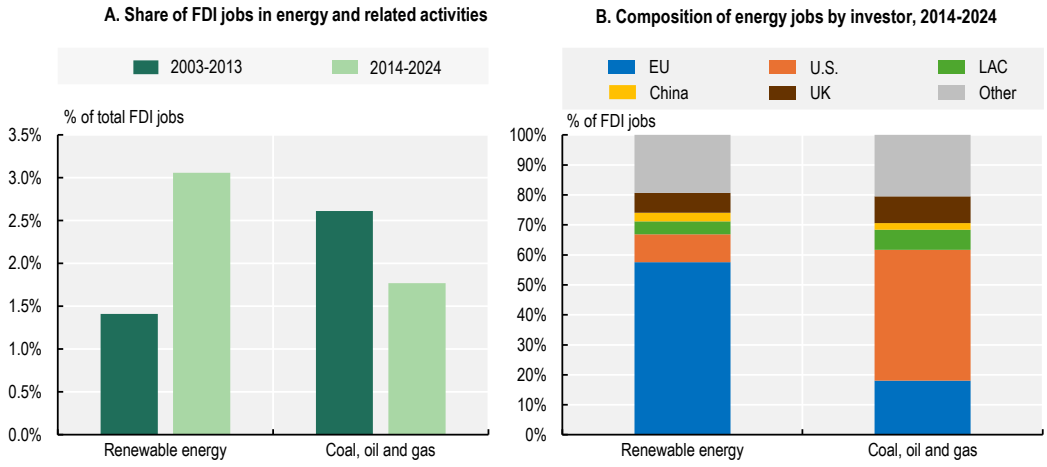
Energy-related FDI employment continues to represent less than 7% of total greenfield FDI-generated jobs in LAC (Figure 3.13, Panel A). However, over the past decade, there has been a marked shift in investor preferences from fossil fuels activities toward renewable energy generation, resulting in expanding labour market opportunities within the low-carbon energy sector. Between 2003 and 2013, greenfield FDI-related employment in the energy sector was largely concentrated in fossil fuels, which accounted for approximately 3% of total FDI jobs, while renewable energy represented only 1%. This distribution changed significantly in the subsequent decade as the LAC energy matrix shifted toward cleaner sources and FDI in renewable energy expanded significantly (see Chapter 1).

Between 2014 and 2024, the share of FDI-related jobs in renewable energy rose to 3%, generating over 85 000 jobs. In contrast, employment linked to fossil fuel FDI declined both in absolute terms and relative terms, falling to below 2% of total FDI employment in the region. This implies a net gain of roughly 1% of total FDI jobs associated with renewable energy, indicating that, at the regional level, the green transition has so far been employment-positive in terms of FDI-jobs. In 2014-2024, 63% of energy-related FDI-linked jobs in LAC were associated with renewable energy, a significant increase from 35% in the previous decade, underscoring a broader re-alignment of investor interest toward sustainable, low-carbon energy sources and signalling a transition in the region's energy investment landscape.

The EU has consolidated as the leading source of greenfield FDI-related renewable energy jobs in LAC, underscoring its broader climate and investment agenda, which is consistent with the EU-LAC GGIA's priorities in the region. Between 2014 and 2024, 58% of greenfield FDI-related jobs in renewable energy in LAC were created by EU-based investors, far exceeding the contributions of other major economies (Figure 3.13, Panel B). In contrast, the EU accounted for 18% of fossil fuel-related greenfield FDI jobs during the same period, reflecting a clear prioritisation of clean energy over traditional energy sources.

Investors from the United States generated 44% of greenfield FDI-related employment in fossil fuels and only 9% in renewables. China, the United Kingdom and regional actors played relatively minor roles in renewable energy job creation, with contributions of 3%, 7% and 4%, respectively.

Figure 3.13. Renewable energy FDI jobs doubled in the past decade, led by EU investment

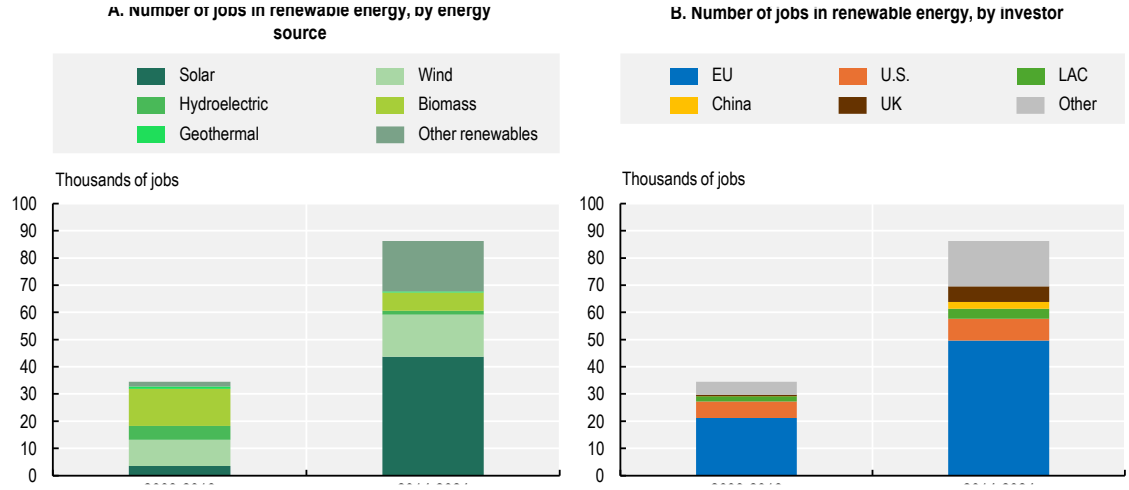


Note: Note: The sectoral aggregates presented refer to the Financial Times (2025[3]), FDI Markets classification.
Note: "Renewable energy" includes biomass power, geothermal power, hydroelectric power, marine power, solar power, wind power and other renewable sources such as green hydrogen. "Coal, oil and gas" include fossil fuel-based electricity generation; coal mining; gasoline stations; natural, liquefied, and compressed gas; oil and gas extraction; petroleum refineries; other petroleum and coal products; and support activities related to coal, oil and gas energy.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

During the last decade, the composition of renewable energy greenfield FDI jobs in LAC has shifted from traditional sources to more scalable and technology-driven energy solutions. The most dynamic sub-industry has been solar electric power generation, where job creation expanded more than twelvefold, from 3 500 to more than 40 000 jobs, making it the energy sub-industry with the largest share of FDI-employment (Figure 3.14). Wind electric power generation also saw substantial growth, rising from 9 500 to more than 15 000 jobs. In contrast, traditional renewable sources such as biomass and hydroelectric power experienced sharp declines, dropping by almost 50% between 2003-2013 and 2014-2024. While hydroelectric power has historically dominated the region's renewable energy mix, it has contributed little to recent FDI job growth. FDI jobs in geothermal energy followed a similar downward trend. Notably, the "Other renewable energy" category, which includes emerging technologies such as green hydrogen, expanded from less than 2 000 jobs to more than 18 000, indicating diversification and innovation in the region's renewable energy landscape.

The increase observed in the renewable energy sector was driven by investors from the EU, which accounted for most of the new job creation in the sector. Between 2003-2013 and 2014-2024, the number of renewable energy greenfield FDI-related jobs created by EU investors more than doubled, adding more than 25 000 jobs and representing approximately 47% of the total net increase in FDI employment in renewable energy across the region during this period. Investors from the United States also expanded their renewable energy greenfield FDI employment by 32%, adding almost 2 000 new jobs, while investors from China exhibited the most relative growth, with jobs rising from 20 to more than 2 000, signalling a rising interest in the region's clean energy potential among emerging global investors.

Figure 3.14. Solar electric power accounted for 77% of the growth in renewable energy FDI jobs

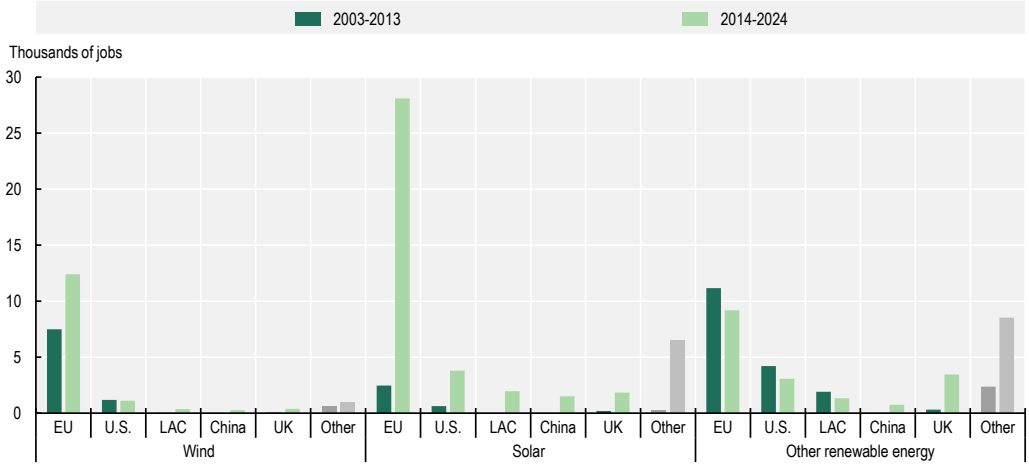


Note: "Other renewable energy" includes electricity generated from mixed renewable sources (e.g. solar and wind), as well as investments in emerging technologies such as green hydrogen.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

All major investors expanded their presence in the solar sector, led by investors from the EU, which saw solar-related jobs increase more than tenfold. Wind energy employment also grew moderately for most investors, except for those from the United States, which recorded a slight decline. Investors from China entered both the solar and wind segments from a zero base, signalling their rising interest and growing footprint in clean energy investment. In contrast, employment linked to other renewable technologies showed mixed results, declining for the EU, U.S. and LAC-based investors, while increasing notably for the United Kingdom and other international actors. Investment from the EU remained the principal driver of FDI job creation in the region's clean energy sector, accounting for 65% of solar and 77% of wind-related FDI employment between 2014 and 2024 (Figure 3.15).

Figure 3.15. EU investors lead job creation in all renewable energy technologies across LAC

Greenfield FDI jobs in renewable energy, selected energy sources, by investor, 2003-2013 and 2014-2024, thousands of greenfield jobs

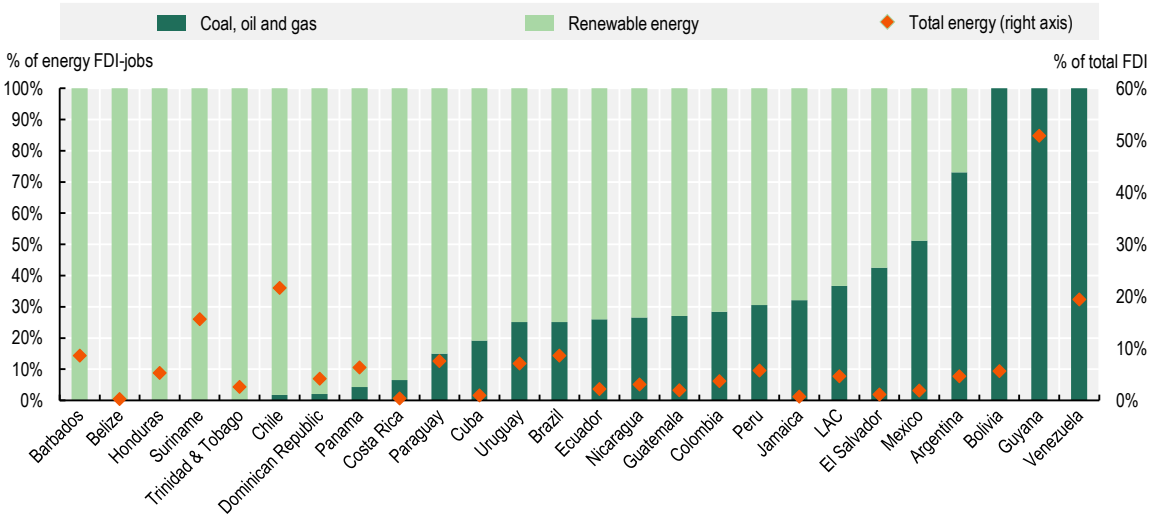


Note: "Other renewable energy" includes biomass power, geothermal power, hydroelectric power, marine power and other renewable sources such as green hydrogen.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

More than 60% of energy-related FDI jobs in LAC are in the renewable energy sector, highlighting the region's increasing shift toward cleaner and more sustainable energy sources. In several countries, including Barbados, Belize, Honduras, Suriname and Trinidad and Tobago, 100% of energy FDI jobs were generated in renewables (Figure 3.16). Others, such as Chile, the Dominican Republic and Panama, also show renewable shares above 95%. In Chile, these jobs are primarily concentrated in solar and wind power, while in Suriname, solar energy alone constitutes the bulk of renewable energy greenfield FDI employment. Barbados also shows relatively high figures, with hydro and other renewables accounting for 9% of all FDI jobs. Similarly, Uruguay reported that 6% of its FDI employment is tied to solar, wind and other renewable sources. These trends suggest that many LAC countries are successfully leveraging FDI to support their clean energy transitions.

Figure 3.16. The relevance of FDI jobs in renewable energy differs sharply across countries

Greenfield FDI jobs in energy, by energy source, 2014-2024, % of energy FDI jobs and % of total FDI jobs



Note: Note: The sectoral aggregates presented refer to the Financial Times (2025[3]), FDI Markets classification.
Note: "Renewable energy" includes biomass power, geothermal power, hydroelectric power, marine power, solar power, wind power and other renewable sources such as green hydrogen. "Coal, oil and gas" include fossil fuel-based electricity generation; coal mining; gasoline stations; natural, liquefied, and compressed gas; oil and gas extraction; petroleum refineries; other petroleum and coal products; and support activities related to coal, oil and gas energy.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

However, fossil fuels remain the dominant sector for energy-related FDI jobs in a subset of economies. In Bolivia, Guyana and Venezuela, all energy-related FDI jobs are concentrated in fossil fuel projects. Guyana, in particular, stands out, with over half (51%) of its total FDI jobs in the energy sector entirely fossil fuel-based, reflecting the country's strong dependence on extractive industries. Other countries, such as Argentina, Mexico and El Salvador, also show a significant share of fossil fuel employment within their energy-related FDI.

Energy-related FDI jobs represent about 5% of total FDI employment in the region, a share that aligns with global patterns for this capital-intensive sector. Given the nature of energy investments, which are typically infrastructure-heavy and technology-driven, a lower share of direct job creation is expected. While the direct employment impact of energy FDI is limited relative to other sectors, its broader role in enabling economic transformation should not be overlooked. The energy transition holds significant potential for job creation across the value chain, from manufacturing and construction to operations, maintenance and supporting services. Moreover, given that energy accounts for only a small share of total FDI jobs in most

countries, the labour market disruption associated with phasing out fossil fuels may be more manageable than often assumed. These trends suggest that the job cost of the energy transition can be mitigated, especially if LAC countries continue to attract and channel FDI toward renewable energy and its supporting sectors.

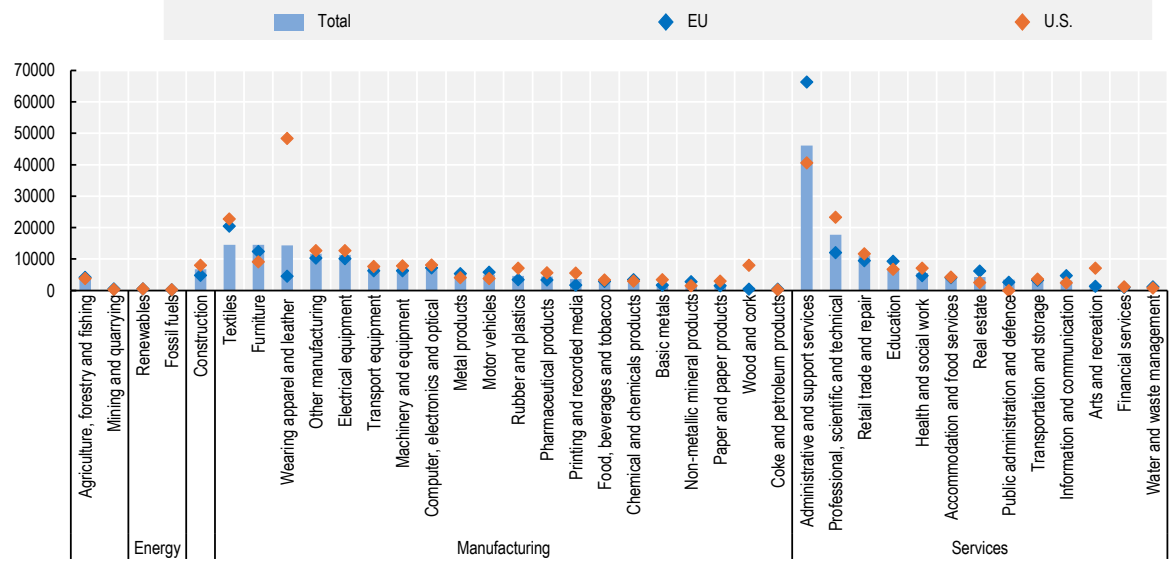
3.2.8. EU greenfield investment in LAC shows lower but stable job intensity due to FDI sectoral composition

The job creation potential of greenfield FDI is strongly influenced by the labour or capital intensity of the activities involved. In LAC, labour-intensive sectors, such as services and light manufacturing, generate the highest number of jobs per USD billion invested (Figure 3.17). For example, administrative and support services create over 46 000 jobs, while textiles and wearing apparel, and leather exceed 14 000 jobs per billion. In contrast, capital-intensive sectors such as fossil fuels (200 jobs), and mining and quarrying (674 jobs) generate far fewer employment opportunities per USD billion invested. These differences reflect not only the broader characteristics of each sector and the specific activities carried out by multinational enterprises (MNEs), but also the size and scope of investment projects. Sectors dominated by smaller-scale investments, in particular, can appear highly job-intensive when measured per USD billion-dollar investment, even if their total employment impact is limited.

When comparing investment patterns, both EU and US investors show higher-than-average job intensity in sectors such as administrative services, textiles and health services, indicating a focus on labour-intensive activities within these areas. Greenfield investments from the EU also show strong job creation in education, while US investments show particularly high intensity in wearing apparel and leather. In contrast, lower job intensity is observed in EU greenfield investments in sectors such as furniture, and wood and cork, and, in US investments, in metal products and mining, reflecting more capital-intensive operations within these sectors. These patterns highlight that job intensity varies not only across sectors, but also within sectors, depending on the type and scale of foreign investment and the activities carried out.

Figure 3.17. The FDI job intensity in LAC varies by sector and investor

Job intensity of greenfield FDI in LAC, by sector and selected origin country/region, 2014-2024



Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

The variation in FDI job intensity across sectors leads to differences in job intensity across sources, driven by the sectoral composition of their investments. Over the past decade, the job intensity of greenfield FDI in LAC was highest for investments from the United States, followed by greenfield FDI from LAC and China (Figure 3.18). In contrast, investments from the European Union and the United Kingdom generated relatively lower employment per USD billion invested. These differences reflect both the sectors targeted, such as more labour-intensive manufacturing and services in the case of US and intra-regional investors, and the nature of the operations. For example, EU and UK investments have often been concentrated in capital- or technology-intensive activities, including energy infrastructure, which typically require substantial capital investment, but create fewer direct jobs per unit of investment. Between 2003 to 2013 and 2014 to 2024, notable shifts in job intensity have emerged across investor countries, primarily driven by changes in the sectoral composition of FDI.

Investment from the EU maintained a lower but increasing job intensity across the two periods, creating around 2 400 jobs per USD billion invested. Although capital-intensive sectors, such as renewable energy, attracted increased investment, the large amounts of capital deployed led to only modest gains in job intensity. However, this trend was partially offset by growth in other sectors that saw increases in both capital investment and job intensity, such as textiles and printing (Figure 3.19). These shifts helped balance the overall composition, compensating for the lower job intensity of renewable energy investments and contributing to a relatively stable average job intensity across the region.

US investment created around 3 200 direct jobs per USD billion and a moderate decline was observed over time. This was primarily driven by a growing concentration of greenfield FDI in capital-intensive sectors, such as information and communication, which saw investment nearly double between 2003-2013 and 2014-2024, while maintaining a relatively low job intensity (around 2 300 jobs per USD billion invested). Mining and quarrying similarly expanded (increasing from 12% of total investment in 2003-2013 to 17% of total US investment in 2014-2024) despite generating few jobs, contributing to an overall decrease in job intensity.

Chinese investment recorded a notable increase in job intensity, reaching 2 880 direct jobs created per USD billion of greenfield investment between 2014 and 2024. The increase can be explained largely by diversification into new, labour-intensive sectors. While investment during the 2003-2013 decade focused on capital-heavy infrastructure and energy, the most recent decade marked entry into manufacturing segments such as textiles, wearing apparel and furniture, none of which received investment in the previous period. These sectors reported job intensities exceeding 8 000 jobs per USD billion, significantly increasing the average. Simultaneously, job intensity increased within existing sectors such as machinery, suggesting both re-allocation of capital across sectors and transformation within sectors. Notably, even with a rising share of investment going to renewables and mining, the overall job intensity increased.

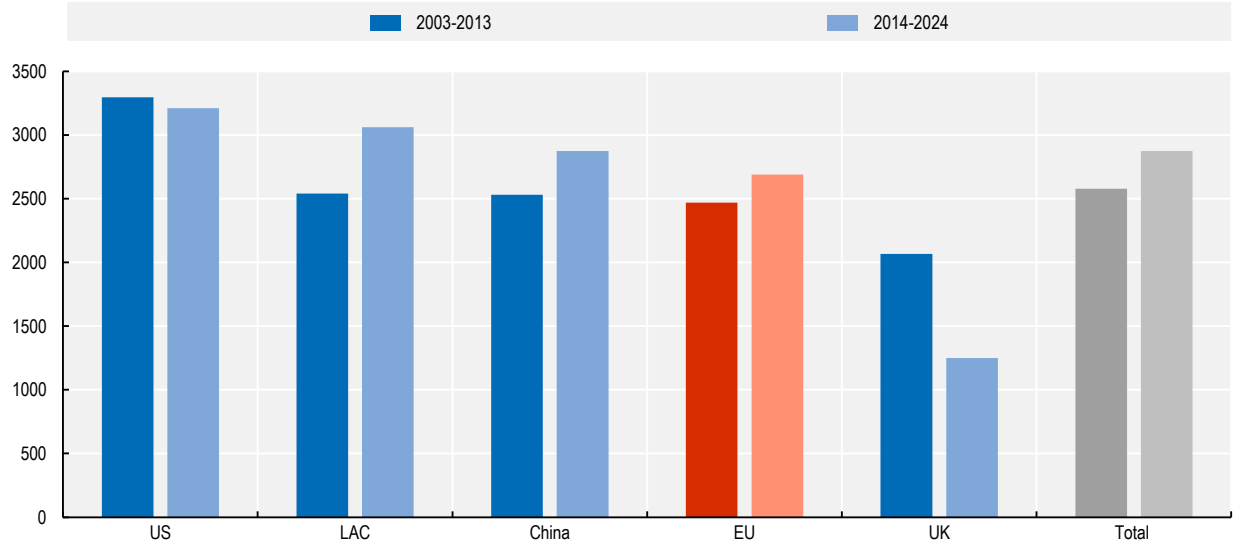
Intra-regional investment within LAC exhibited the most pronounced increase in job intensity despite relatively stable or even declining capital shares in job-rich sectors (see Chapter 1). The increase in job intensity appears to be driven less by sectoral re-allocation and more by changes in the typology of financed projects. Several sectors, including fabricated metal products, rubber and plastics, and information and communication, saw large increases in job creation per USD billion invested, even as their share of total investment declined. This pattern may suggest a shift toward smaller-scale, labour-intensive initiatives, potentially reflecting the influence of small- and medium-sized enterprises (SMEs). The overall trend indicates that regional capital can play a growing role in supporting employment creation across the region.

UK greenfield FDI recorded the lowest average job intensity among major investor groups (1 250 direct jobs per USD billion invested) and experienced a decline over the last two decades. Despite notable gains in employment efficiency within specific sectors, such as construction and education, these sectors received a shrinking share of total capital. At the same time, a growing share of investment was directed toward capital-intensive sectors like energy and in particular gas. The result is a portfolio increasingly

oriented toward infrastructure and energy, with limited offsetting from labour-absorbing sectors, contributing to a subdued employment impact per dollar invested.

Figure 3.18. Greenfield FDI from the U.S. creates more jobs per USD billion invested

Jobs per USD billion of greenfield FDI, by investor country/region for 2003-2013 and 2014-2024 s per billion invested

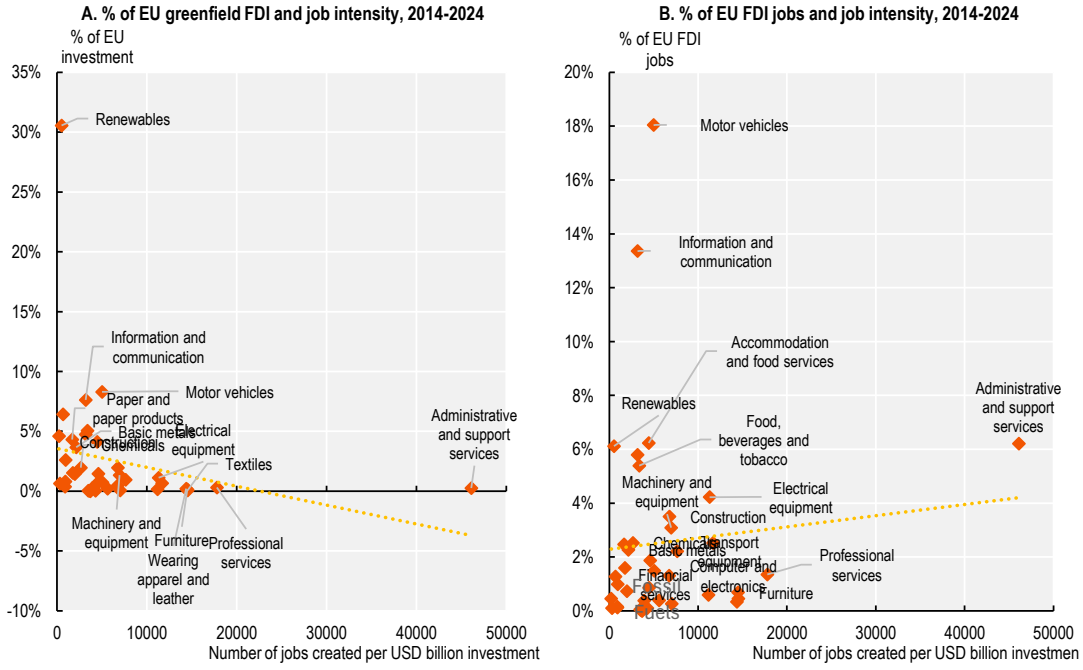


Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

3.2.9. EU greenfield investment is concentrated in capital-intensive sectors with lower job intensity

EU greenfield investment in LAC is increasingly targeting sectors aligned with the EU-LAC GGIA, including digital sectors, climate and green energy, green transport and health. Owing to their structural characteristics, these sectors are highly capital-intensive and yield relatively low employment per USD billion invested compared with other sectors. For example, renewable energy accounted for 28% of EU investment, yet their employment intensity was relatively low, averaging 513 jobs per USD billion invested (Figure 3.19). Similarly, the information and communication sector accounted for 7% of EU investment, with a job intensity of 3 174 jobs per USD billion. The motor vehicles sector, which includes electric vehicles, combined moderate job intensity (4 990) with 8% of total EU investment, and accounted for almost 20% of EU-related jobs. In contrast, sectors with higher job intensity, such as administrative and support services, textiles and furniture manufacturing, received limited EU investment. Nonetheless, some higher job-intensity sectors, including administrative and support services, and electrical machinery, contributed a significant share of EU-generated jobs despite smaller investment volumes.

Figure 3.19. EU greenfield investment targets sectors with lower FDI job creation intensity



Note: Job intensity is the number of jobs created per USD billion invested; here, in total greenfield FDI in LAC
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

While job intensity remains a relevant metric for assessing the employment-generating capacity of investment it offers only a partial perspective on labour market outcomes, particularly for capital-intensive, higher-added-value sectors. Specifically, job intensity facilitates the identification of labour-intensive sectors and can inform strategies aimed at maximising employment gains. However, it does not account for the stability and quality of jobs created, including employment conditions. Moreover, while FDI in more capital- and technology-intensive sectors tends to generate fewer jobs per unit of capital invested compared to more labour-intensive activities, it often supports the creation of higher-quality employment and contributes to productivity gains (see Chapter 1). Jobs in these sectors typically require higher skill levels, offer more formal and stable working arrangements and provide better wages. As such, although their quantitative employment impact may be more limited, these sectors can play a significant role in improving job quality.

Over the past two decades, EU greenfield FDI in LAC has remained broadly stable in its overall employment impact, while gradually shifting toward more labour-intensive digital services, renewable energy and other strategic sectors. Figure 3.20 shows the relationship between changes in EU FDI-related employment and job intensity by sector between 2014-2024 and 2003-2013. The size of each bubble reflects the sector's share of total EU FDI-related jobs during 2014-2024. Sectors positioned to the right became more labour-intensive, while those higher on the chart recorded job growth. Bubbles in the top-right quadrant represent sectors that both increased their labour intensity and expanded employment.

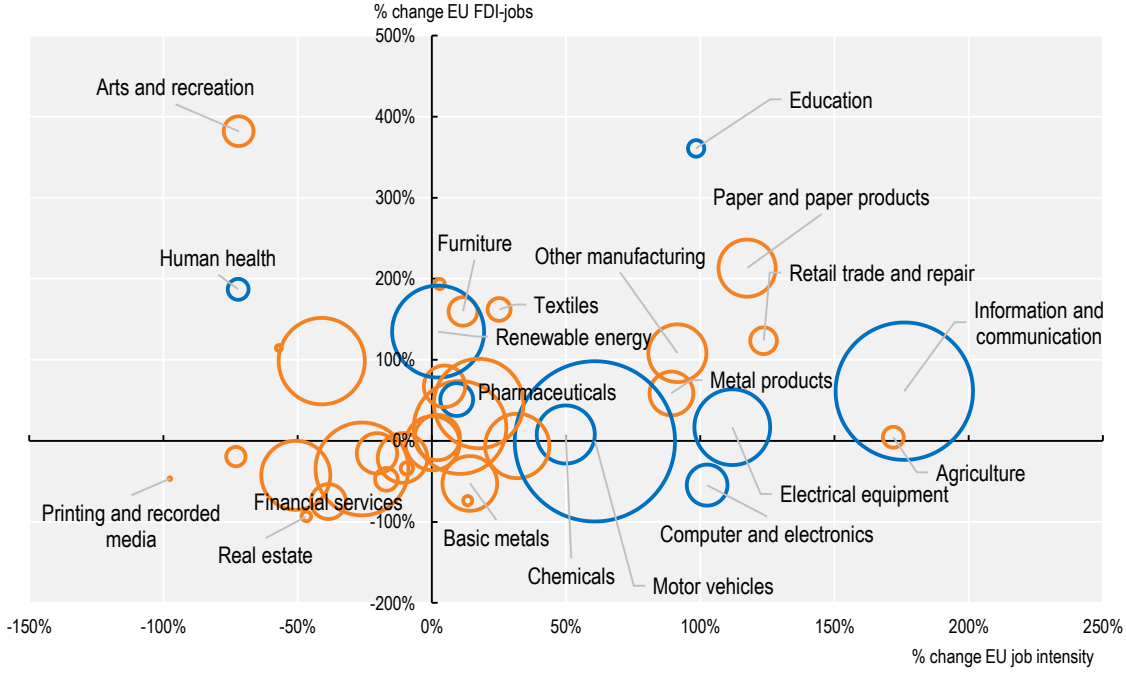
Among those aligned with the EU-LAC GGIA, the information and communication sector recorded the most pronounced growth, becoming increasingly labour-intensive and emerging as a key source of employment (Figure 3.20). This shift was primarily driven by a re-allocation of investment away from capital-intensive telecommunications services towards digital services and more labour-intensive activities, such as computer programming. Similarly, education, despite accounting for less than 1% of total EU investment, registered notable increases in both job intensity and employment. In contrast, sectors such as electrical

equipment, electronics and motor vehicles became more labour-intensive over time, but saw an overall decline in job creation, likely reflecting increased automation and a shift towards more capital-intensive production processes. Renewable energy also experienced significant job growth, while labour intensity remained relatively stable, indicating that employment gains were largely driven by the scale of capital deployment. The investment pattern of the EU suggests that investors are increasingly targeting strategic areas under the EU-LAC GGIA, such as advancing digital infrastructure and capabilities, supporting the transition to sustainable energy systems and fostering high-value-added industries. Most of these sectors have demonstrated rising job intensity and have maintained a steady level of importance in terms of EU-generated employment. Notably, the renewable energy sector has gained increasing weight within total EU-generated jobs, reflecting its growing prominence in the overall investment landscape.

Other sectors not directly associated with the EU-LAC GGIA followed different trajectories. Retail trade recorded rising labour intensity despite its limited share in overall EU-related employment. Financial services and real estate experienced declines in both labour intensity and job creation, suggesting a gradual withdrawal of FDI from these areas (see Chapter 1). Most other sectors, represented by the bubbles clustered around zero (Figure 3.20), remained broadly stable, with only marginal changes in labour intensity and employment levels, indicating steady EU job creation patterns over time and providing a consistent base for understanding emerging changes in FDI employment dynamics.

Figure 3.20. EU investment in LAC shows stable jobs trends in most sectors

Change in job intensity and total employment from EU greenfield FDI, by sector, 2014-2024 vs. 2003-2013



Note: The size of each bubble represents the share of EU jobs generated in the sector during the period 2014-2024. The figure plots the percentage changes in EU FDI-related jobs and percentage changes in EU FDI job intensity for 2014-2024 compared to 2003-2013. Bubbles on the right side of the chart represent sectors that have become more labour-intensive, meaning investment within these sectors is increasingly directed towards labour-intensive activities. Bubbles near the top of the figure indicate sectors that experienced an increase in the number of jobs created. Thus, bubbles located in the top-right quadrant correspond to sectors that both became more labour-intensive and saw job growth. *Bubbles with blue borders indicate sectors that align with partnership areas under the EU Global Gateway Investment Agenda. Partnership areas: digital (information and communication, electronics, electrical machinery); climate and energy (renewable energy); transport (electric motor vehicles within "Motor vehicles"); health (chemicals, pharmaceuticals, medical instruments, health and social work). Investments in education and research are cross-cutting in nature and cannot be captured within the ISIC Rev. 4 sector classification.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

3.3. The role of FDI in promoting job quality

3.3.1. Foreign firms in LAC pay, on average, higher wages, in line with global trends

While job creation is an important policy goal, the quality of the jobs created is equally crucial to ensure that investment has a sustainable development impact. Job quality is determined by factors such as wage levels and working conditions, including job stability, working hours, formality, access to social security and opportunities for skills development and training. Gender equality, the inclusion of vulnerable groups, particularly women, in the labour force and their representation across all skill levels, roles and sectors are also key attributes of job quality, contributing to more resilient, inclusive and productive labour markets (Box 3.4).

Evidence from the OECD FDI Qualities Initiative shows that FDI can contribute positively to job quality, particularly when directed toward higher-value-added sectors. Foreign investors are often associated with higher wages, better working conditions and increased access to training opportunities compared to domestic firms. Yet, the extent of these benefits varies widely, depending on the sector, the type of investor and the specific features of the host country's labour market, including its legal and policy frameworks (Box 3.6) (OECD, 2022[1]; OECD, 2019[17]). In addition, the absence of comparable data on job quality across countries and sectors, especially with respect to vulnerable groups such as women, migrants, Indigenous Peoples and persons with disabilities, remains a key obstacle to assessing the impact of FDI on labour market outcomes (Box 3.5).

The FDI Qualities Indicators, based on the World Bank Enterprise Surveys, (Box 1.3 in Chapter 2) offer a valuable basis for comparing the employment practices of foreign and domestic firms. Although the indicators do not identify the specific country of origin of foreign firms, the sample reflects the actual distribution of international investors in each market. Given the EU's strong investment footprint in LAC, EU-based firms likely represent a substantial portion of the foreign-owned companies captured in the data. As such, the findings are likely to be driven, at least in part, by the performance of EU companies.

Box 3.4. Key dimensions of job quality in the FDI Qualities Initiative

The OECD FDI Qualities Initiative assesses how FDI contributes not only to the quantity of jobs, but also to their quality. Job quality encompasses several interrelated dimensions that shape workers' well-being, access to opportunities and long-term prospects. The Initiative focuses on the following core dimensions:

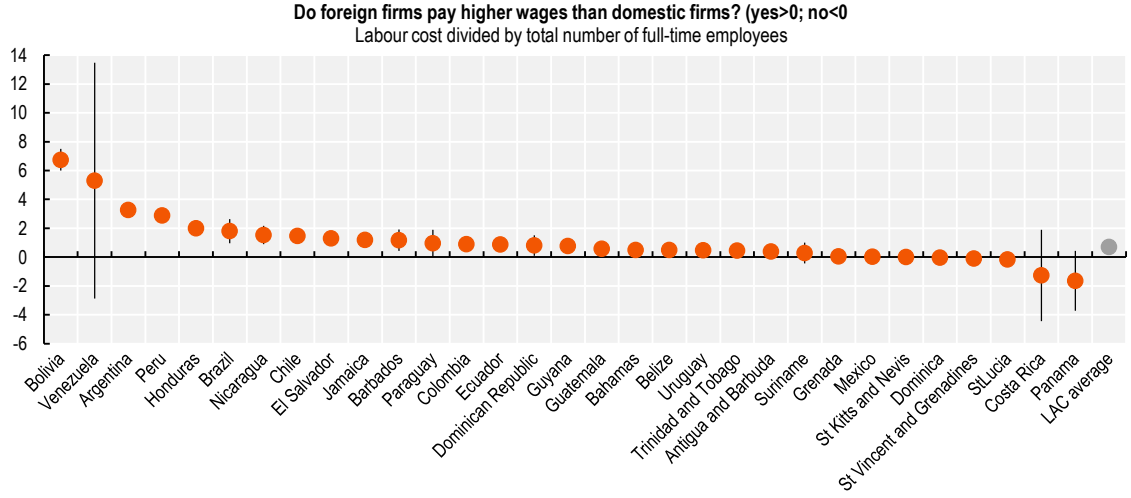
- **Wages**: Refers to the level of compensation received by employees. Higher wages are generally associated with better living standards and reflect the productivity and value-added of jobs. FDI can influence wage levels by introducing more productive activities and raising standards in host labour markets.
- **Working conditions**: Encompass the stability, predictability and overall environment of employment. This includes factors such as contract duration, working hours and formality of employment. Key indicators include the share of informal jobs and the type or length of employment contracts. FDI can play a role in improving working conditions by fostering formal employment and aligning practices with international standards and national labour laws, thus enhancing economic security for workers.
- **Skills development and training**: Captures opportunities for workers to enhance their skills through formal or on-the-job training. FDI can support skills development by transferring knowledge, technologies and international practices, helping to build human capital and support career progression.

- **Inclusivity (gender equality)**: Assesses the extent to which employment opportunities and outcomes are equitably distributed across different population groups, especially women. This includes gender gaps mainly in participation, wages and representation in leadership or high-skill roles. FDI can promote inclusivity by adhering to gender equality and corporate diversity commitments and supporting equal access to quality jobs.

According to the indicators, on average, foreign firms in LAC tend to offer better wages than domestic firms. Specifically, in 26 of the 31 countries covered by the indicators, foreign firms reported paying higher average wages (measured by total labour cost per employee) than domestic firms (Figure 3.21). Not all countries, however, follow the same pattern, and in some cases, foreign firms do not stand out in terms of wages. In Mexico, Costa Rica, Panama and Uruguay, the wage premium offered by foreign firms is not statistically significant. This may reflect the fact that foreign firms in these countries often operate in high-productivity sectors, where domestic firms already offer competitive wages, limiting the extent to which foreign investors can offer a wage premium. Additionally, strong labour institutions, collective bargaining arrangements and wage-setting mechanisms may help ensure broadly comparable wage levels across foreign and domestic firms, aligning compensation practices across firms, regardless of ownership.

Figure 3.21. Foreign firms tend to pay higher wages in most LAC countries

Relative difference between foreign and domestic firms' outcomes, 2010-2023



Note: The indicators show the relative gap between the average outcomes of foreign and domestic firms; the difference between the average wage in foreign and domestic firms, divided by the average wage in domestic firms. Positive values indicate that foreign firms outperform domestic firms (e.g. offer higher average wages), while negative values suggest the opposite. Reference years vary across countries, ranging from 2010 to 2023. Lines around the markers represent 95% confidence intervals. Estimates whose intervals include zero are not statistically significant at the 5% significance level.
Source: Based on World Bank (2024[18]), World Bank Enterprise Surveys, https://www.enterprisesurveys.org/en/enterprisesurveys.

Several small economies also show no clear wage advantage for foreign firms, likely due to the sectoral distribution of foreign investment. In small Caribbean countries like Grenada, the Bahamas, Antigua and Barbuda, St. Kitts and Nevis, Dominica, St. Vincent and the Grenadines, and St. Lucia, the data do not show a statistically significant wage premium. In many of these countries, foreign investment is concentrated in low-complexity sectors like tourism, hospitality and retail. These industries tend to be labour-intensive and offer mostly low- to medium-skill jobs, with less variation in pay across firms. Even when foreign firms are profitable, the scope for wage differentiation may be limited by local labour market norms, seasonal employment patterns and a strong presence of informal work. These results show that

foreign ownership does not necessarily translate into significantly higher wages, even when firms are performing well, reflecting how industry structure and local labour market conditions can shape the wage impact of foreign investment.

Box 3.5. The impact of FDI on vulnerable groups: Evidence from the OECD Business Consultation in Canada

Macro-level FDI statistics and available business surveys generally do not allow for meaningful differentiation across segments of the labour force, particularly with respect to vulnerable groups. While gender-disaggregated information exists in some cases, comparable data on immigrants, Indigenous Peoples and persons with disabilities remain extremely limited. To begin addressing this evidence gap, in 2022-23 the OECD, in collaboration with *Invest in Canada,* conducted a business consultation involving structured interviews with 23 Canadian companies and 33 foreign-owned enterprises operating in the country. Firms were selected to reflect a diversity of industries, company sizes and countries of origin. The survey instrument included questions on diversity and inclusion, with specific reference to women, Indigenous Peoples, persons with disabilities and foreign workers. Although not representative of the full population of firms, the consultation provides valuable insights into company practices regarding workforce diversity.

Findings suggest that Canadian-owned firms appear more attuned to issues of diversity and inclusion than affiliates of foreign multinationals. Participating Canadian firms reported a higher representation of women, Indigenous Peoples and persons with disabilities in their workforces, as well as greater representation of these groups in managerial positions. By contrast, foreign affiliates reported a larger share of foreign workers overall, including in management roles, consistent with the global reach of their labour recruitment practices.

The consultation also reveals differences in the way firms operationalise inclusion. Canadian firms more frequently reported implementing inclusive workplace strategies, such as diversity-oriented recruitment and training initiatives. Foreign affiliates, however, placed greater emphasis on formal training provision. Not only were they more likely to offer structured training programmes, but they also reported higher participation of vulnerable groups in these programmes. This aligns with broader international evidence, suggesting that foreign-owned firms tend to invest more systematically in workforce skills upgrading, even if their record on representation and diversity is more mixed.

Source: OECD (2024[19]) FDI Qualities Review of Canada: https://www.oecd.org/en/publications/2024/06/fdi-qualities-review-of-canada_7ab14cc9.html.

3.3.2. Foreign firms contribute to lower wage inequality in some LAC countries

In several LAC countries, the wage premium offered by foreign firms is highest among the lowest-paid workers. In some countries, such as Bolivia, Argentina and El Salvador, foreign firms pay higher wages at the bottom of the wage distribution compared to domestic firms (Figure 3.22).

For example, in Bolivia, the wage premium is higher for the bottom 25% of workers and decreases progressively toward the top. This pattern suggests that foreign firms may help reduce wage inequality within countries by raising wages, especially for lower-wage workers, possibly due to more formal employment arrangements, compliance with labour standards or firm-wide minimum wages.

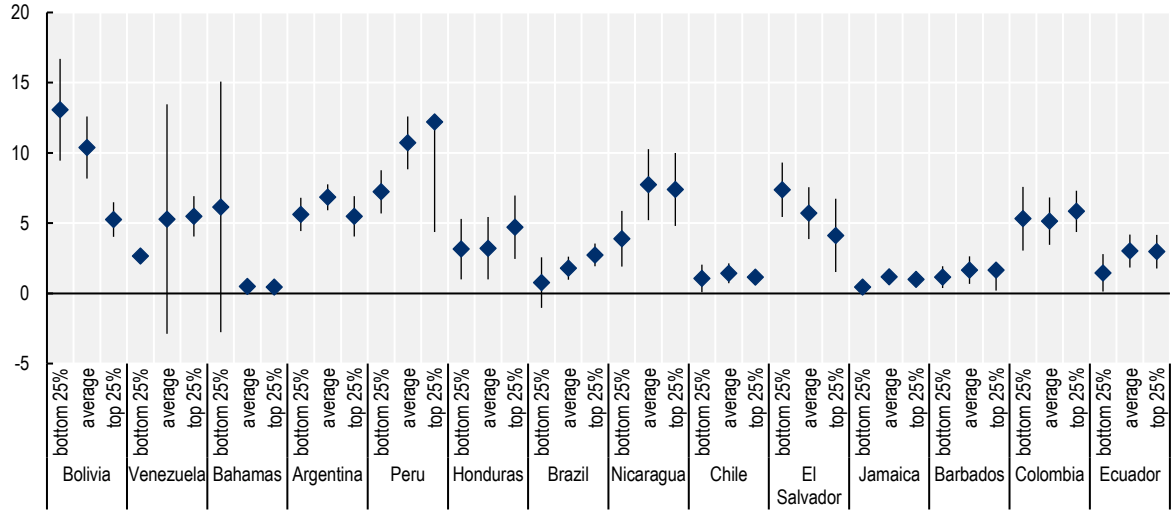
However, in some countries, the pattern is less clear, with smaller wage premiums at the bottom of the distribution. In countries such as Brazil, Colombia and Chile, wage differences between foreign and domestic firms are relatively modest along the wage distribution. This variability may reflect differences in

sectoral composition, types of jobs filled by foreign firms or the degree of formalisation within industries. Where foreign investment is concentrated in higher-skilled or capital-intensive segments, the impact on reducing labour-market inequality may be smaller.

While foreign firms often raise average wages, they can also contribute to increased wage inequality, particularly where they concentrate on higher-skilled segments of the labour market. In Peru, Honduras, and Nicaragua, the wage premium is higher at the top of the wage distribution. This pattern can be explained by the fact that in less advanced countries, foreign firms often compete for scarce, high-skilled talent, which is often lacking locally. They offer internationally benchmarked pay to attract foreign talent and operate in high-productivity sectors requiring specialised expertise. As a result, employment patterns in these firms tend to be skill-biased, reinforcing wage disparities within the labour market.

Figure 3.22. In Bolivia, Argentina and El Salvador, foreign firms pay higher wages at the bottom of the wage distribution compared to domestic firms

Relative difference between foreign and domestic firms' outcomes, by wage distribution percentiles, 2010-2023



Note: The indicators show the relative gap between the average outcomes of foreign and domestic firms, the difference between the average wage in foreign and domestic firms, divided by the average wage in domestic firms. Positive values indicate that foreign firms outperform domestic firms (e.g. offer higher average wages), while negative values suggest the opposite. Reference years vary across countries, ranging from 2010 to 2023. Lines around the markers represent 95% confidence intervals. Estimates whose intervals include zero are not statistically significant at the 5% significance level.
Source: Based on World Bank (2024[18]), World Bank Enterprise Surveys, https://www.enterprisesurveys.org/en/enterprisesurveys.

Box 3.6. FDI and job quality in LAC: Insights from the literature

Foreign direct investment can be a powerful catalyst for labour market transformation, particularly through its effects on job quality. While FDI often contributes to higher wages and expanded employment opportunities, it can also produce uneven outcomes. Evidence from LAC countries suggests that FDI can reinforce existing labour market dualities, exacerbate wage inequality and contribute to the development of segmented employment structures.

In LAC countries, foreign-owned firms tend to pay higher wages than their domestic counterparts (Arbache, 2004[14]). A study on Mexico shows that FDI reduces the number of workers seeking extra hours and raises the median hourly wage (Sharma and Cardenas, 2018[7]). However, these wage

premiums can be confined to employees within multinational enterprise affiliates and seldom spill over to local firms (Aitken, Harrison and Lipsey, 1996[20]). In Brazil, evidence suggests indirect wage gains through labour mobility as domestic firms benefit from hiring workers previously employed and trained by MNEs (Poole, 2013[21]). Nevertheless, broader evidence on inter-firm wage spillovers within the same industry remains mixed.

FDI-related employment gains in LAC tend to be skill-biased (Modrego et al., 2022[5]). FDI can disproportionately benefit skilled and educated workers, while wages for low-skilled labour remain stagnant or decline. In some countries, FDI was found to depress the wages of low-skilled workers more significantly than those of their skilled counterparts (Velde, 2003[22]). A recent study finds that in Mexico, FDI is linked to higher wages for both skilled and unskilled workers, but the gap between them widens (Ibarra-Olivo and Rodríguez-Pose, 2022[23]). These effects are more pronounced in capital-intensive industries such as automotive manufacturing, where technological sophistication reduces demand for unskilled labour (Ramírez, 2000[12]).

Gender-differentiated impacts are also evident. FDI has been found to favour male employment more in some settings (Vacaflores, 2011[6]), although investment in female-dominated sectors may support gains in female employment (Vacaflores Rivero, 2009[24]). However, FDI and the operations of multinational firms in host countries can be an important conduit for the transmission of high-quality gender policy and practice. A recent study shows that workers moving from multinationals to domestic firms in Brazil modestly reduces gender wage gaps, especially in managerial roles, but improvements depend on the gender policies and standards multinationals uphold rather than their country of origin (Davis and Poole, 2023[25]).

Finally, the quality of FDI-related jobs depends on the structure of production networks and the absorptive capacity of domestic firms. When local suppliers lack the technological or managerial capability to meet multinational standards, backward linkages remain weak, constraining opportunities for skills upgrading and limiting sustained job quality improvements (Sanchez-Martin, de Pinies and Antoine, 2015[13]).

3.3.3. EU affiliates pay relatively higher wages in capital- and technology-intensive sectors

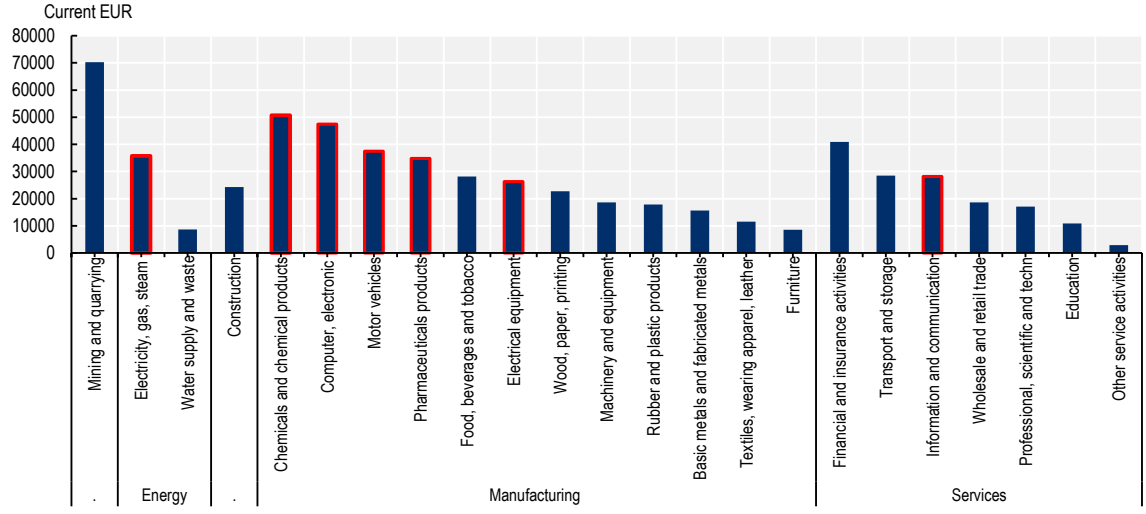
Datasets containing information on companies' employment practices are used to distinguish between different sources of investment in LAC and to isolate the contribution of EU-based companies to job quality in the region. Data on annual employee benefit expenses, including wages, salaries and employers' social security contributions, sourced from Eurostat's Foreign Affiliates Statistics (FATS), provide an estimate of the average annual wage paid by EU affiliates in four key LAC countries: Argentina, Brazil, Chile and Mexico. Due to limited data availability in Uruguay and Venezuela, which was confined to a small number of companies and sectors, these countries have been excluded from the analysis. Although the findings cannot be applied to all LAC countries, they offer valuable insights into wage trends among EU affiliates as these four countries account for over 95% of total employment by EU affiliates in the region.

EU affiliates in LAC reported the highest average wages in specialised capital- and technology-intensive sectors, many of which align with the EU-LAC GGIA's strategic priorities. In capital-intensive industries, such as mining and quarrying, average annual salaries for EU affiliates exceed EUR 70 000 (Figure 3.23). Within manufacturing, sectors such as chemicals; computers and electronics; motor vehicles and pharmaceuticals, which are key areas of focus under the EU-LAC GGIA and characterised by advanced technologies and demand for skilled labour, offer average wages around EUR 50 000. By contrast, less technology-intensive industries, including furniture and textiles manufacturing, reported the lowest wage levels within the manufacturing sector. In services, average wages are generally lower than in manufacturing. Higher salaries are reported in financial and insurance services, with average wages

around EUR 40 000, as well as in transport, storage, and information and communication, where wages average approximately EUR 28 000. By contrast, sectors like wholesale and retail trade, and professional, scientific and technical services tend to have lower average wages, typically around EUR 20 000 annually. These wage differences reflect the concentration of high-skilled roles in specialised, capital-intensive sectors, where the demand for skilled labour drives higher wages. In comparison, sectors such as wholesale and retail trade, which are typically less capital-intensive, generate more extensive employment opportunities, but at lower wage levels as they tend to rely on a broader, less specialised labour force.

Figure 3.23. EU affiliates have the highest average labour cost per person in mining and quarrying

Average annual labour cost per employee, by sector, 2021-2022



Note: Average annual labour cost comprises employee benefits expense (wages, salaries and employers' social security costs) divided by the number of persons employed. Employee benefits and the number of persons employed are aggregated for 2021 and 2022, then averaged across four LAC countries – Argentina, Brazil, Chile, Mexico. Sectors with fewer than five reporting companies are excluded from the analysis. *Bars with red borders indicate sectors that align with partnership areas under the EU Global Gateway Investment Agenda (See Box 1.2 in Chapter 1). Partnership areas: digital (information and communication, electronics, electrical machinery); climate and energy (renewable energy); transport (electric motor vehicles within "Motor vehicles"); health (chemicals, pharmaceuticals, medical instruments, health and social work). Investments in education and research are cross-cutting in nature and cannot be captured within the ISIC Rev. 4 sector classification. Business activities include professional, scientific and technical activities.
Source: Based on Eurostat (2021/2022[16]), Foreign controlling EU enterprises - outward FATS, https://ec.europa.eu/eurostat/databrowser/view/fats_out_activ/default/table?lang=en&category=gbs.fats_out.

Average wage levels among EU affiliates vary considerably across LAC countries, reflecting both the availability of local skills and the structure of FDI. In the chemicals sector, for instance, wages differ markedly between countries. In Argentina, EU affiliates reported much higher wages, averaging EUR 130 000 annually. This contrasts sharply with Brazil (EUR 36 000), Mexico (EUR 25 000) and Chile (EUR 10 000), where wages are considerably lower. These disparities can be attributed to differences in the nature of FDI in the chemical sector across countries. In Argentina, investment may target higher-value-added segments, such as specialty chemicals, which require advanced technologies and skilled labour. In contrast, in Brazil, Mexico and Chile, FDI is more likely directed towards traditional, labour-intensive chemical manufacturing, where the demand for specialised skills is lower, resulting in comparatively lower wage levels.

Wage differences can also be influenced by the competitiveness and the structure of local labour markets. In countries with limited availability of skilled labour, foreign firms may need to offer higher wages to attract and retain the required talent. For example, industries demanding specialised expertise or advanced

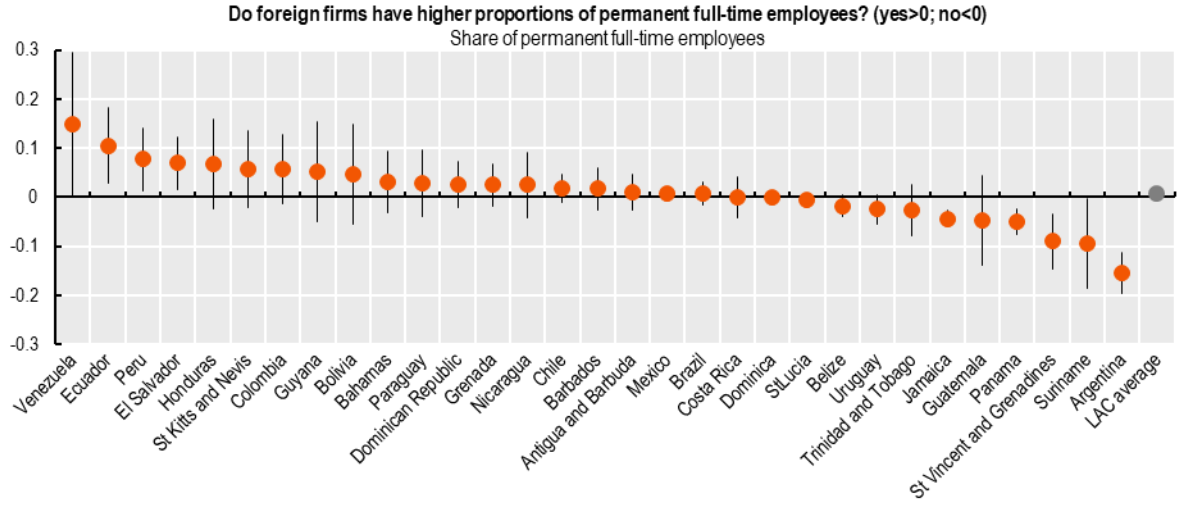
technical skills often see wages driven up by the availability (or scarcity) of local talent, prompting foreign firms to raise compensation in order to remain competitive within the market. Additionally, national wage regulations and wage distributions within each country can impact wage levels. Variations in minimum wage laws, labour market policies, and the overall wage and skills structure in a given country can create further differences in how wages are set, influencing the compensation offered by EU affiliates operating in these countries. Moreover, national provisions on social security contributions, which can differ significantly across countries, may also affect overall wage costs and contribute to cross-country wage differences.

3.3.4. Foreign firms tend to offer more stable job opportunities

The FDI Qualities Indicators also show that foreign firms tend to employ a larger share of workers on permanent full-time contracts compared to domestic firms, although with notable variations across countries. In 20 countries in LAC, foreign firms offer a greater proportion of permanent full-time contracts (Figure 3.24). Specifically, in countries such as Colombia, Peru, El Salvador and Paraguay, foreign companies provide a higher percentage of permanent contracts compared to their domestic counterparts. This can reflect the greater resources and adherence to global labour standards typical of foreign firms. Their financial capacity and established corporate practices allow them to offer more stable employment, with better job security and formal labour conditions, reducing reliance on temporary or informal work.

Figure 3.24. Foreign firms are more likely to provide permanent contracts in most LAC countries

Relative difference between foreign and domestic firms' outcomes, 2010-2023



Note: The indicators show the relative gap between the average outcomes of foreign and domestic firms; the difference between the proportion of permanent full-time employees in foreign and domestic firms, divided by the proportion of full-time employees in domestic firms. Positive values indicate that foreign firms outperform domestic firms (e.g. have a higher share of full-time employees), while negative values suggest the opposite. Reference years vary across countries, ranging from 2010 to 2023. Lines around the markers represent 95% confidence intervals. Estimates whose intervals include zero are not statistically significant at the 5% significance level.
Source: Based on World Bank (2024[18]), World Bank Enterprise Surveys, https://www.enterprisesurveys.org/en/enterprisesurveys.

However, in other countries like Costa Rica, Suriname and Argentina, the share of permanent contracts in foreign firms is not significantly higher than that of domestic firms. One possible explanation is that both foreign and domestic firms may be influenced by local labour laws or regulations that encourage the use of permanent contracts, leading to similar employment patterns across both types of firms. Another explanation is that in some sectors, such as tourism or seasonal industries, both foreign and domestic

firms may rely more heavily on temporary or short-term labour arrangements. Economic conditions and cost constraints within these industries further drive the preference for more flexible employment contracts. As a result, foreign firms may not significantly outperform domestic firms in terms of offering permanent employment.

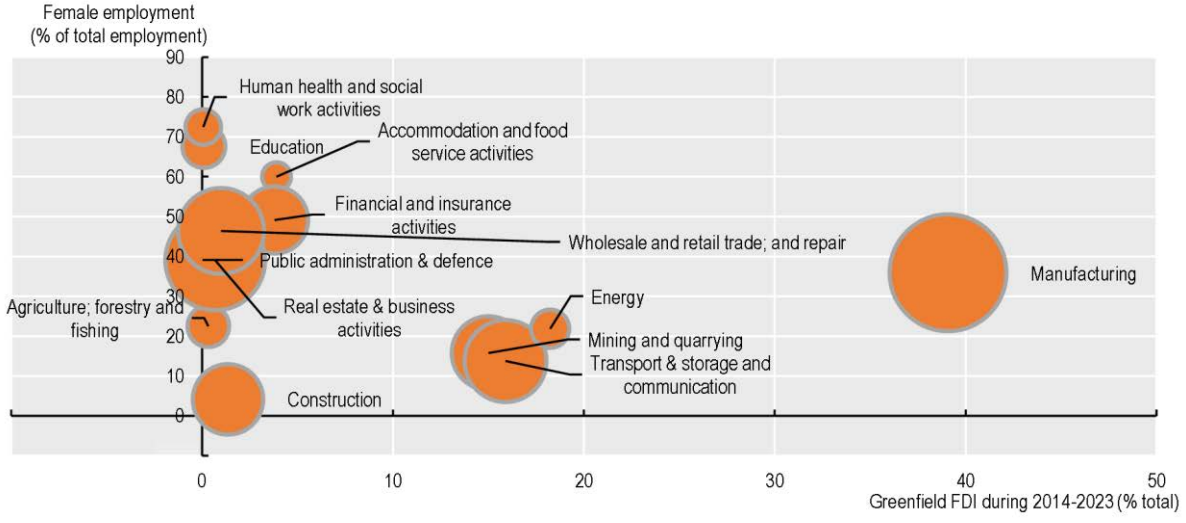
3.3.5. Greenfield FDI is focused in sectors with limited female participation in the workforce

The sectoral distribution of greenfield FDI in LAC remains heavily skewed toward male-dominated sectors, limiting its potential to support gender-equitable employment outcomes. From 2014 to 2023, over 70% of greenfield FDI in the region was directed into sectors with relatively low female participation, including manufacturing, energy, mining and quarrying, communication infrastructure, and transport and storage (Figure 3.25). These industries are traditionally male-dominated, both globally and within the region, offering limited opportunities for women to benefit from job creation and wage growth associated with foreign investment. In contrast, investment has been markedly lower in sectors where women represent most of the workforce, such as health and social work, education, textile, and accommodation and food services, where female employment often exceeds 60%.

While the concentration of FDI in male-dominated sectors can exacerbate gender disparities, it also has untapped potential to promote gender equality, provided the right policies and enablers are in place. MNEs often operate under global labour standards and may introduce more inclusive workplace practices, such as gender-sensitive recruitment, equal pay frameworks, social security arrangements linked to formal employment, care provisions and protections against discrimination. Research shows that the country of origin of investment is a key determinant of gender performance in the workplace. Specifically, firms originating from countries with higher levels of gender equality are more likely to adopt inclusive policies and achieve better gender-related labour market outcomes (Kodama, Javorcik and Abe, 2018[26]; Tang and Zhang, 2021[27]).

Figure 3.25. Greenfield investment is prevalent in male-dominated sectors

Female employment (% of total employment) by sector, 2024 and greenfield FDI, by sector, 2014-2023



Note: The cumulative value of greenfield FDI over the period 2014-2023 is used as a proxy for FDI stock. The size of the bubbles reflects the sector's share in total value added.

Source: Based on ILOSTAT (2024[28]), Employment by sex and economic activity, https://ilostat.ilo.org/fr/; Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/; UN Data (2024[29]), Table 2.1 Value added by industries at current prices (ISIC Rev. 3),https://data.un.org/Data.aspx?d=SNA&f=group_code%3a201.

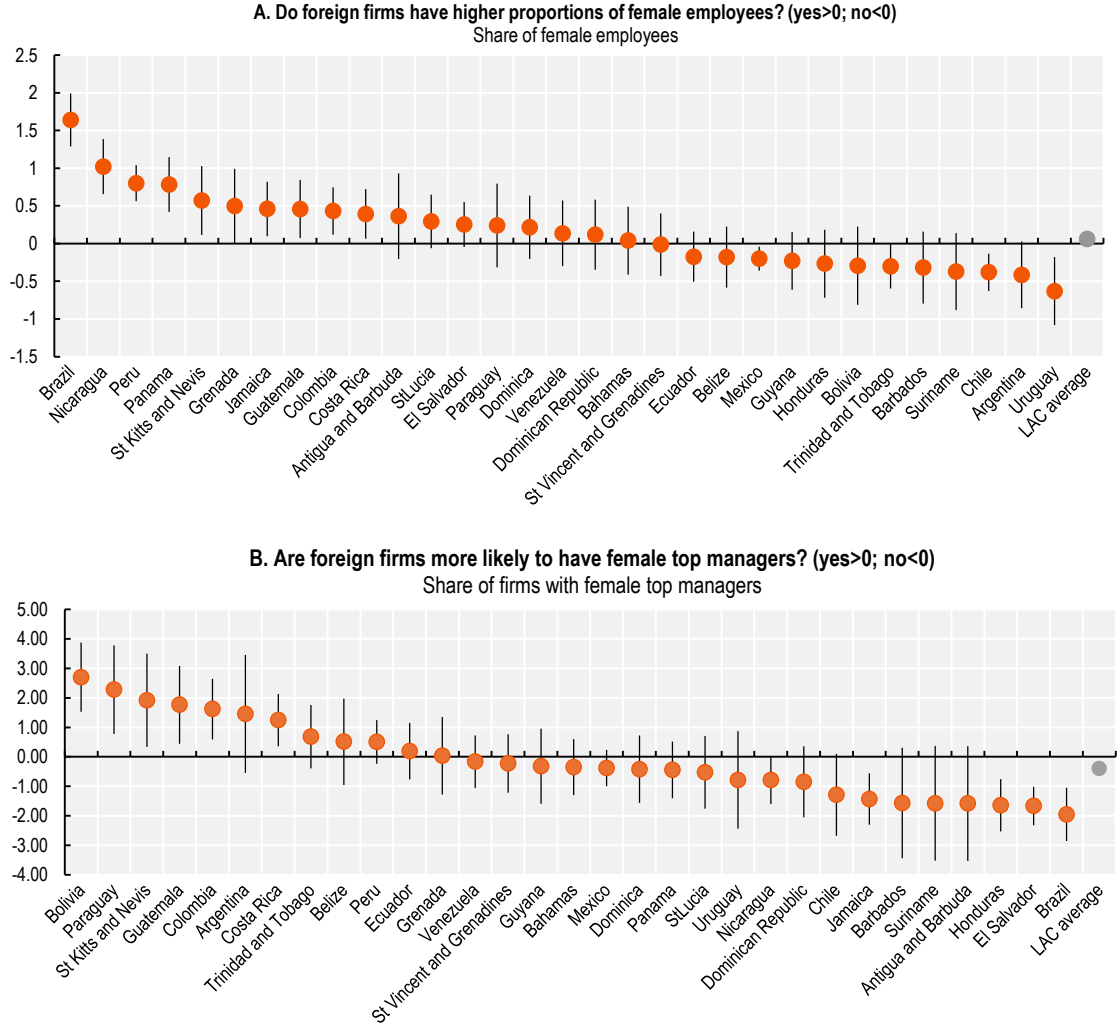
3.3.6. The contribution of foreign firms to gender equality is uneven, with persistent gaps in the representation of women in management positions

According to the FDI Qualities Indicators, the contribution of foreign firms to gender equality in the labour market across LAC is uneven. On average, foreign firms employ a higher share of female workers in 18 out of 31 LAC countries, although in 7 of these, the difference is not statistically significant, indicating a generally positive contribution to women's participation in the labour market (Figure 3.26). This also points to a potential long-term contribution of FDI to structural transformation in gender equality as MNEs may help introduce more inclusive employment practices and gradually influence local labour market structures.

Foreign firms do not outperform domestic firms in promoting women to management positions. In 19 out of 31 countries, the share of foreign firms with female top managers is lower than that of domestic firms, though in most cases the difference is not statistically significant. These gaps may reflect the sectoral focus of FDI, which is often concentrated in capital-intensive, male-dominated industries, where women are less likely to hold senior positions. Additionally, MNEs may rely more heavily on expatriate or internationally recruited leadership, which can create barriers to the advancement of local female professionals. Structural factors, such as limited access to networks or executive training, may further constrain women's opportunities to take on ownership or top management roles in foreign firms (OECD, 2022[1]).

Figure 3.26. Foreign firms employ, on average, a higher share of women, but they are not more likely to have women in top management positions

Relative difference between foreign and domestic firms' outcomes, 2010-2023



Note: The indicator in panel A shows the share of female employees over total employees, while the indicator in Panel B reflects the share of firms with female participation in top managerial positions. The indicators in Panels A and B capture the relative gap between the average outcomes of foreign and domestic firms. For instance, the difference between the average share of female employees in foreign and domestic firms is divided by the average share of female employees in domestic firms. Positive values indicate that foreign firms outperform domestic firms (e.g. have higher shares of female employees), whereas negative values suggest the opposite. Reference years vary across countries, ranging from 2010 to 2023. Lines around the markers represent 95% confidence intervals. Estimates whose intervals include zero are not statistically significant at the 5% significance level.

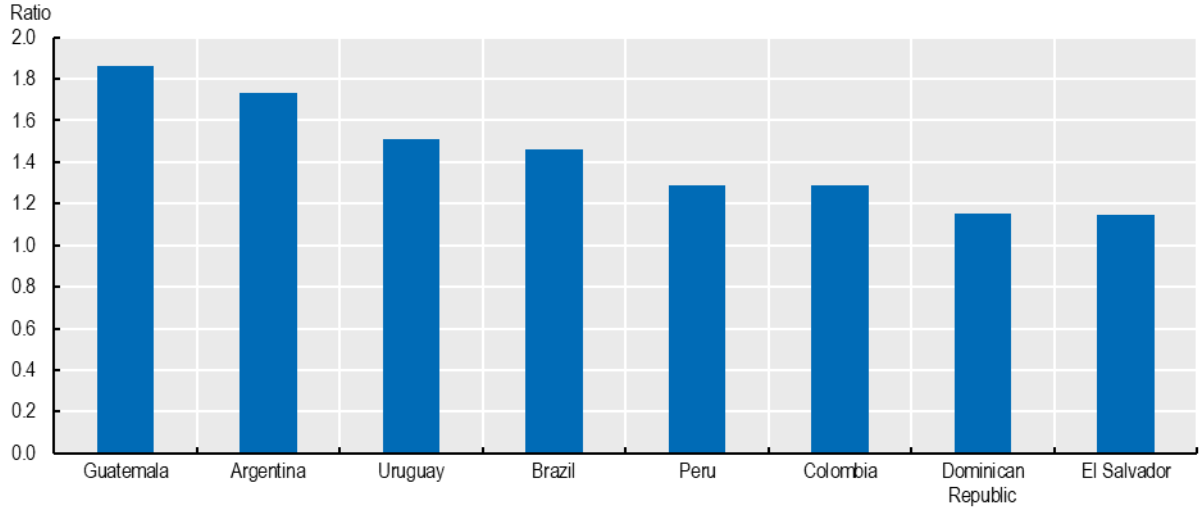
Source: Based on World Bank (2024[18]), World Bank Enterprise Surveys, https://www.enterprisesurveys.org/en/enterprisesurveys.

3.3.7. Sectors receiving EU greenfield FDI have a higher share of workers earning high-quality wages

Analysis combining greenfield FDI data with labour income statistics from household surveys reveals that across all observed LAC countries, workers in EU FDI-intensive sectors earn significantly higher wages than those in other sectors (Box 3.7). For instance, in countries such as Guatemala, Argentina, Uruguay and Brazil, they earn 1.5 to 1.8 times more (Figure 3.27).

Figure 3.27. Workers in EU greenfield FDI intensive sectors earn significantly higher wages

Average wage ratio between sectors receiving EU FDI compared to other sectors

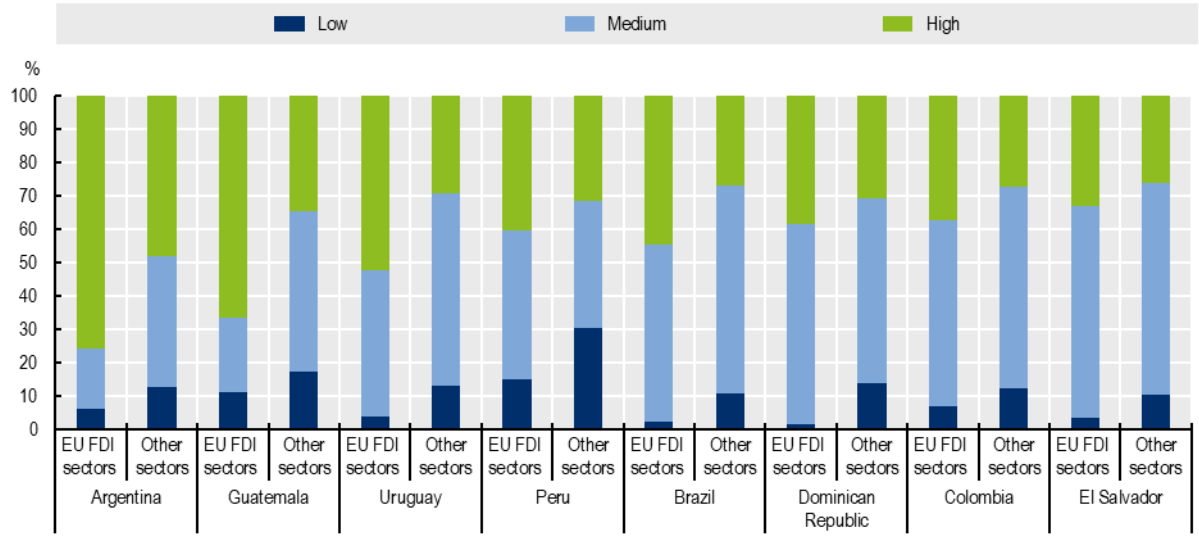


Note: The selected sectors account for at least 80% of the jobs created by EU FDI in the country and include a minimum of five sectors, based on fDi Markets statistics over the five years preceding the most recent available household survey. The results shown in the graph are weighted averages for these sectors, using each sector's share of total EU FDI-related job creation as a weight. For the remaining sectors – those receiving little or no EU FDI – simple (unweighted) averages are reported. Wage ratio is calculated as average wage in FDI sector divided by average wage in non-FDI sector, based on main job. For further detail, please see Box 3.7.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/; OECD (2023[30]) Key Indicators of Informality based on Individuals and their Households (KIIbIH) database, https://www.oecd.org/en/publications/extending-social-protection-to-informal-economy-workers_ca19539d-en.html

EU FDI-intensive sectors are associated with a higher share of workers earning high-quality wages (defined as wages above the national average) and a lower incidence of low-wage employment. For example, in Argentina, 76% of workers in EU greenfield FDI sectors earn above-average wages compared to 48% in other sectors, while only 6% are in low-wage jobs versus 12% elsewhere. Similar patterns are observed in Guatemala (67% vs. 35% for high wages), Uruguay (52% vs. 29%) and Brazil (45% vs. 27%) (Figure 3.28). This may indicate that, on average, EU investors tend to operate in sectors that provide wages that exceed national wage levels.

Figure 3.28. EU greenfield FDI-intensive sectors have higher quality wages

Wage quality in sectors receiving EU FDI compared to other sectors



Note: The selected sectors account for at least 80% of the jobs created by EU FDI in the country and include a minimum of five sectors, based on fDi Markets statistics over the five years preceding the most recent available household survey. The results shown in the graph are weighted averages for these sectors, using each sector's share of total EU FDI-related job creation as a weight. For the remaining sectors – those receiving little or no EU FDI – simple (unweighted) averages are reported. Wage quality is defined based on monthly labour income. An individual's wage is classified as low if it is less than 0.5 times the national median, middle if it falls between 0.5 and 1.5 times the median, and upper if it exceeds 1.5 times the national median. For further detail, please see Box 3.7.

Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/; OECD (2023[30]) Key Indicators of Informality based on Individuals and their Households (KIIbIH) database, https://www.oecd.org/en/publications/extending-social-protection-to-informal-economy-workers_ca19539d-en.html.

Box 3.7 Assessing labour market outcomes in EU FDI-intensive sectors

This analysis examines how labour market outcomes differ between sectors that have generated the most jobs from European Union foreign direct investment (EU-FDI) and the rest of the economy. This is a comparative exercise and does not establish any causal relationships.

The study combines sector-level data on announced greenfield FDI from the fDi Markets database with harmonised household survey data compiled by the OECD for eight countries in the region. The household data are restricted to individuals aged 15-65 who are active in the labour force, employed in an enterprise and receive a monthly wage. Data are matched between the two datasets using the ISIC Rev.4 classification at the 2-digit level.

To identify sectors most influenced by EU FDI, the analysis focuses on those that accounted for at least 80% of total EU FDI-related jobs in each country during the five years preceding the latest household survey. A minimum of five sectors is selected per country. The remaining sectors – those receiving little or no EU FDI – are referred to as "other sectors" throughout the analysis.

The analysis currently covers the following countries, with the year in parentheses indicating the household survey year: Argentina (2023), Brazil (2023), Colombia (2023), the Dominican Republic (2018), El Salvador (2023), Guatemala (2022), Peru (2023) and Uruguay (2018).

Presentation of the results

Results for EU FDI-intensive sectors are presented as weighted averages, with each sector's share of total EU FDI-related job creation used as the weight. This approach gives greater relevance to sectors in which EU FDI generates the most employment, providing a representative profile of labour outcomes in these sectors. In contrast, results for other sectors – those receiving little or no EU FDI – are shown as simple (unweighted) averages, reflecting typical labour outcomes across the rest of the economy.

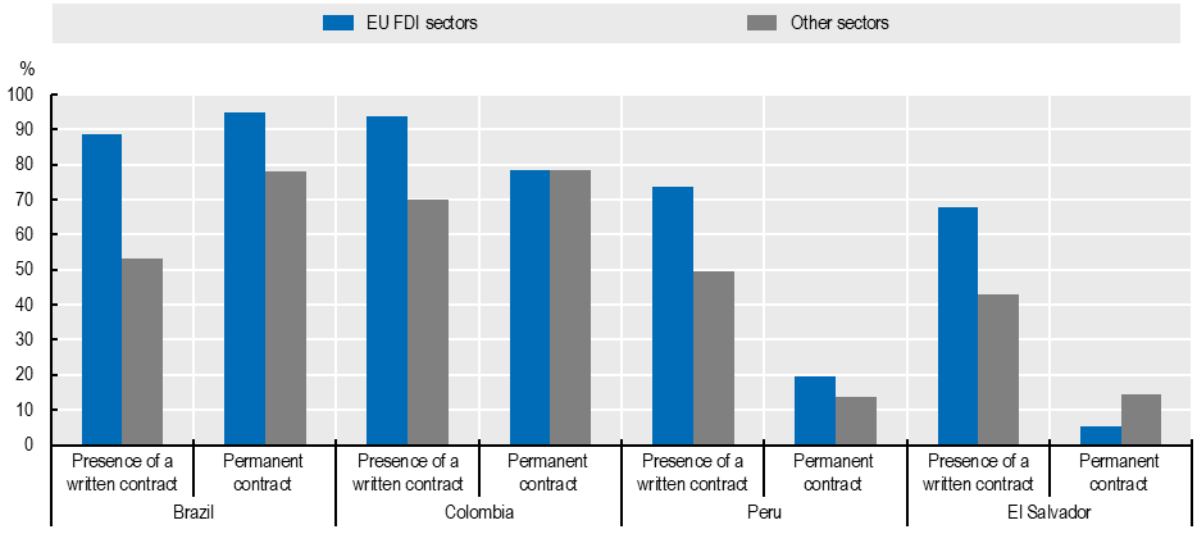
Highlighting the role of EU-LAC Global Gateway Investment Agenda sectors

A significant share of the sectors identified as EU FDI-intensive in this analysis include subsectors included in the EU-LAC Global Gateway Investment Agenda (EU-LAC GGIA), particularly in digital industries, green energy, health and sustainable transport. This underscores the role of EU greenfield FDI in supporting quality job creation in sectors that contribute to inclusive economic growth, the digital and green transitions, and enhanced resilience in partner countries. The list of sectors considered is provided in Annex Table 3.A.1 (Annex 3.A).

3.3.8. EU FDI-intensive sectors are associated with higher rates of permanent and full-time jobs

Figure 3.29. EU greenfield FDI-intensive sectors show greater use of written and permanent contracts

Prevalence of written and permanent contracts in sectors receiving EU FDI compared to other sectors



Note: The selected sectors account for at least 80% of the jobs created by EU FDI in the country and include a minimum of five sectors, based on fDi Markets statistics over the five years preceding the most recent available household survey. The results shown in the graph are weighted averages for these sectors, using each sector's share of total EU FDI-related job creation as a weight. For the remaining sectors – those receiving little or no EU FDI – simple (unweighted) averages are reported. For further detail, please see Box 3.7. Data refers to the presence of a written contract and a permanent employment arrangement in the worker's main job. No data available for Argentina, the Dominican Republic, Guatemala and Uruguay.

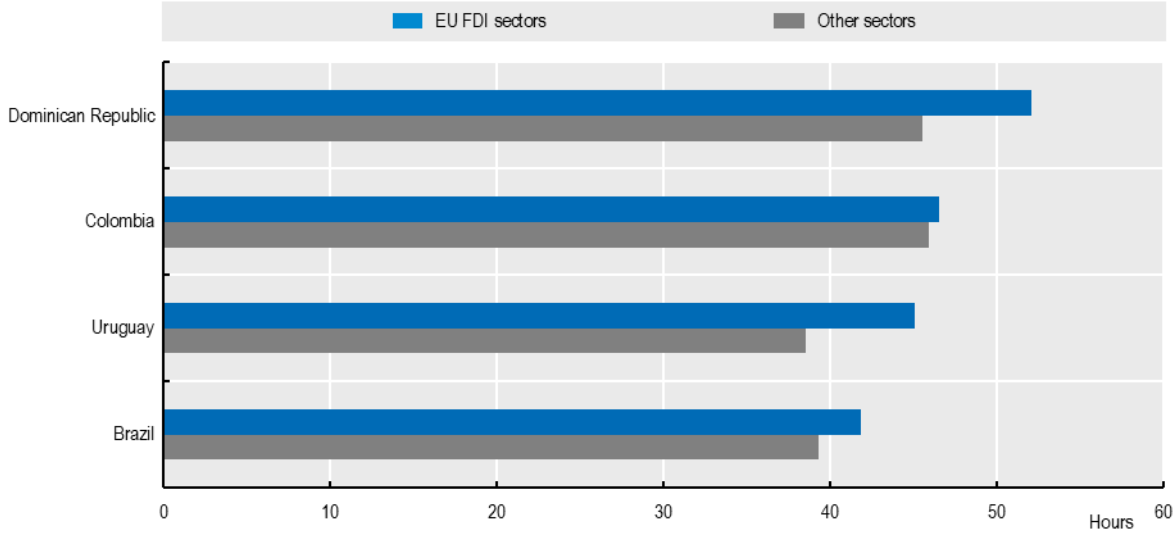
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/; OECD (2023[30]) Key Indicators of Informality based on Individuals and their Households (KIIbIH) database, https://www.oecd.org/en/publications/extending-social-protection-to-informal-economy-workers_ca19539d-en.html.

EU greenfield FDI-intensive sectors consistently report higher rates of permanent and written employment arrangements, suggesting that EU greenfield FDI contributes to more secure and stable jobs in the region. This pattern is particularly pronounced in Brazil, where 89% of workers in EU greenfield FDI-intensive sectors have written contracts compared to 53% in other sectors and 95% hold permanent contracts versus 78% elsewhere. The incidence of written and permanent contracts is lower in Peru and El Salvador, with 47% and 37% of EU FDI sector workers holding written contracts, respectively. But these figures still surpass those observed in the rest of the economy (Figure 3.29). These findings reinforce the role of EU investment in sectors that promote quality employment across diverse labour market contexts in LAC.

Workers in EU greenfield FDI-intensive sectors tend to work longer hours per week compared to those in other sectors across most LAC countries. This difference is particularly pronounced in the Dominican Republic, where average weekly working hours reach 52.1 in EU greenfield FDI-intensive sectors compared to 45.5 hours in other sectors. Notable differences are also observed in Colombia (46.6 vs. 45.9 hours) and Brazil (41.9 vs. 39.3 hours) (Figure 3.30). In all cases, these figures remain within local parameters when overtime is taken into account.

Figure 3.30. Workers in EU greenfield FDI-intensive sectors tend to work longer hours per week

Average weekly hours worked in sectors receiving EU FDI compared to other sectors



Note: The selected sectors account for at least 80% of the jobs created by EU FDI in the country and include a minimum of five sectors, based on fDi Markets statistics over the five years preceding the most recent available household survey. The results shown in the graph are weighted averages for these sectors, using each sector's share of total EU FDI-related job creation as a weight. For the remaining sectors – those receiving little or no EU FDI – simple (unweighted) averages are reported. For further detail, please see Box 3.7. Average worked hours are based on the usual number of hours worked weekly in the primary job. No available data for El Salvador, Guatemala and Peru.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/; OECD (2023[30]) Key Indicators of Informality based on Individuals and their Households (KIIbIH) database, https://www.oecd.org/en/publications/extending-social-protection-to-informal-economy-workers_ca19539d-en.html.

3.3.9. EU FDI-intensive sectors display lower informality rates and better social security outcomes

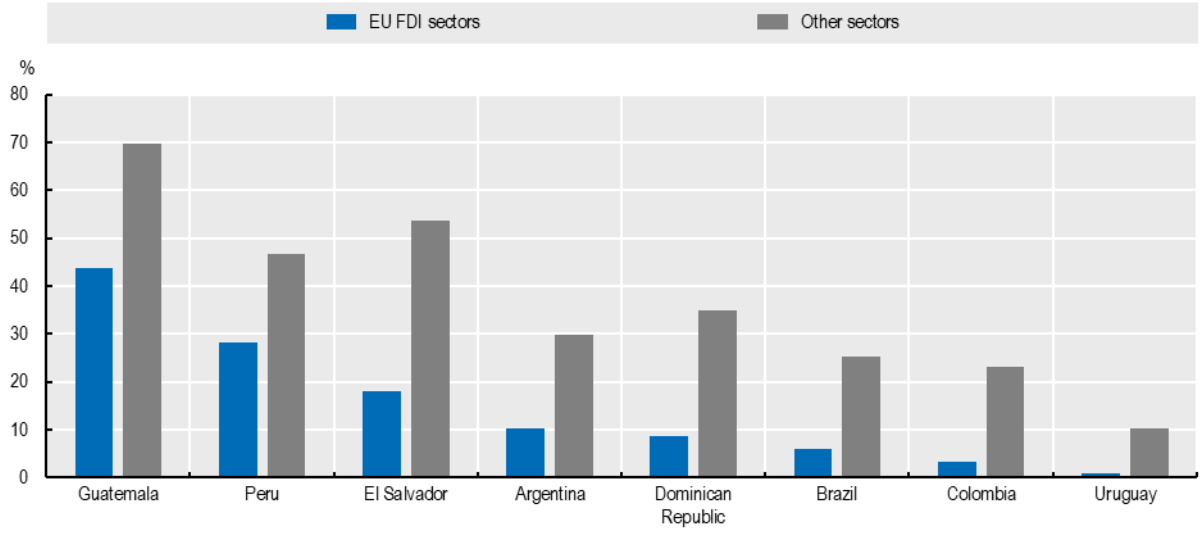
Informality remains a persistent and widespread challenge across LAC, affecting over 50% of total employment in many countries (ILO, 2023[31]). It is particularly prevalent among low-skilled workers, youth and women, and is concentrated in sectors such as agriculture, construction and retail trade. Informal employment is often characterised by low wages, limited job security and lack of access to social

protection, contributing to inequality and undermining fiscal capacity. Despite some progress in recent years, structural factors, including labour market segmentation, regulatory barriers and weak enforcement, continue to hinder transitions to formality, limiting the region's ability to achieve more inclusive and resilient growth. FDI can play a key role in supporting formal job creation in LAC. MNEs are typically more likely to operate in the formal economy and to comply with labour regulations, including the provision of formal contracts and social security benefits. Moreover, FDI in high-value-added sectors, such as chemicals, information and communication, and renewable energy, tends to generate jobs that require skilled labour and are more likely to be formal.

Analysis combining matched greenfield FDI statistics with data on working arrangements from household surveys enables an examination of the relationship between EU greenfield investment and informality in labour markets across LAC (Box 3.7). The findings show that sectors that account for at least 80% of the jobs created by EU greenfield FDI in the country tend to exhibit significantly lower informality rates compared to other sectors, indicating that EU investment is more frequently associated with formal employment relationships (Figure 3.31). For example, in Brazil, only 6% of workers in EU greenfield FDI sectors are in informal jobs compared to 25% in other sectors; in Colombia, the respective figures are 3% and 23%; and in Peru, 28% versus 47%. Even in countries with persistently high levels of informality, such as Guatemala or El Salvador, sectors with EU greenfield investment show markedly lower informality rates, highlighting the potential of such investment to support the transition to more formal labour markets.

Figure 3.31. EU greenfield FDI-intensive sectors have lower informality rates

Proportion of labour informality in sectors receiving EU FDI compared to other sectors



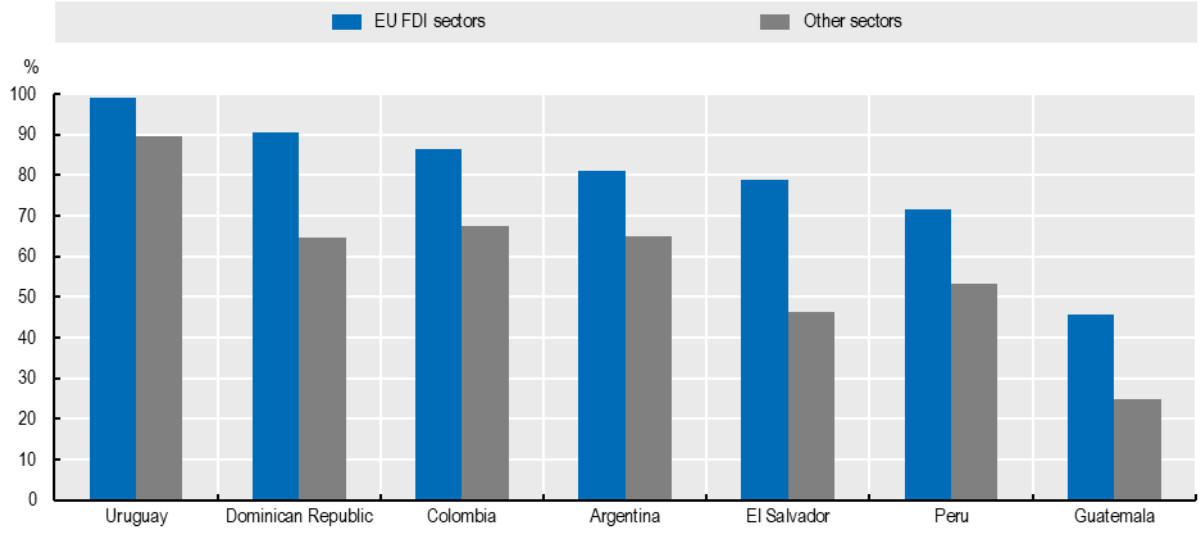
Note: The selected sectors account for at least 80% of the jobs created by EU FDI in the country and include a minimum of five sectors, based on fDi Markets statistics over the five years preceding the most recent available household survey. The results shown in the graph are weighted averages for these sectors, using each sector's share of total EU FDI-related job creation as a weight. For the remaining sectors – those receiving little or no EU FDI – simple (unweighted) averages are reported. For further detail, please see Box 3.7. Labour informality refers to working arrangements that are in practice or by law not subject to national labour legislation, income taxation or entitlement to social protection or other employment guarantees (ILO, 2023[32]). The indicator only considers the worker's primary job.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/;OECD (2023[30]) Key Indicators of Informality based on Individuals and their Households (KIIbIH) database, https://www.oecd.org/en/publications/extending-social-protection-to-informal-economy-workers_ca19539d-en.html.

Workers in EU FDI-intensive sectors are more likely to contribute to a pension scheme than those in other sectors, across all observed countries. For example, the share of contributors in EU greenfield FDI sectors

reaches 99% in Uruguay, 90% in the Dominican Republic and 86% in Colombia, consistently higher than in other sectors (Figure 3.32). Moreover, workers in sectors receiving EU greenfield FDI are also more likely to have health insurance coverage compared to those in other sectors. In Uruguay, coverage is nearly universal in both groups (100% in EU FDI sectors vs. 99% in others), while more pronounced differences are observed in Argentina (96% vs. 78%), Colombia (94% vs. 74%) and Guatemala (46% vs. 25%) (Figure 3.33).

Figure 3.32. Workers in EU FDI-intensive sectors are more likely to contribute to a pension scheme

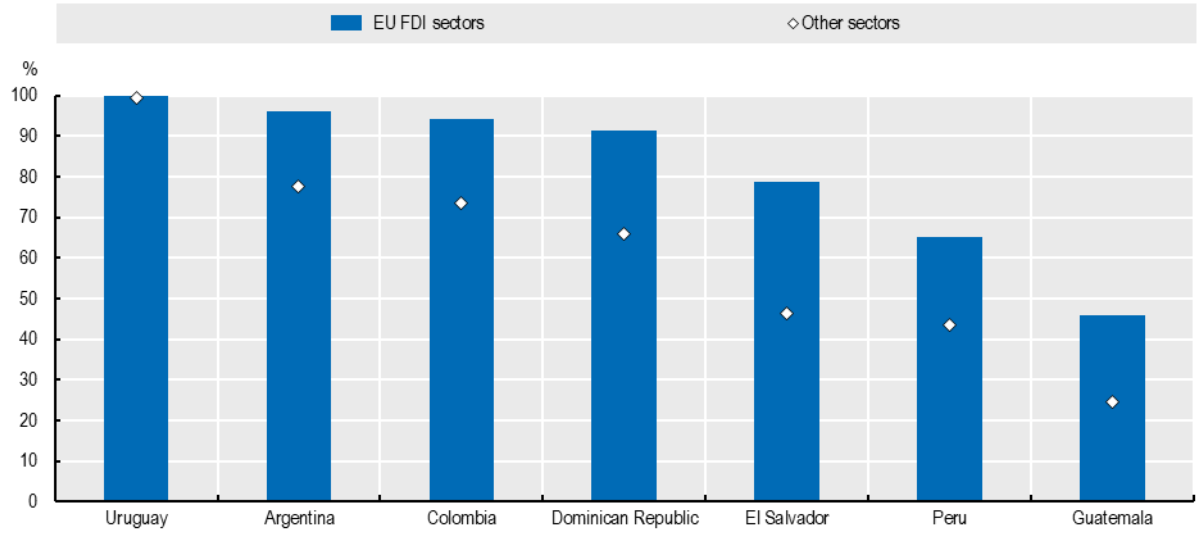
Proportion of workers contributing to a pension scheme in sectors receiving EU FDI compared to other sectors



Note: The selected sectors account for at least 80% of the jobs created by EU FDI in the country and include a minimum of five sectors, based on fDi Markets statistics over the five years preceding the most recent available household survey. The results shown in the graph are weighted averages for these sectors, using each sector's share of total EU FDI-related job creation as a weight. For the remaining sectors – those receiving little or no EU FDI – simple (unweighted) averages are reported. For further detail, please see Box 3.7. Pension coverage refers to workers contributing to a pension scheme through social security contributions at their main job. No data available for Brazil.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/; OECD (2023[30]) Key Indicators of Informality based on Individuals and their Households (KIIbIH) database, https://www.oecd.org/en/publications/extending-social-protection-to-informal-economy-workers_ca19539d-en.html.

Figure 3.33. Workers in EU FDI-intensive sectors are also more likely to have health insurance coverage

Proportion of workers with health insurance in sectors receiving EU FDI compared to other sectors



Note: The selected sectors account for at least 80% of the jobs created by EU FDI in the country and include a minimum of five sectors, based on fDi Markets statistics over the five years preceding the most recent available household survey. The results shown in the graph are weighted averages for these sectors, using each sector's share of total EU FDI-related job creation as a weight. For the remaining sectors – those receiving little or no EU FDI – simple (unweighted) averages are reported. For further detail, please see Box 3.7. Health insurance refers to coverage provided through contributions linked to a work contract. No data available for Brazil.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/; OECD (2023[30]) Key Indicators of Informality based on Individuals and their Households (KIIbIH) database, https://www.oecd.org/en/publications/extending-social-protection-to-informal-economy-workers_ca19539d-en.html.

3.3.10. While FDI in education and training activities is generally low, EU-based greenfield investors have been important drivers of the investment that exists in this area

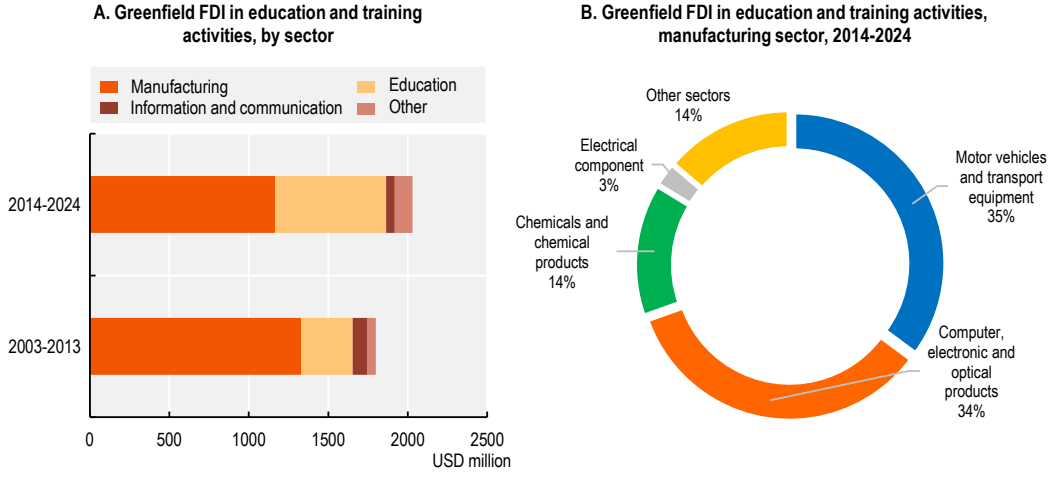
Although domestic public and private actors provide most of the investment in education and training, FDI can be pivotal in advancing education and skills development in host countries (OECD, 2022[1]). MNEs often bring with them not only capital and technology but also critical know-how and training systems that enhance the capabilities of local workforces (OECD, 2022[1]). These contributions are embedded both within company-specific workforce development programmes (see Chapter 4) and in broader investments in education and training infrastructure in host countries. Greenfield FDI data, by capturing the establishment of new facilities, offer a unique lens into the extent and nature of international investment in education and training activities. This includes the creation of technical learning facilities, professional education centres and international training centres that are instrumental in upgrading skills and aligning them with global labour market needs.

Although still representing a relatively small share of total greenfield FDI in LAC, investment in education and training has grown steadily over the past two decades. Between 2003 and 2024, such investments accounted for approximately 0.2% of total greenfield FDI, reaching USD 2 billion over the 2014-2024 period (Figure 3.34, Panel A). During 2014-2024, more than half of education and training-related investment in LAC was directed to the manufacturing sector (57% of total), followed by the education sector itself (34%) and, to a much lesser extent, information and communication services (3%) (Figure 3.34, Panel A). Within manufacturing, investment was concentrated in the automotive industry (35%), computers and electronics

(34%), and chemicals (14%) (Figure 3.34, Panel B). FDI in training activities can play an important role in addressing talent shortages in the manufacturing sector, strengthening technical skills and supporting the diffusion of new production technologies across the economy (OECD, 2022[1]).

The sectoral composition of training and education investment has evolved during the last two decades. Compared with 2003-2013, when manufacturing accounted for over 70% of total education- and training-related FDI, its share declined in 2014-2024, while the share of the education sector expanded markedly (from 18% to 34%). This shift points to a gradual internationalisation of education services in the region, including the creation of foreign-funded universities, business schools and training centres. While such developments can contribute to skills development and innovation, they may also pose challenges in contexts where public education systems are weaker. Potential risks include widening inequalities in access to training opportunities and reinforcing skill mismatches if private provision does not align with labour market needs (Crawfurd, Hares and Todd, 2023[33]).

Figure 3.34. Over half of greenfield FDI in education and training activities targeted manufacturing, with rising investment in education services



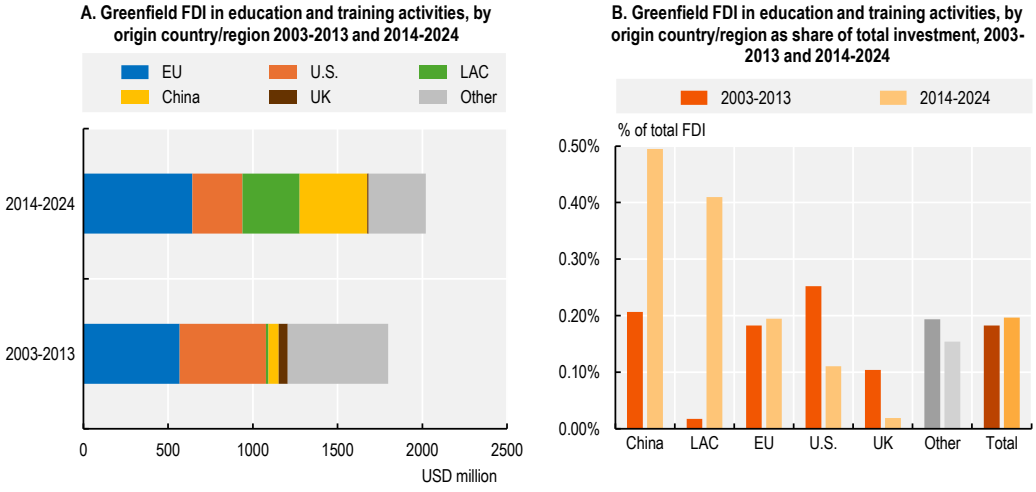
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

From the investor perspective, companies based in the EU emerged as the leading sources of greenfield FDI in education and training activities. Between 2014 and 2024, EU-based investors accounted for 32% of total greenfield FDI in the sector in LAC, up slightly from 31% in 2003-2013 (Figure 3.35). In absolute terms, EU investment increased from USD 592 million to USD 643 million over the two periods. Beyond financing, EU investors often introduce structured vocational training systems, technical education frameworks and long-term institutional partnerships, supporting LAC countries in their efforts to strengthen human capital and expand access to quality training opportunities (see Chapter 4).

China was the second-largest source of greenfield FDI in education and training in LAC during 2014-2024, accounting for 22% of total investment, up from less than 3% in the previous decade. Education and training represented 0.5% of China's total FDI in the region, more than doubling its share from 0.2% in 2003-2013, reflecting a growing strategic interest in the sector. Notably, 95% of all greenfield FDI by Chinese investors was announced in Mexico. Intra-regional investment from LAC countries represented 17% of total greenfield FDI in education and training in 2014-2024, highlighting an important and growing role for regional actors in advancing skills development. By contrast, the United States and the United Kingdom experienced significant declines in their investment shares. The U.S. accounted for 15% of total greenfield FDI in education and training in 2014-2024, down 42% from its 2003-2013 level. The UK's share

fell even more sharply, by 43%, to account for less than 1% of total investment in the sector during the most recent decade.

Figure 3.35. Although greenfield FDI in education and training activities remains relatively low, it has increased over the past decade

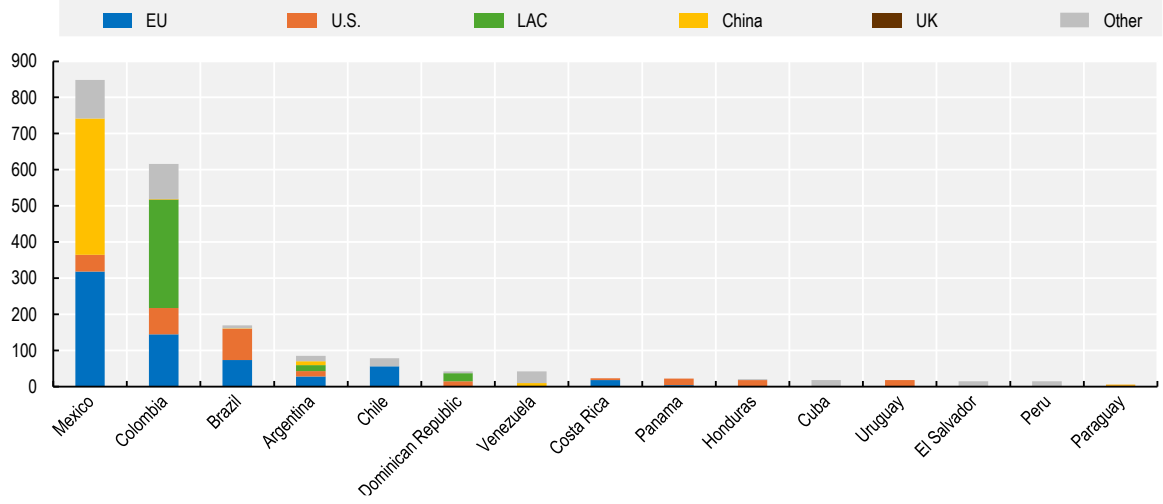


Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

Within LAC, greenfield investment in education and training remained concentrated in a small number of countries (Figure 3.36). Between 2014 and 2024, only 15 of the 33 countries in the region reported such investments. Mexico attracted the largest share (42%), followed by Colombia (31%) and Brazil (8%). China was the leading investor in Mexico, accounting for 44% of all education and training investment in the country. The EU emerged as the dominant investor in Argentina, Brazil, Chile and Costa Rica, while the United States led in Panama and Honduras. In Colombia, regional investors from LAC held the largest share, reflecting growing intra-regional investment in human capital development.

Figure 3.36. Investment in education and training activities are concentrated in Mexico, Colombia and Brazil

Greenfield FDI in education and training activities, by origin country/region, USD million, 2014-2024



Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

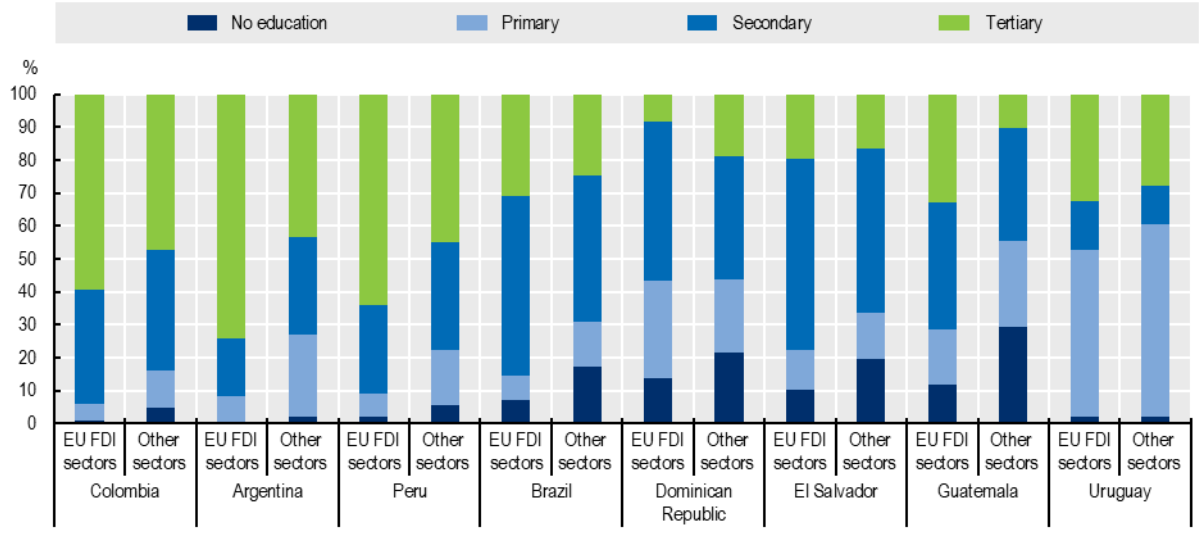
3.3.11. EU greenfield FDI-intensive sectors tend to employ more highly educated workers

Household survey data offer deeper insight into the relationship between greenfield FDI and workforce skills, particularly in terms of secondary and tertiary educational attainment (Box 3.7). Sectors with significant EU investor activity tend to employ a more highly educated workforce. In Brazil, for example, 85% of workers in sectors where EU investors are active have completed secondary or tertiary education compared to 69% in sectors with limited or no EU presence (Figure 3.37). In Colombia, the share rises to 93% versus 84%, in Argentina to 92% versus 73% and in Peru to 91% versus 78%. The Dominican Republic represents a notable exception to this trend, where sectors attracting EU investors employ a lower share of workers with secondary or tertiary education than those not targeted by EU investment.

This pattern suggests that EU greenfield FDI is skills-biased, that is, it tends to concentrate in sectors that already require a more educated labour force. This has important implications. On the one hand, such investment can act as a catalyst for skills upgrading by increasing demand for qualified workers, prompting education and training institutions to adapt and expand their offerings. On the other hand, this dynamic may exacerbate existing disparities if the local supply of skilled labour is limited or unevenly distributed across regions, sectors or social groups. Moreover, the skill composition of FDI-related employment is shaped not only by the sector in which investment occurs, but also by the specific activities multinational enterprises choose to carry out.

Figure 3.37. Sectors with significant EU investor activity tend to employ a more highly educated workforce

Share of workers by educational attainment in sectors receiving EU FDI compared to other sectors



Note: The selected sectors account for at least 80% of the jobs created by EU FDI in the country and include a minimum of five sectors, based on fDi Markets statistics over the five years preceding the most recent available household survey. The results shown in the graph are weighted averages for these sectors, using each sector's share of total EU FDI-related job creation as a weight. For the remaining sectors – those receiving little or no EU FDI – simple (unweighted) averages are reported. For further detail, please see Box 3.7.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/; OECD (2023[30]) Key Indicators of Informality based on Individuals and their Households (KIIbIH) database, https://www.oecd.org/en/publications/extending-social-protection-to-informal-economy-workers_ca19539d-en.html.

Overall, the strong association between EU greenfield investment and higher educational attainment reflects the EU's potential as a partner in advancing human capital development. By continuing to channel

investment toward sectors and activities with higher skill requirements and complementing this with targeted support for training and education activities, EU investors can play a key role in fostering labour market development in LAC countries.

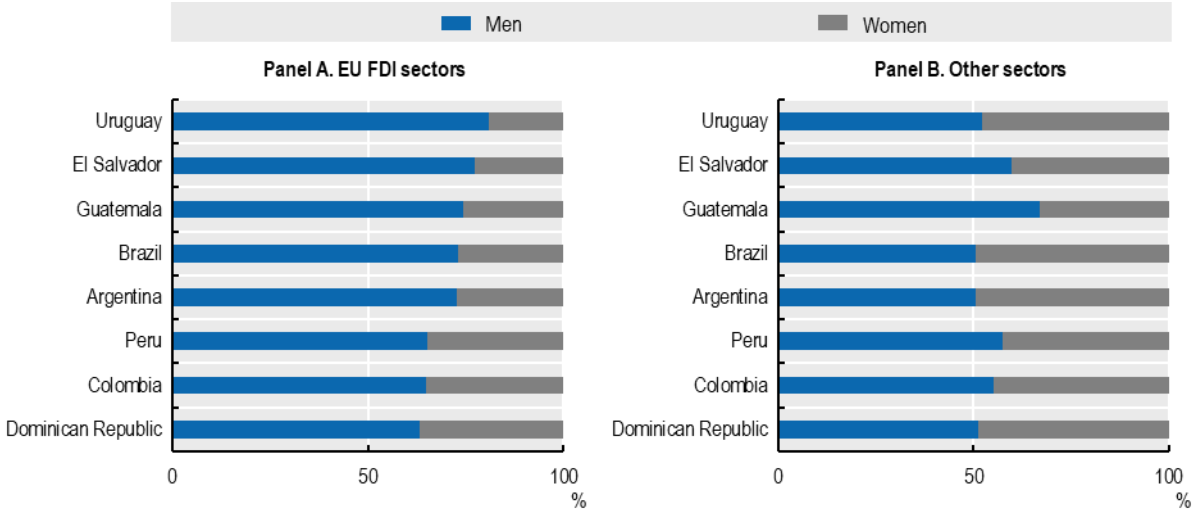
3.3.12. Sectors receiving EU greenfield FDI are associated with lower shares of women

As discussed earlier, greenfield FDI in LAC tends to be concentrated in male-dominated sectors. EU greenfield investment follows a similar pattern, with less emphasis on manufacturing and mining, but a strong focus on the energy sector – another area with a predominantly male workforce. Data also show that EU-affiliated firms in the region tend to pay lower average wages in sectors with a high share of female workers, such as education, retail, and professional and technical services. A notable exception is the financial and insurance services sector, where wages are among the highest and the gender distribution is more balanced. These patterns suggest that, without deliberate efforts to apply a gender lens to investment strategies, EU greenfield FDI risks reinforcing existing occupational and wage inequalities between men and women.

Additional analysis based on micro-level data from household surveys reveals significant cross-country variation in the gender distribution within EU greenfield FDI–intensive sectors (Box 3.7). In many cases, the share of women employed in sectors receiving EU FDI is lower than in the rest of the economy. For example, in Argentina women represent only 28% of workers in EU FDI sectors compared to 49% in other sectors; in Brazil 27% versus 49%; in Peru, 35% versus 43%; and in Uruguay, just 19% compared to 48% (Figure 3.38).

Figure 3.38. In many LAC countries, the share of women employed in sectors receiving EU FDI is lower

Gender distribution in sectors receiving EU FDI compared to other sectors



Note: The selected sectors account for at least 80% of the jobs created by EU FDI in the country and include a minimum of five sectors, based on fDi Markets statistics over the five years preceding the most recent available household survey. The results shown in the graph are weighted averages for these sectors, using each sector's share of total EU FDI-related job creation as a weight. For the remaining sectors – those receiving little or no EU FDI – simple (unweighted) averages are reported. For further detail, please see Box 3.7.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/; OECD (2023[30]) Key Indicators of Informality based on Individuals and their Households (KIIbIH) database, https://www.oecd.org/en/publications/extending-social-protection-to-informal-economy-workers_ca19539d-en.html.

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Annex 3.A. Identifying EU-LAC GGIA Sectors

Annex Table 3.A.1. EU-FDI intensive sectors included in the EU-LAC Global Gateway Investment Agenda

Country	Sector	EU-LAC GGIA sector
Argentina	Computer programming activities	*
	Manufacture of food and beverages	
	Manufacture of motor vehicles	*
	Retail trade	
	Transportation and storage	
Brazil	Administrative and support service activities	
	Computer programming activities	*
	Electric power generation, transmission and distribution	*
	Extraction of crude petroleum and natural gas	
	Manufacture of basic metals	
	Manufacture of computer, electronic and optical products	*
	Manufacture of food and beverages	
	Manufacture of motor vehicles	*
	Other information service activities	*
	Professional, scientific and technical activities	
	Satellite telecommunications activities	*
	Software publishing	*
	Transportation and storage	
	Warehousing and storage	
Colombia	Administrative and support service activities	
	Computer programming activities	*
	Electric power generation, transmission and distribution	*
	Manufacture of food and beverages	
	Manufacture of motor vehicles	*
El Salvador	Administrative and support service activities	
	Advertising and market research	
	Electric power generation, transmission and distribution	*
	Manufacture of food and beverages	
	Wired telecommunications activities	*
Peru	Accommodation activities	
	Computer programming activities	*
	Electric power generation, transmission and distribution	*
	Manufacture of machinery and equipment	
	Transportation and storage	
	Wireless telecommunications activities	*

Country	Sector	EU-LAC GGIA sector
Guatemala	Accommodation activities	
	Administrative and support service activities	
	Computer programming activities	*
	Manufacture of textiles	
	Wired telecommunications activities	*
The Dominican Republic	Accommodation activities	
	Electric power generation, transmission and distribution	*
	Manufacture of medical and dental instruments and supplies	*
	Manufacture of paper and paper products	
	Wired telecommunications activities	*
Uruguay	Electric power generation, transmission and distribution	*
	Manufacture of chemicals and chemical products	*
	Manufacture of computer, electronic and optical products	*
	Manufacture of paper and paper products	

Note: FDI data are matched to workers' sectors of employment using ISIC Rev.4 at the 2-digit level, which limits the possibility to disaggregate subsectors and identify specific areas covered by the EU-LAC Global Gateway Investment Agenda. For example, it is not possible to distinguish electric vehicles within motor vehicles or renewable energy within power generation. Sectors marked with * include subsectors that are aligned with the initiative; however, not all activities within these sectors are necessarily covered. For Argentina, computer programming activities includes jobs classified under national CAES code 62000.
Source: OECD elaboration based on ISIC Rev. 4 and OECD household surveys.

4 Analysing FDI trends and impacts at the country level: The cases of Colombia, Costa Rica and the Dominican Republic

This chapter examines foreign direct investment (FDI) trends and development impacts, with a focus on investment from the European Union in three countries: Colombia, Costa Rica and the Dominican Republic. It draws on the analysis of Chapters 1 and 2 to zoom more in depth into FDI's impact at the country level. For each country, the chapter reviews the evolution of FDI flows by origin, sector and subsector, and assesses their potential for economic transformation. OECD FDI Qualities Indicators are applied throughout the analysis to examine structural transformation and assess the socio-economic impacts of investments by origin, with firm-level examples illustrating practical insights and lessons learned. The analysis finally explores how EU co-operation efforts align with and complement EU investments and their impact.

4.1. Summary

In the past two decades, foreign direct investment (FDI) to Colombia, Costa Rica and the Dominican Republic has had the potential to catalyse economic diversification, sustainability, resilience, job creation, higher quality jobs and skills development. European Union (EU) FDI has been particularly relevant in this sense. Complementary EU co-operation, which interplays with FDI and, most recently, the EU–LAC Global Gateway Investment Agenda (EU–LAC GGIA), have helped maximise the impact of FDI economic and social development. They have also strengthened an enabling environment for FDI.

Colombia, Costa Rica and the Dominican Republic were selected for their regional representativeness and the strategic weight of EU investment in their economies. Colombia is one of the largest FDI recipients in South America, with EU firms driving diversification beyond extractive industries; Costa Rica stands out in Central America for its success in leveraging FDI for advanced manufacturing, notably in medical and pharmaceutical products; and the Dominican Republic represents the Caribbean, where EU investment has been central to energy and tourism. Together, these three country cases capture the diversity of EU FDI patterns across sub-regions and sectors – energy, manufacturing, services and digital – while illustrating different development outcomes.

Colombia

FDI has been critical for Colombia's economic development, helping the country move beyond its traditional reliance on extractives toward knowledge-intensive activities, a digital economy and the green transition. The EU is Colombia's leading source of greenfield FDI, accounting for 27% of total greenfield FDI between 2003 and 2024, with investments concentrated in electricity (renewable energy), information and communication technology (ICT) and manufacturing. Over three-quarters of EU greenfield investments to the electricity sector in Colombia have targeted renewable energy, enhancing Colombia's green transition. Flows have also helped diversify production and expand technology- and knowledge-intensive sectors. More efforts, however, could be made to increase FDI to research and development (R&D), which remains limited.

EU FDI has supported not only structural transformation but created quality jobs and promoted skills. The EU is the largest source of FDI-related job creation, creating nearly 120 000 jobs (36% of total FDI job creation). FDI also contributed to enhancing the workforce's capabilities, as FDI into skills training and education increased strikingly between the last two decades. EU investment in this area substantially increased from USD 6.5 million in 2003-2013 to USD 145 million in 2014-2024. At the same time, EU investment has generated slightly lower job intensity than other partners' investments, reflecting the EU's focus on capital-intensive industries, such as electricity (energy). International co-operation is becoming increasingly relevant, with private finance aligning with FDI trends focusing on renewable energy and knowledge-intensive sectors, and not only promoting further FDI, but leveraging its impact.

Costa Rica

FDI has been central to Costa Rica's development, helping position it as a high-performing economy in the region. The EU is a key partner, supporting Costa Rica's role as a global hub for medical devices and pharmaceuticals. Alongside strong US inflows, EU investment has reinforced high-technology manufacturing and integration into global value chains (GVCs), accounting for 22% of total FDI. The bulk of EU greenfield investments are concentrated in medical equipment and supplies, and pharmaceutical production. While the United States is the leading investor in technology and knowledge-intensive (TKI) sectors, the European Union follows and has been increasing its focus on high-value-added sectors over the past two decades. Greenfield FDI in R&D in Costa Rica, however, remains minimal and is still a work in progress for all FDI origins.

FDI has created over 200 000 jobs in the past two decades, with the European Union responsible for 17% of these and ranking second after the United States (62%). Foreign firms are found to have higher wages,

stronger productivity, greater export intensity and a slightly more skilled workforce than domestic firms. Foreign firms, provide more training opportunities than domestic ones, and the EU, in particular, leads in FDI to skills training and education, reinforcing a virtuous cycle in which Costa Rica's skilled workforce attracts investment and investment further strengthens skills. Looking ahead, international co-operation will be crucial to sustain innovation and technological upgrading. Mobilised private finance, historically limited, has grown recently and is expanding across a wider number of sectors, although it remains concentrated in a few when it comes to value.

Dominican Republic

FDI has played a stabilising role in the Dominican Republic, with foreign capital – particularly from the EU – supporting resilience and growth. Over 2003-2024, the EU was the largest greenfield investor, accounting for 33% of total inflows, concentrated in tourism and electricity. EU investors have been key drivers of renewable energy, helping diversify the energy matrix and align investment flows with sustainable development priorities. Yet, greenfield FDI in technology- and knowledge-intensive sectors, including R&D, remains limited.

Greenfield FDI has generated significant employment, with the EU as the main contributor. Between 2014 and 2024, FDI created nearly 61 000 jobs – a 50% increase from the previous decade – with EU companies accounting for 35% of FDI-related jobs. Job intensity remains slightly lower than for other investors due to EU concentration in less labour-intensive sectors, such as renewable energy. Still, foreign firms are shown to deliver higher labour productivity, higher wages, higher export intensity than domestic firms, mitigating some structural weaknesses of the local labour market. EU FDI jobs are concentrated in sectors with higher wages, labour formality and those that are male dominated. Yet, they are also concentrated in sectors which have lower female labour informality and pay higher quality wages to women.

International co-operation has amplified FDI's impact. While mobilised private finance is still emerging, official development assistance (ODA) devotes an important share to the energy sector. It has the potential to further enhance the quality and quantity of a FDI-supported green transition. ODA for skills, training and education has been overwhelmingly driven by the EU and its institutions in the Dominican Republic, accounting for nearly all the USD 35 million allocated between 2014 and 2023.

4.2. Colombia: FDI trends and impacts, with a focus on EU investments

4.2.1. The role of FDI in enhancing production structures and innovation in Colombia

FDI remains central for Colombia's economy, shifting beyond resources towards knowledge-intensive and sustainable sectors

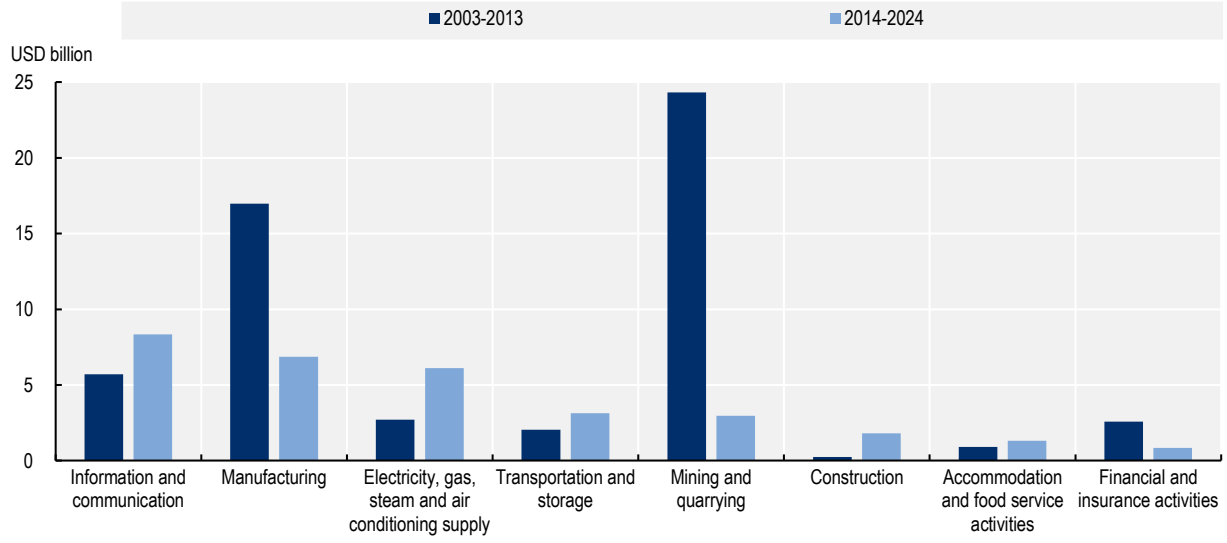
FDI is a strategic component of Colombia's economic development. Colombia was the fourth largest recipient of FDI in South America between 2013 and 2023, with 7% of all FDI inflows to the region after Brazil (close to 40%), Mexico (21%) and Chile (9%) (Chapter 1). FDI in Colombia grew relative to GDP and in per capita terms between 2003-2023. Colombia's FDI stock has risen steadily over the past decade, above LAC and OECD averages, though the FDI-to-GDP ratio has plateaued since peaking at 78% in 2020. Per capita inflows have converged toward regional and OECD levels in recent years, but approaching values recorded in 2003. This reflects investor confidence but also suggests missed opportunities to further leverage FDI for growth (UNCTAD, 2025[1]).

Greenfield FDI in LAC has shown signs of diversification beyond extractives over the past decade (Figure 4.1). ICT rose from 9% of total FDI (USD 5.7 billion) in 2003-2013 to 34% (USD 8.3 billion) in 2014-2024, while electricity expanded from 5% (USD 2.8 billion) to 19% (USD 6.3 billion). Mining and quarrying saw a sharp drop from 40% (USD 24 billion) to less than 9% (around USD 3 billion). This reflects Colombia's

recent policy shift to phase out new oil and gas exploration in support of its greener economy agenda and the Fossil Fuel Non-Proliferation Treaty, which it joined in 2023, becoming the first significant oil exporting country to join this global alliance (Osborn, 2024[2]). Manufacturing also contracted from nearly USD 20 billion to USD 7 billion, though it still represents a notable share (21%). Overall, the most dynamic growth in new projects has come from ICT and electricity, signalling a broader shift toward digital and sustainable sectors.

Figure 4.1. Electricity, and information and communication experienced a large increase in the last decade, while FDI to mining and quarrying grew at a much slower pace

Greenfield FDI to Colombia, by sector, 2003-2024

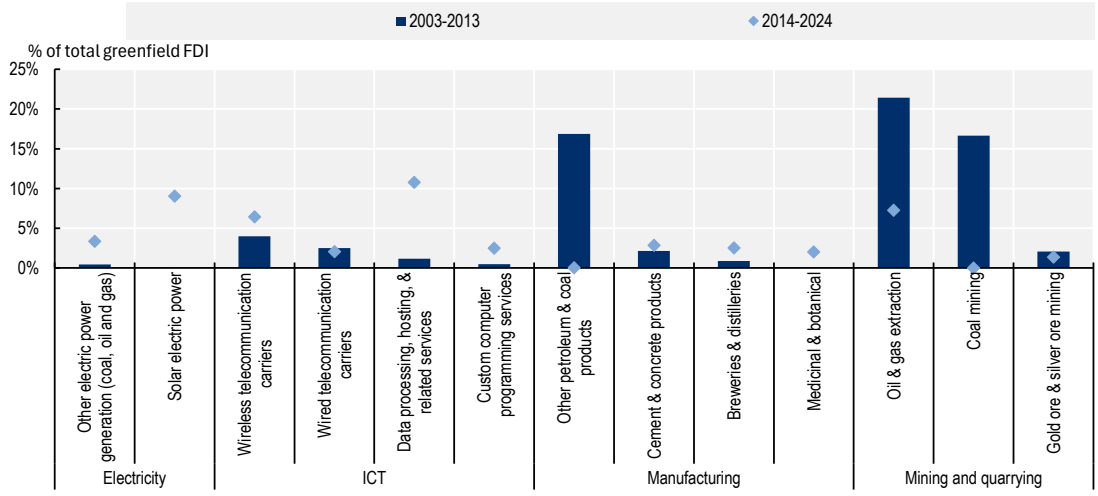


Note: Sectors that represented less than 2% of total investments in either of the two periods considered were excluded from this figure.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

Renewable energy and data processing – within the ICT sectors – recorded large increases in greenfield FDI share over the past decade. Renewable energy, especially solar, grew strongly, rising from zero projects in 2003-2013 to nearly 10% of total greenfield FDI in 2014-2024, while oil and gas dropped from almost 22% to 7% in the same period (Figure 4.2). This trend aligns with Colombia's National Reindustrialisation Strategy and the country's efforts to diversify its economy and attract investment in areas such as renewable energy, technology and services (CONPES No. 4129, 2023[4]).

Figure 4.2. Renewable energy and data processing recorded large increases in greenfield FDI share

Greenfield FDI to Colombia, by sector and subsector, % of total greenfield FDI



Note: Electricity stands for electricity, gas, steam and air conditioning supply. Only subsectors (of the four selected sectors) that represent 2% or more of total greenfield FDI to Colombia in either period are represented in this graph.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

Colombia has emerged as one of the leading destinations for brownfield FDI in LAC, ranking among the top countries in both the value and number of mergers and acquisitions (M&As) in recent years. The country recorded several landmark deals in retail, food processing, transportation and pharmaceuticals, with overall M&A activity increasing significantly in 2024 (ECLAC, 2024[5]). Between 2018 and 2024, M&As were concentrated in ICT, retail trade and vehicle repairs, and manufacturing, which together accounted for over 60% of total transaction values, underscoring their strategic weight in Colombia's investment landscape. In 2024, the number of cross-border M&A transactions in Colombia increased by 18% and in value by 32% compared to the previous year (Baker McKenzie, 2025[6]). ICT and manufacturing – especially pharmaceuticals – attract both brownfield and greenfield FDI, reflecting their dynamism and knowledge intensity. By contrast, financial services are driven mainly by acquisitions, while energy and infrastructure increasingly benefit from greenfield projects aligned with Colombia's transition priorities. This dual dynamic underscores how FDI supports both consolidation in mature sectors and transformation in emerging ones. The EU is an important contributor to this transformation as it holds the largest share of brownfield FDI value in the ICT (10.4%), followed by the United States (6.6%). In manufacturing, the United States leads with a share of 6.6% of total transaction values, while the European Union comes in second at 5% (LSEG, 2025[7]).

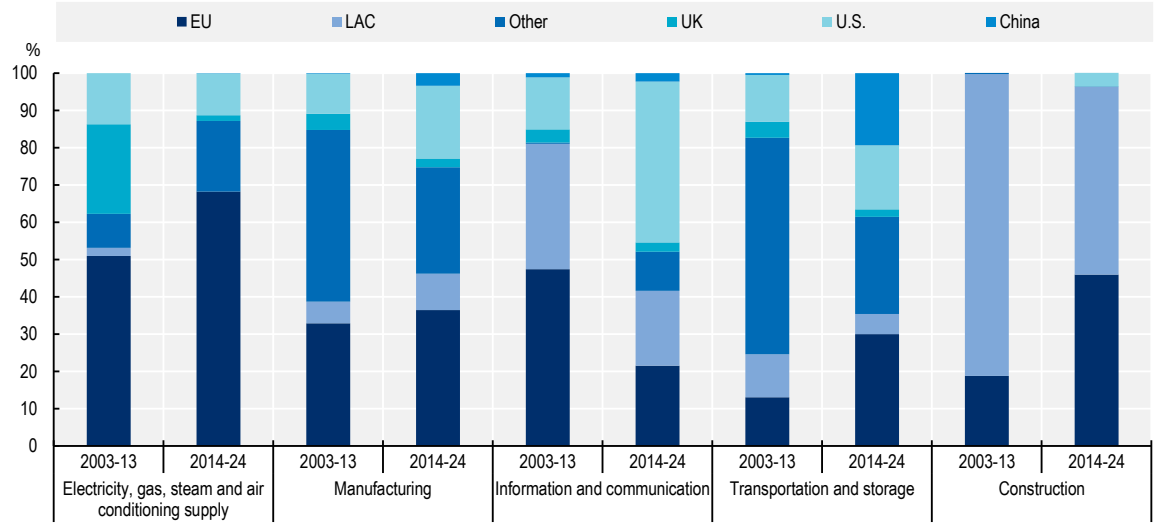
The EU leads in greenfield FDI to Colombia and its FDI has been a driver of renewable energy and digital connectivity

The EU has been the largest source of greenfield FDI to Colombia in the past two decades. EU investments accounted for 27% of total greenfield FDI between 2003 and 2024, exceeding USD 25 billion in value. LAC ranked second (21%), followed by the United States (18%) (Financial Times, 2025[3]). Notably, China was the only source of greenfield FDI to Colombia that increased in absolute terms between the past two decades, although comparably low (USD 1 billion (1%) in 2014-2024), showing the increasing interest of China in investing in LAC and its targeted investments in Colombia (Ray, 2024[8]). Over the past two decades, EU FDI in Colombia has been significant in energy, manufacturing and ICT, (Chapter 1) (Figure 4.3).

EU greenfield investment between 2014 and 2024 concentrated in electricity sectors, with almost 70% of total investments received by Colombia in electricity, maintaining the EU's position as the principal investor from the previous decade. The EU also stands out as the main investor in manufacturing (36%) as well as transportation and storage (30%), where the EU's share increased compared to the previous decade. In 2014-2024 LAC contributed the most towards the construction sector (50%), followed closely by the EU, which more than doubled its share in this sector. Lastly, the United States invested the largest share in ICT (43%), after almost tripling its share of investment in it compared to the previous decade. The EU had an important presence in this sector over the 2003-2013 decade and remains the second largest investor (Figure 4.3).

Figure 4.3. The EU is the main investor in electricity, with an increased role in transportation and construction

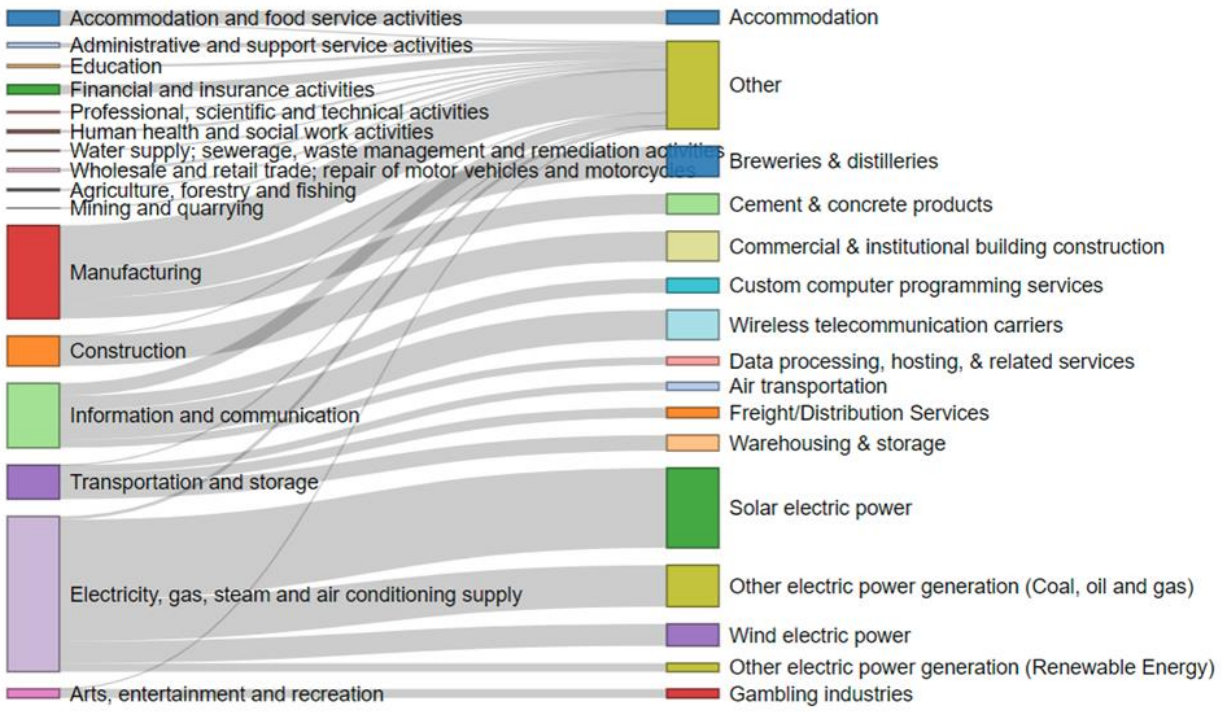
Greenfield FDI, by origin and sector, % of total FDI by sector, 2003-2024



Note: This figure shows only five sectors with the highest greenfield FDI inflows in the period 2003-2024.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

The EU FDI has contributed to the shift toward the green energy transition in one of the five strategic sectors of Colombia's National Reindustrialisation Policy (Departamento Nacional de Planeacion, 2024[9]). This trend reflects a broader regional re-orientation of EU investment in LAC, thanks to the focus of the EU–LAC GGIA Investment Agenda (EU–LAC GGIA). EU FDI in energy grew by over 210% in 2014-2024 and substantially shifted towards renewables, positioning the EU as the major driver of renewables' growth and the green transition in the sector. The share of EU greenfield FDI in renewable energy nearly doubled from 13% to 28% over the past decade (Chapter 1). Between 2014 and 2024, over three-quarters of EU greenfield investments to the electricity sector in Colombia targeted renewable energy, underscoring FDI's role in advancing sustainability. Solar power attracted the largest share as FDI to it grew from zero to more than USD 2 billion compared to the previous decade, followed by wind and hydroelectric projects (Financial Times, 2025[3]). Despite this strong contribution to clean energy, the EU was also, however, the only greenfield investor to finance non-renewable electricity generation (oil, coal and gas) during the same period, with USD 1.2 billion invested – nearly 10% of its total greenfield commitments in Colombia (Figure 4.4). This could be explained by the historical footprint of European energy firms in Colombia, classification effects in investment data that do not account for hybrid energy plans and the inclusion of commitments pre-dating the EU's policy re-orientation toward sustainable infrastructure under the EU–LAC GGIA.

Figure 4.4. EU FDI greenfield across sectors and subsectors, 2014-2024



Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

Given the country's untapped energy potential, the EU's focus on renewable electricity investments is important to Colombia's commitments to greenhouse gas emissions (GHG) reduction by 2050 and electricity expansion plans. Despite a large share of renewables in electricity generation – 74.9% in 2022 – over 98% of this comes from hydropower (IEA, 2025[10]). In contrast, renewables like solar photovoltaic (PV) and wind remain marginal, accounting for less than 2% of the national electricity mix, making the sector vulnerable to climate variability. The expansion of solar PV and wind sources could also provide a clean and efficient solution for Colombia's non-interconnected zones (NIZs), places that, due to their geographical location, cannot be connected to the national electricity grid. NIZs cover only 4% of the population but over half the national territory and currently rely on diesel, which is both polluting and expensive (OECD, 2023[11]).

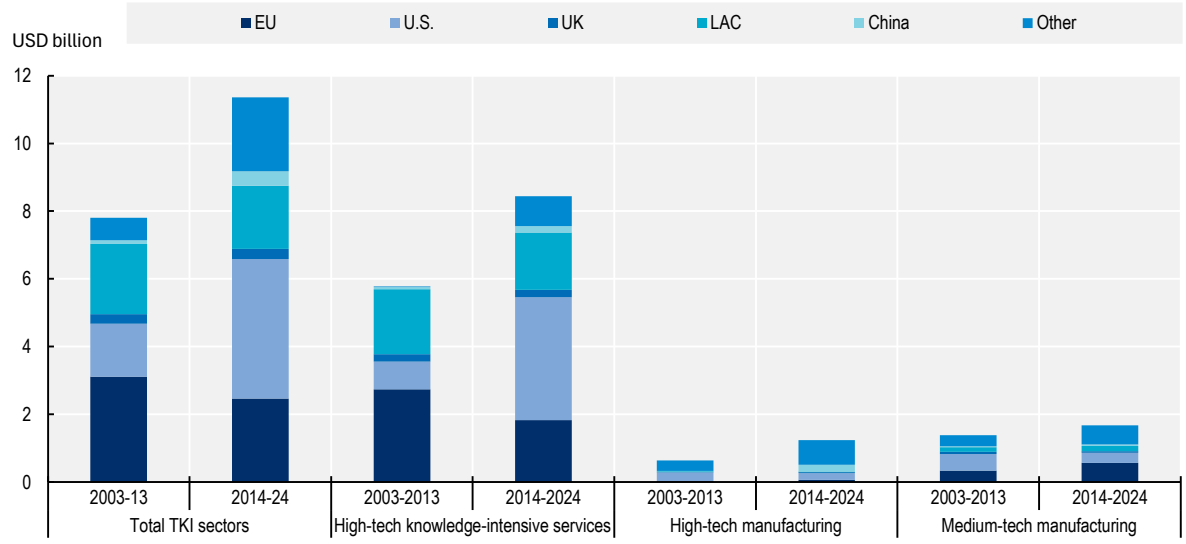
Within the ICT sector, the EU has focused its investments on digital connectivity and other sophisticated services. Around 9% of all EU investments to Colombia between 2014-2024 were concentrated on key areas for the expansion of digital connectivity. This includes wireless and wired telecommunication carriers and data processing, and hosting and related services. These investments are instrumental in unleashing Colombia's connectivity potential and closing digital divides. They contribute to realising Colombia's aims to connect 85% of its population by 2026 under the ConectaTIC *360* plan, part of its National Digital Strategy (ColombiaTIC, 2023[12]). The country has presented some of the highest growth rates of fixed and mobile broadband subscriptions among OECD and LAC countries since the early 2010s. It has also made progress in closing the digital divide, achieving a 9% reduction between 2018 and 2022 (ColombiaTIC, 2023[12]). Nevertheless, it still has the lowest fixed and mobile penetration rates in the OECD, with a lower-than-average share of fibre connections and broadband speed than the OECD group (OECD, 2019[13]). The expansion of digital infrastructure and services could help address these gaps, while providing positive spillovers for the rest of the economy by enabling innovation and productivity gains at the firm level.

EU FDI has significantly contributed to the expansion of technology- and knowledge-intensive sectors

Technology- and knowledge-intensive sectors (TKI) are defined by their reliance on scientific and technical expertise, R&D, innovation and highly skilled labour, and are key drivers of innovation, productivity and long-term economic growth. Greenfield FDI to TKI in Colombia increased from USD 7.8 to 11.3 billion (more than 40% increase) between 2003-2013 and 2014-2024. High-tech knowledge-intensive services are the most prominent subsector in Colombia. This contrasts with the overall LAC trend, where the focus is on medium-tech manufacturing. Over the past two decades, the European Union and the United States have been the main sources of TKI investment in Colombia. While the European Union led in 2003-13 with USD 3.1 billion, followed by LAC (USD 2 billion), the United States surged in 2014-2024 to become the principal investor, with its share of greenfield FDI in TKI rising from 20% to over 30%. The EU's share slightly declined from 39% to 22%, underscoring the need to reinforce its role in this high-value-added sector (Figure 4.5).

Figure 4.5. Greenfield FDI in TKI sectors in Colombia is increasing

Greenfield FDI, by origin and sector, 2003-2024



Note: The classification of TKI sectors follows Eurostat's methodology. For further details, see table 2.1 in Chapter 2.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

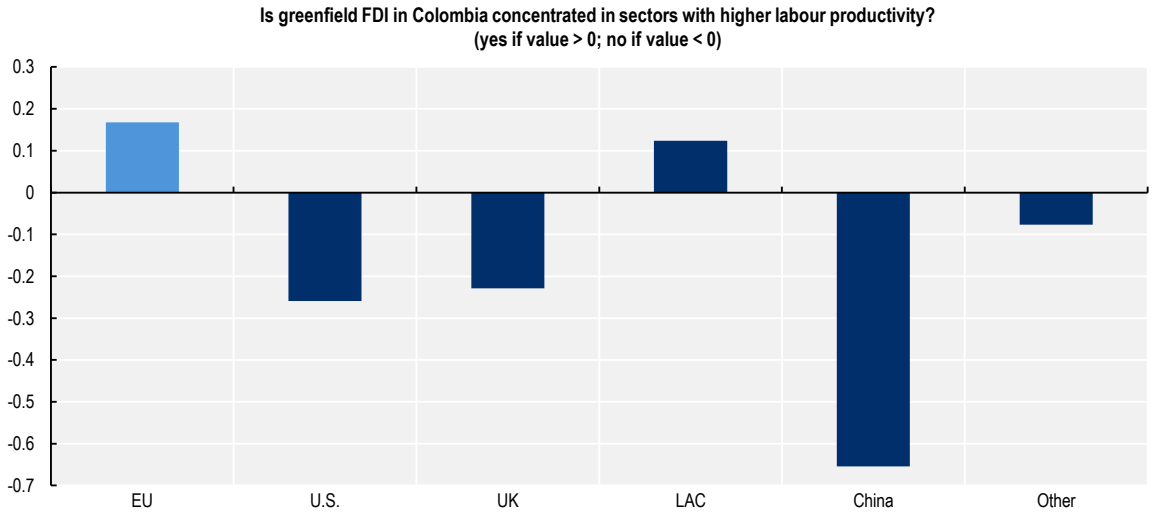
EU and LAC investors concentrate on highly productive sectors

While EU FDI in technology and knowledge-intensive sectors (TKI) has declined relative to other partners, the EU continues to lead in sectors with high labour productivity, underlining its role in anchoring value-added activities in the region. Greenfield FDI from both the EU and LAC is concentrated in sectors with above-average labour productivity, while investment from other origins is more prevalent in less productive sectors (Figure 4.6). China shows the highest concentration in low-productivity activities, which could be explained by the fact that 58% of its FDI is directed to the transportation sector.

EU greenfield FDI is concentrated in relatively labour-productive sectors – electricity (40%), manufacturing (20%) and ICT (14%) of total EU FDI – a positive outcome given that foreign investment in developing countries often targets lower-productivity sectors. However, this largely reflects the capital-intensive nature and relatively small workforces of these sectors. This limits broad productivity spillovers across the economy as limited employment and linkages with other sectors reduces diffusion of skills, technology and

practices (Chapter 1). Still, such investments contribute to improved energy access and wider Internet diffusion, critical priorities advanced today by the EU–LAC GGIA.

Figure 4.6. Greenfield FDI of EU origin is concentrated in sectors with higher labour productivity



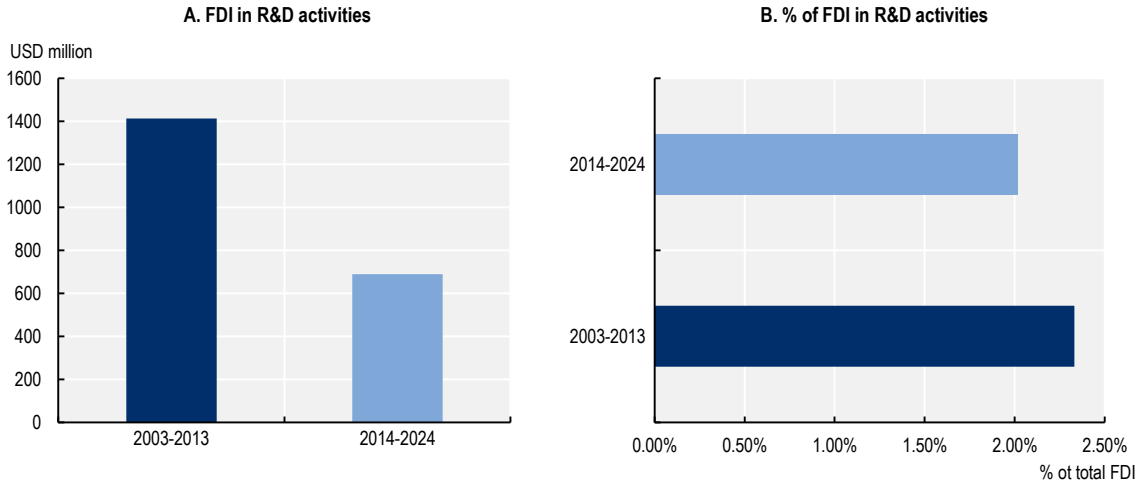
Note: This figure shows a slightly different methodology than Chapter 3 in terms of granularity, time frame and approach, but offers insights into different origins of FDI and their relative outcomes This figure shows a Type 2 indicator using average FDI and labour productivity over the period 2015-2023. For further detail, see annexes 4.A and 4.B.
Source: Based on OECD (2023[14]), Quarterly National Accounts, https://data-explorer.oecd.org/; Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

However, there is space for increased outcomes in productivity as FDI to R&D remains limited and decreasing. A survey from 2023 of companies operating in Colombia indicates that there is no statistically significant difference between foreign and domestic companies' investment in R&D or process innovation (World Bank, 2023[15]). These results are consistent with a previous survey in 2016, which showed that approximately the same proportion of domestic and foreign firms had a funded R&D programme: 17% of domestic firms reported having such programmes compared to 16% of foreign firms (Fedesarrollo, 2016[16]).

Greenfield FDI to R&D activities in Colombia accounts for less than 2% of total greenfield between 2003 and 2024. Total investment fell from USD 1.4 billion in 2003-2013 to USD 690 million in 2014-2024 (Figure 4.7). In absolute terms, the European Union was the main R&D investor, though its investment declined markedly over time. Conversely, U.S. investment in R&D increased over the last two decades, reaching more than 50% of total R&D investment in 2014-2024. Despite the low level of greenfield FDI targeting R&D activities, foreign firms can still positively influence technological change and innovation in Colombia through the transfer of superior parent-company technologies. This highlights the need for targeted policies to attract R&D-focused FDI and strengthen Colombia's innovation capacity.

Figure 4.7. R&D activities account for 2% of total greenfield FDI

Greenfield FDI in R&D activities, 2003-2013 and 2014-2024



Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

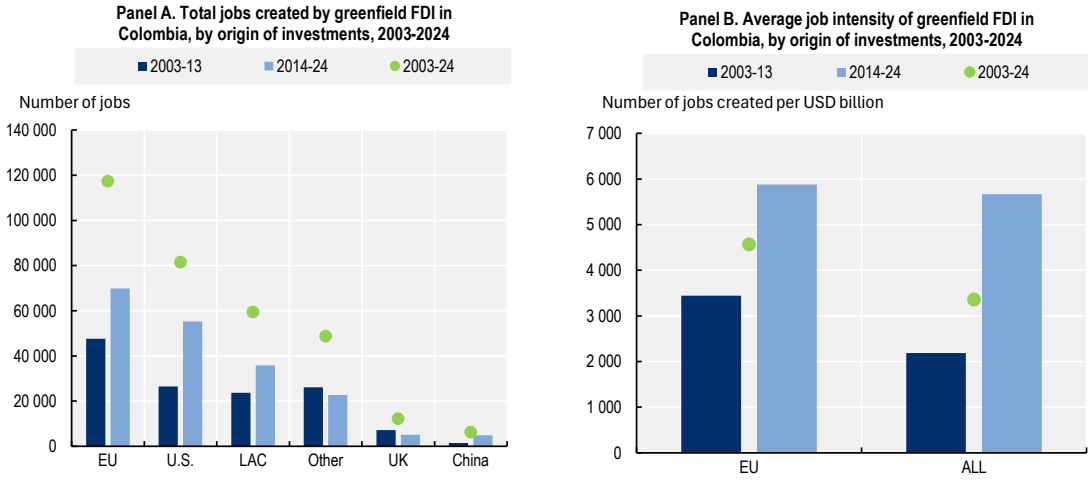
4.2.2. The role of FDI in creating (quality) jobs and promoting skills in Colombia

The EU leads in job creation in Colombia, job intensity varies across sectors

Over the past two decades, greenfield FDI is estimated to have generated around 320 000 jobs in Colombia, the number of jobs growing almost 50% between the past two decades. Between 2003 and 2024, Colombia ranked third in greenfield FDI-related employment in LAC, accounting for 7% of total jobs created – well behind Mexico (46%) and Brazil (16%) (Chapter 2). The EU was the largest source of job creation in Colombia, creating nearly 120 000 jobs (36%), followed by the United States with over 80 000 (25%) and LAC investors with about 60 000 (18%). FDI-related job creation increased across all investor origins between 2003-2013 and 2014-2024 except for the United Kingdom (UK) and other investors (Figure 4.8, Panel A).

Job Intensity in Colombia increased substantially, from 2200 in 2003-13 to 5700 in 2014-24 jobs per billion USD invested. FDI of EU origin created more jobs per billion USD invested than investments from all origins in both time periods. . These figures, however, should be interpreted with caution, as they are derived from greenfield FDI announcements that may not fully materialise (Figure 4.8, Panel B).

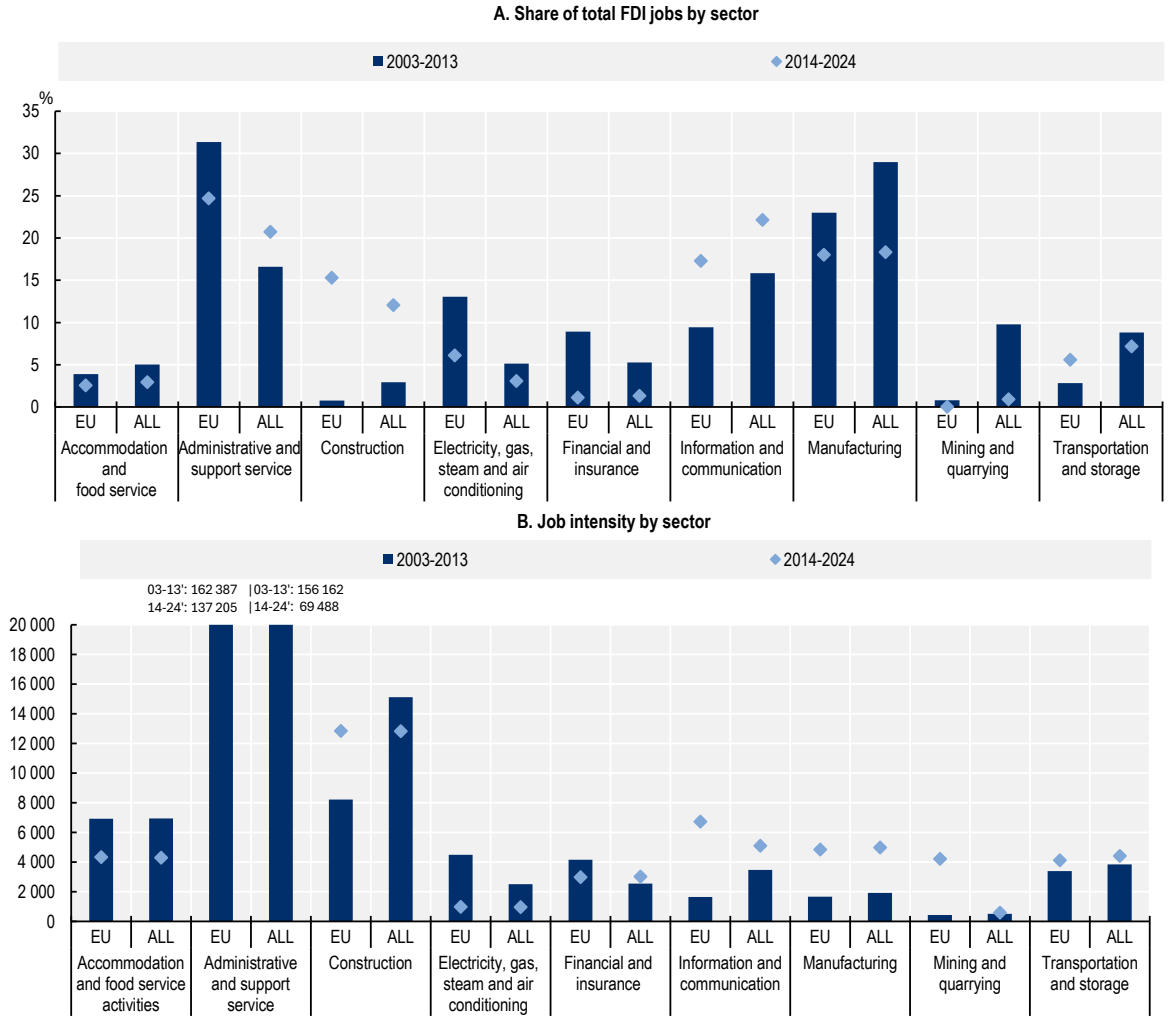
Figure 4.8. Th EU stands first in total job creation in Colombia



Note: Job intensity is measured as the number of jobs created per USD billion invested.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

FDI jobs are heavily concentrated in the administrative and support service, and ICT sectors, accounting for 21% and 22% of total FDI generated jobs, respectively during the period 2014-2024. This is followed by manufacturing, which accounted for 18%. Jobs directly created by EU greenfield investments are primarily concentrated in administrative and support services (24.7%), manufacturing (18%), ICT (17.3%) and construction (15.2%), mirroring the sectoral patterns observed across the broader pool of all foreign investors within Colombia (Figure 4.9, Panel A). The administrative and support services sector is the most job-intensive for greenfield investment, where the EU shows a higher job intensity than other countries. Between 2003-13 and 2014-2024, the share of EU-generated jobs notably increased in the construction and ICT sectors, while job creation declined in administrative and support services, electricity, financial and insurance activities, and manufacturing (Figure 4.9, Panel B). Renewable energy greenfield FDI-related jobs created by EU investors more than doubled between the two last decades.

Figure 4.9. EU-generated jobs are concentrated in the administrative and support services, ICT, manufacturing and construction sectors

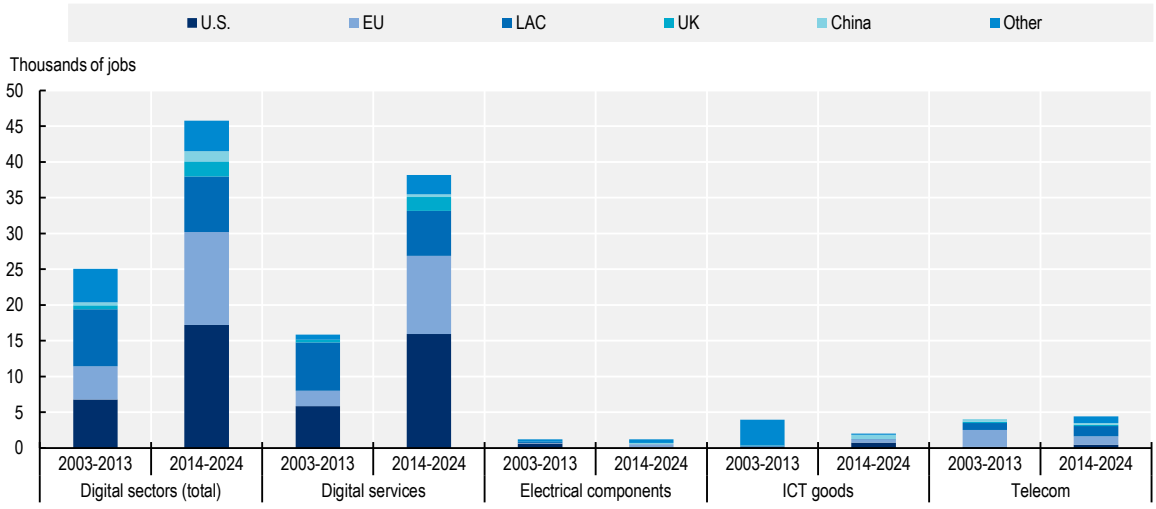


Note: In panel B, the Y-axis was cut to preserve visibility of other sectors; values for administrative and support services extend above the graph. Job intensity corresponds to the number of jobs created per one USD billion of greenfield investment. Only sectors representing at least 5% of total FDI jobs in any time period or origin were presented. "All" refers to FDI of all origins.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

Finally, job creation in digital sectors (digital services, electronic components, ICT goods and telecommunications) has risen sharply, in line with regional trends. Between 2014 and 2024, these sectors accounted for 20% of all greenfield FDI-related jobs in LAC, underscoring their growing role as a source of employment (Chapter 2). Between the last two decades, job creation stemming from greenfield FDI in digital sectors almost doubled, rising from 25 000 to almost 46 000 (Figure 4.10). In 2014-2024, jobs in the digital sectors accounted for approximately one-quarter of total FDI-related jobs, reflecting more developed digital ecosystems in the country. EU investments were key to this growth, with digital sector jobs rising from 4 600 to 13 000, making the European Union the second-largest source after the United States. Most of these new jobs were created in digital services, while growth within ICT goods, telecoms and electronic components remained limited.

Figure 4.10. The U.S. and EU lead in job creation within digital sectors

Greenfield FDI jobs in digital sectors, by origin country, 2003-2013 and 2014-2024, thousands of jobs

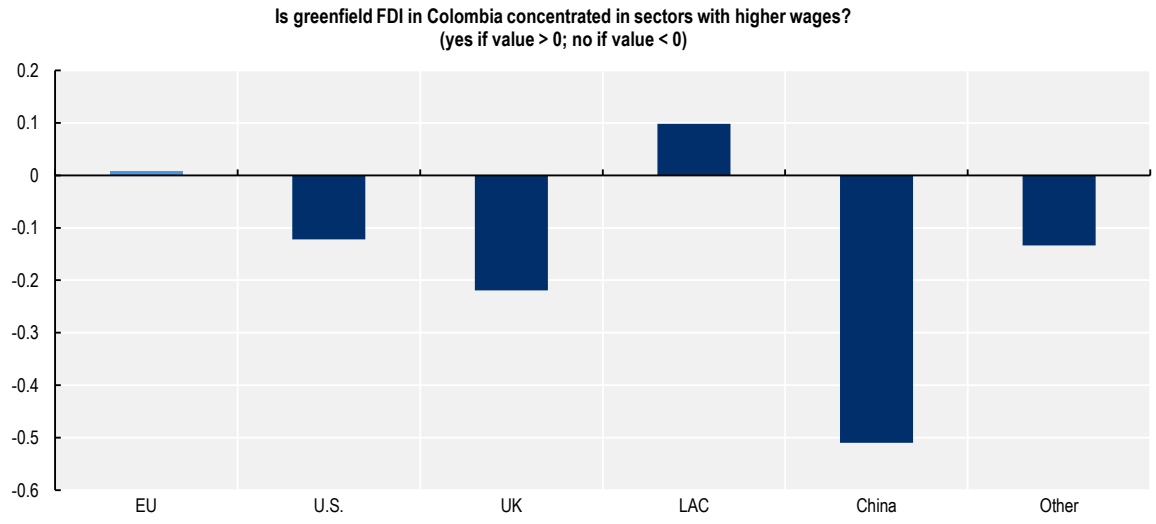


Note: Digital sectors include digital services (e.g. computer programming activities, data processing and hosting activities, information services activities, etc.); ICT goods (electronics, computer equipment, etc.); electrical components (batteries, electrical equipment, wiring devices, etc.); and telecommunications (wired and wireless telecommunications activities and satellite activities).
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

FDI from EU and LAC origin is mildly concentrated in sectors with higher wages

EU greenfield FDI in Colombia is mildly concentrated in higher-wage sectors, while LAC investors show an even stronger bias toward above-average wage activities. By contrast, the United States, the United Kingdom, China and others invest more in lower-paying sectors, with China displaying the strongest bias. This reflects the regional trend: EU FDI in LAC tends to be associated with a higher share of quality jobs – wages above the national average – and fewer low-wage positions. In Colombia, nearly 40% of workers in EU FDI sectors earn above-average wages compared to about 30% in other sectors (Chapter 3). The EU's mild positive premium reflects a dual concentration in both lower-paying sectors, such as manufacturing (average annual salary of USD 4 900) and construction (USD 3 500), and higher-paying sectors like ICT (USD 10 600) and manufacturing (USD 10 200) (Figure 4.11).

Figure 4.11. FDI originating from the LAC is mildly concentrated in higher paying sectors



Note: This figure shows a slightly different methodology than Chapter 3 in terms of granularity, time frame and approach, but offers insights into different origins of FDI and their relative outcomes. This figure shows a Type 2 indicator using average FDI and compensation of employees over the period 2015-2023. For futher detail, refer to Annexes 4.A and 4.B.
Source: Based on (2023[14]), Quarterly National Accounts, https://data-explorer.oecd.org/; Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

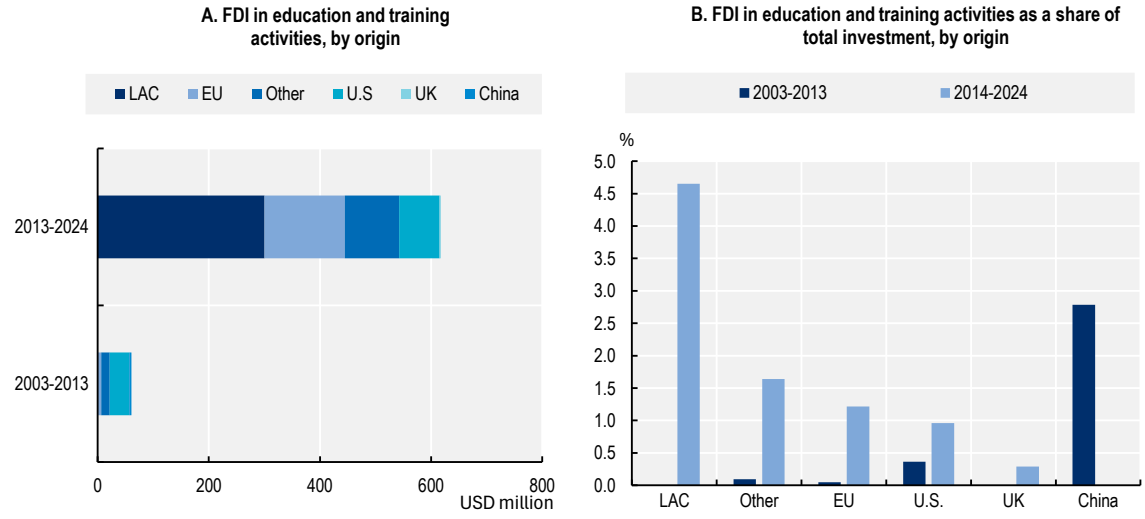
This concentration of EU FDI in sectors with higher salaries is complemented by a wage premium, as foreign firms are found to have larger costs per employee than domestic ones (Chapter 3). In Colombia, the sectors where most of EU jobs are created are shown to have not only higher wages, but also higher wage quality and labour formality. Workers in sectors with a concentration of EU FDI jobs are also more likely to have a permanent and written contract, receive pension contribution and health insurance, have higher educational attainment as well as are predominantly male, compared to the other sectors. (Chapter 3).

FDI in Colombia provides more training than domestic firms

Greenfield FDI from all origins into education and training activities in Colombia grew significantly over the last decade. Investment of EU origin in this area substantially increased in volume from USD 6.5 million in 2003-2013 to USD 145 million in 2014-2024 (Figure 4.12, Panel A), ranking as the second largest investor after LAC in the latter period. This nominal shift also corresponds to a substantial increase in the share of investments allocated to education and training, rising from just 0.04% to 1.2% between these time periods for the EU, demonstrating European enterprises' growing focus on enhancing employee capabilities (Figure 4.12, Panel B). European companies from the energy and digital sectors interviewed for this report provide illustrative examples of this trend (Box 4.1).

Figure 4.12. EU investments to education and training increased significantly in the last decade

Greenfield FDI to education and training activities in Colombia



Note: Investments to education and training activities comprise corporate training facilities, outsourced training centres, educational institutes and professional development providers.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

Box 4.1. FDI is driving skills development in Colombia's renewable energy and digital connectivity

European firms in Colombia's renewable energy and digital connectivity sectors are actively contributing to workforce development through structured and internationally integrated training programmes.

EDF Renewables, a French company in Colombia since 2019, has established a comprehensive training strategy for its 37 local employees. This includes formal partnerships with local universities, such as Universidad Javeriana and Universidad del Rosario, to offer certified training programmes. The firm also engages in international environmental training networks and operates a talent identification programme, enabling selected employees to attend training abroad, including at its headquarters in Paris.

Hispasat, the Spanish satellite telecommunications operator, has maintained a subsidiary in Colombia since 2013. It currently provides connectivity services at more than 700 sites across departments such as Amazonas, Boyacá and Guainía. The company employs 150 people in Colombia and focuses training efforts on technical and operational skills, complemented by modules on leadership and management. Training is also extended to clients and their support teams, with sessions delivered both locally and from Spain.

These cases illustrate how foreign investors can enhance human capital development in host countries, not only by upskilling their own workforce, but by generating positive spillovers across the value chain through the training of client and partner organisations.

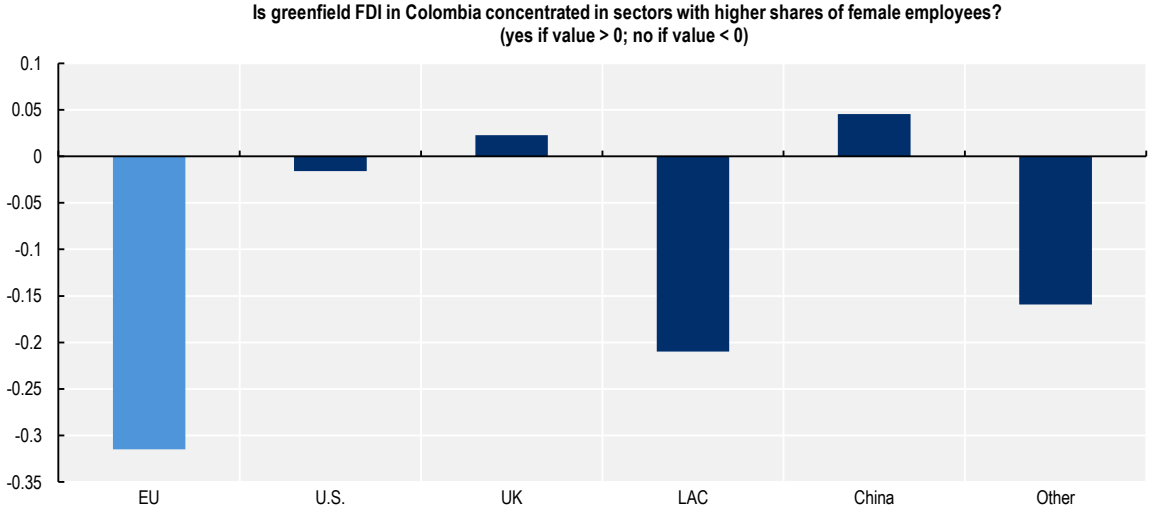
Source: Based on interviews with (Lebrun, 2025[17]) and (Aldana, 2025[18]).

Main investors in Colombia operate in sectors with lower female employment, but foreign companies hire a higher share of female employees

FDI from the European Union, the United States, LAC and other investment origins concentrate in male-dominated sectors with lower concentration of female employment (Figure 4.13). This aligns with the regional trend in LAC of greenfield FDI predominantly in male-dominated sectors: from 2014 to 2023, over 70% of greenfield FDI in the region was directed into sectors with relatively low female participation (Chapter 2). EU FDI flows to Colombia are heavily focused in sectors with low shares of female employment, while US investments are only mildly focused in these sectors. In contrast, FDI originating from the United Kingdom and China concentrates in sectors with higher shares of female employees, relative to the overall economy. This finding should be interpreted with caution, however, as FDI concentration in highly feminised sectors does not indicate its contribution – positive or negative – to gender equality; further analysis is needed on participation, working conditions and social protection.

The latest official records show that between December 2024 and February 2025, the gender gap in employment stood at 25 percentage points (DANE, 2025[19]). Men reported an employment rate of 70% compared to only 46% for women. Meanwhile, the unemployment rate for women (14%) was nearly double that of men (8%). Female employment in Colombia is concentrated in high-skilled service sectors, such as public administration, education, health, finance and professional services. Participation is notably lower in medium- to low-skilled sectors, such as construction or subsectors of manufacturing, where EU FDI is most prevalent.

Figure 4.13. EU FDI is concentrated in sectors with lower female employment



Note: This figure shows a slightly different methodology than Chapter 3 in terms of granularity, time frame and approach, but offers insights into different origins of FDI and their relative outcomes. This figure shows a Type 2 indicator using average FDI and the number of female and male employees over the period 2020-2023. For further detail, see Annexes 4.A and 4.B.
Source: Based on OECD (2023[14]), Quarterly National Accounts, https://data-explorer.oecd.org/; (ILO, 2025[20]), Employment by sex, age and economic activity, https://ilostat.ilo.org/; Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

Foreign companies in Colombia employ a slightly higher share of women than domestic firms, with the difference being statistically significant (Chapter 3). Although the gap is modest, survey data confirm that foreign-owned firms have a higher proportion of female employees. This may be partly explained by the application of diversity and inclusion policies in multinational subsidiaries. European companies reported

the adoption of gender-related policies, including initiatives on corporate culture and training. However, they indicated that no specific gender quotas or targets are mandated with respect to female employment (Chapter 5).

4.2.3. International co-operation enhances FDI and its impact in Colombia

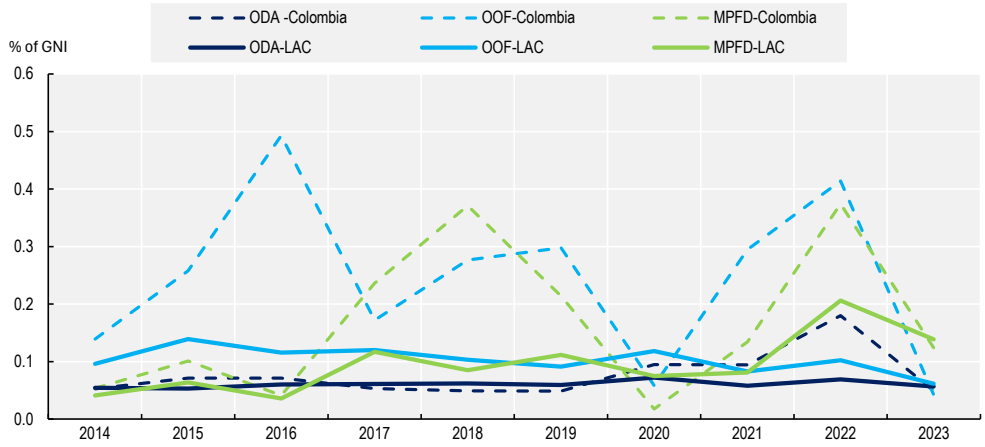
International co-operation is essential not only to attract FDI but to maximise its economic and social development impact. In Colombia, it can help to further tackle structural barriers. Low export diversification, limited skills, high poverty and inequality, widespread informality and elevated risk perception currently constrain investment (OECD, 2024[21]; 2024[22]) . The interplay between FDI and development co-operation is evolving, with the EU playing a central role in this shift (Da Costa, 2025[23]). With the EU–LAC GGIA at the forefront of this shift, co-operation is increasingly focused on mobilising private capital at scale to meet expanding development needs. Partners are deploying catalytic instruments (e.g. guarantees, blended finance, equity co-investments, syndicated loans) together with policy and project preparation support to de-risk projects, crowd in institutional investors and strategic firms, and align finance with national priorities (OECD et al., 2019[24]; 2024[22]; European Commission, 2025[25]). In parallel, co-operation can strengthen the enabling environment by supporting legal and regulatory reforms, enhancing skills and providing training to build a workforce capable of attracting and sustaining high-quality investment.

Mobilised private finance for development in Colombia is increasingly important, with a focus on banking and financial services, followed by energy

Mobilised private finance for development directed to production sectors in Colombia has generally outweighed Official Development Assistance (ODA) as a share of Gross National Income (GNI) over the past decade (Figure 4.14). Colombia's reliance on mobilised private finance for development stands out compared with LAC as it has played a relatively larger role in the country than in the region. The most prominent leveraging mechanisms by value in Colombia are guarantees (39%), syndicated loans (31%) and shares in collective investment vehicles (CIV) (13.5%) (OECD, 2025[26]).

The growth of mobilised private finance for development is reflected in absolute and relative terms, and flows have also diversified, now encompassing a wider range of sectors. In 2012, only three sectors in Colombia received mobilised private financing. In 2023, the number of sectors increased to 13 (OECD, 2025[26]). During 2014-2023, mobilised private finance targeted banking and financial services (43%), followed by energy (21%), and transport and storage (18%) (Figure 4.15). The share of mobilised private finance aimed at banking and financial services is larger in Colombia than the LAC, illustrating how development efforts can support knowledge-intensive, high-value-added activities.

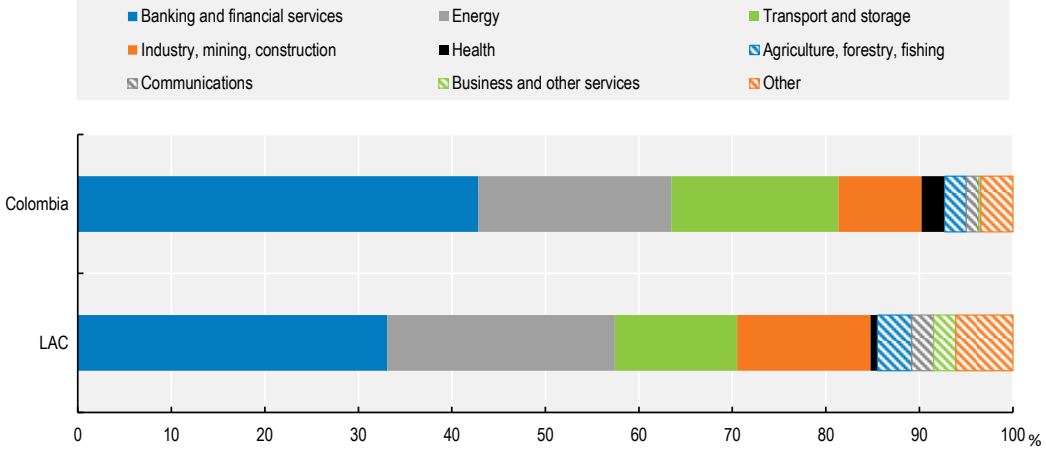
Figure 4.14. Official flows to production sectors in Colombia and LAC as % of GNI, 2014-2023



Note: ODA – Official Development Assistance; OOF – Other Official Flows; MPFD – Mobilised private finance for development. Production sectors include agriculture, construction, energy, fishing, forestry, industry, mineral resources and mining, tourism, transport, water supply and sanitation, and tourism and storage.
Source: Based on OECD (2025[26]), CRS Private: Mobilised private finance for development, https://data-explorer.oecd.org/; World Bank (2025[27]), World Development Indicators, https://databank.worldbank.org/; OECD (2025[28]), CRS - Creditor Reporting System (flows), https://data-explorer.oecd.org/.

Figure 4.15. Mobilised private finance is concentrated in banking and financial services, followed by energy

Mobilised private finance for development, by sector, in Colombia and LAC, 2014-2023



Note: Sectors representing less than 2% of total for both regions were aggregated into "Other".
Source: Based on OECD (2025[26]), CRS - Private: Mobilised private finance for development, https://data-explorer.oecd.org/.

Moreover, while Colombia received relatively less mobilised private finance for development in the energy sector than LAC, 82% of it was dedicated to renewable energy generation and none towards non-renewables, reflecting development efforts in the country's green transition and alignment with FDI sectoral trends (OECD, 2025[26]). An optimised mobilisation agenda in Colombia can further steer FDI towards low-

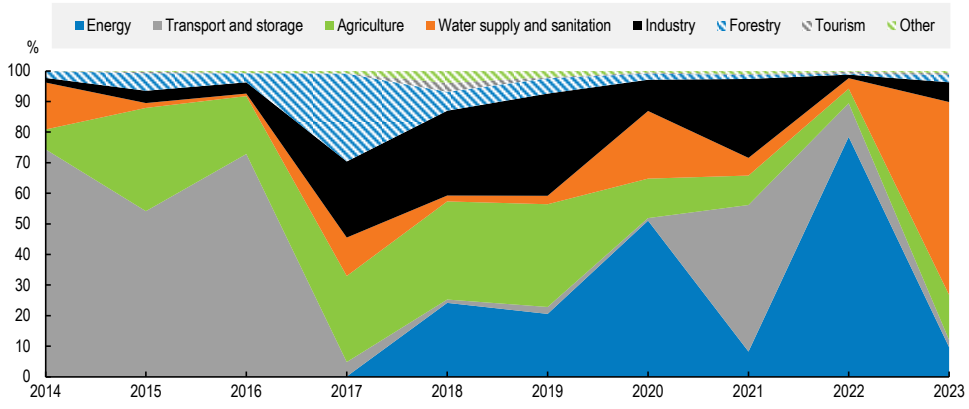
carbon and knowledge-intensive activities, foster R&D, deepen local linkages and small- and medium-sized enterprise (SME) participation, and deliver measurable development additionality.

ODA from EU to Colombia aligns with FDI focus on energy, and supports skills

Beyond direct mobilisation, ODA can play a crucial role by strengthening the foundations of productive sectors and thereby indirectly enhancing their attractiveness to foreign investors. ODA can support infrastructure development, regulatory improvements, as well as training and skills formation, all of which are crucial for creating an attractive investment climate (Kimura and Flood, 2025[29]). EU ODA to Colombia aligns closely with EU FDI priorities, particularly the green transition. Between 2014 and 2023, 36% of production-sector ODA went to energy – 27% of it to renewables – followed by transport (26%) and agriculture (13%) (OECD, 2025[28]). Unlike FDI, no funds were allocated to non-renewable energy. Since 2019, EU ODA has increasingly focused on energy, while support for agriculture and forestry has declined (Figure 4.16).

Figure 4.16. EU ODA to production sectors is concentrated in energy

ODA from EU members and institutions disbursed to production sectors in Colombia, 2014-2023



Note: "Other" includes fishing, trade policies and regulations, mineral resources, and mining and construction.
Source: OECD based on OECD (2025[28]), CRS: Creditor Reporting System (flows), https://data-explorer.oecd.org/.

Skills development and training is another key channel through which ODA can promote sectoral transformation, enhance employability and productivity, and increase investment attractiveness. Between 2014 and 2023, the European Union was a leading donor to skills development in Colombia (USD 29 million) after the United Kingdom, channelling over half of its ODA in this area to vocational training to strengthen workforce capacity and investment attractiveness. Specifically, 54% of EU ODA to skills were directed towards vocational training, reflecting an emphasis on professional capacity-building (OECD, 2025[28]).

EU partnership supports investment and development strategies in Colombia

Colombia's reform agenda is ambitious, seeking to raise living standards and promote social justice through economic diversification, energy transition and regional convergence (OECD, 2024[21]). The EU, through the EU–LAC GGIA, supports priority areas, such as climate and energy, connectivity, digitalisation and transport. These are also core pillars of Colombia's National Development Plan (NDP) 2022-2026, which places territorial development at the centre of a decarbonised, biodiversity-based and inclusive

economy. Clean energy is a cornerstone of this strategy, reinforced in the National Energy Plan 2024-2054, and in line with the legislated target of net-zero emissions by 2050 (UPME, 2025[30]). EU engagement in climate and energy spans sustainable finance taxonomy, access to finance via the Global Green Bonds Initiative, renewable energy, wastewater management, green hydrogen and nature-based solutions (European Commission, 2024[31]). These efforts complement the growing weight of EU FDI flows in Colombia's renewable energy sector, amplifying their development impact (Financial Times, 2025[3]).

The EU's Multi-Annual Indicative Programme 2021-2027 for Colombia provides a framework to scale up investment, particularly through blending and guarantees under the European Fund for Sustainable Development Plus (EFSD+) to mobilise financing for green infrastructure and a cleaner energy mix (European Commission, 2021[32]). Recent operations include a USD 300 million loan from the European Investment Bank (EIB), Enel S.p.A. Group, and Italian insurance and financial group SACE to expand grids, renewable generation and e-mobility. Blended finance operations led by Climate Fund Managers have catalysed private investment in clean energy and de-risked projects, including the PCH Nare and Pétalo del Norte I power plants (Edwards, 2025[33]; CFM, 2025[34]).

Beyond financing and risk mitigation, EU programmes such as Euroclima+ strengthen the enabling environment in Colombia by advancing regulatory frameworks and sectoral programmes on energy efficiency, such as light-duty vehicles standards and vehicle labelling, and contributing to the design of long-term sectoral programmes on energy efficiency in industry (Euroclima, n.d.[35]). Additionally, Euroclima+ backs the Colombian Strategy for Low Carbon, Adapted and Resilient Development (ECDBCAR), including actions related to technology transfer and climate change adaptation (Euroclima, n.d.[35]). Looking ahead, bioenergy – explicitly prioritised in Colombia's NDP – offers a major opportunity to accelerate the clean energy transition. Leveraging de-risking tools, blended finance and stronger partnerships with financial stakeholders can attract high-quality FDI in this technologically intensive sector (OECD, 2022[36]).

As a leading investor in Colombia's telecommunications sector, the EU plays a key role in advancing digital connectivity, fostering further investments and enhancing its impact. Through the EU–LAC GGIA, it is supporting Colombia's ConectaTIC *360* plan – part of the National Digital Strategy – by mobilising investment, fostering regulatory alignment and promoting sustainable development in digital infrastructure. Although still at an early stage, co-operation is taking shape around three pillars: i) expanding access to capital and resources; ii) strengthening local capacities for sustainable Internet use; and iii) promoting policy harmonisation and regulatory alignment. Concrete initiatives include mobilising private investment via the Development Bank of Latin America and the Caribbean (CAF), with a focus on fixed broadband for households, firms and public institutions. This also includes the "Connecting the Unconnected" programme, which will deploy up to 12 community networks, train 800 people and create a policy dialogue on long-term rural connectivity, as well as policy exchange on emerging regulatory frameworks for artificial intelligence (OECD, forthcoming[37]).

4.3. Costa Rica: FDI trends and impacts, with a focus on EU investments

4.3.1. The role of FDI in enhancing production structures and innovation in Costa Rica

FDI in Costa Rica is above LAC and OECD averages, and has driven manufacturing development

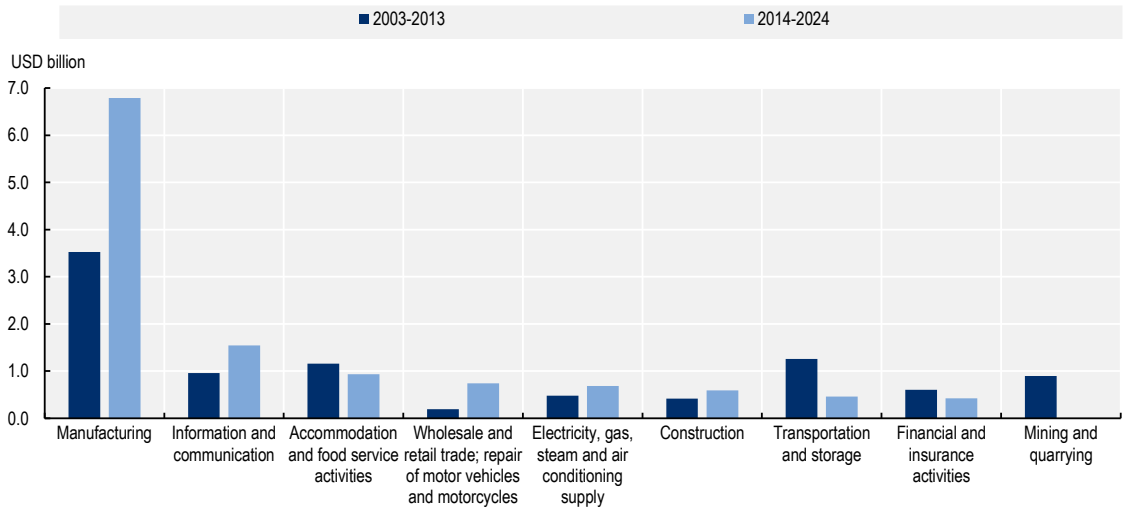
FDI has been a central driver of Costa Rica's development, underpinning growth, employment and competitiveness. The country's strategy – anchored in trade and foreign investment – has prioritised global market integration as a core engine of growth (OECD et al., 2025[38]). This structural relevance is reflected in FDI's high share of GDP, consistently above both Latin American and OECD averages since the early

2000s. Per capita inflows have also outperformed the regional average and, in recent years, even surpassed the OECD average. Despite some pro-cyclical fluctuations, FDI expanded at an annual average of 9.5% between 2005 and 2023, well above Costa Rica's GDP growth of 3.8%, reflecting its growing role in the country's long-term economic trajectory (Central Bank of Costa Rica, 2025[39]).

Greenfield FDI in Costa Rica has expanded rapidly, averaging 64% annual growth between 2003 and 2024 compared to 9.5% for overall FDI (Central Bank of Costa Rica, 2025[39]). Manufacturing has consistently dominated, rising from 35% of greenfield inflows in 2003-2013 (USD 3.53 billion) to 51% in 2014-2024 (USD 6.7 billion) (Figure 4.17). Within manufacturing, medical equipment and supplies grew from under 5% (USD 478 million) to nearly 17% (USD 2.17 billion) of greenfield FDI. Manufacturing of pharmaceutical preparations grew from below 0.5% (USD 38 million) to 6% (USD 725 million), alongside gains in semiconductors and electromedical apparatus (Figure 4.18).

Figure 4.17. FDI to manufacturing grew substantially over the past two decades

Greenfield FDI to Costa Rica, by sector



Note: Sectors that represented less than 3% of total investments in either of the two periods considered were excluded from this figure.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

These shifts toward more technology- and skill-intensive manufacturing reflect Costa Rica's production development policy. It prioritises advanced manufacturing, particularly in high-tech production such as semiconductors and life sciences (medical technology and pharmaceuticals), knowledge-intensive services, including digital technologies and corporate services, all centred on high skills and innovation, and health and well-being. This policy underpins diversification and technological upgrading, as well as increased investment in critical infrastructure supporting Costa Rica's digital transition (PROCOMER, n.d.[40]).

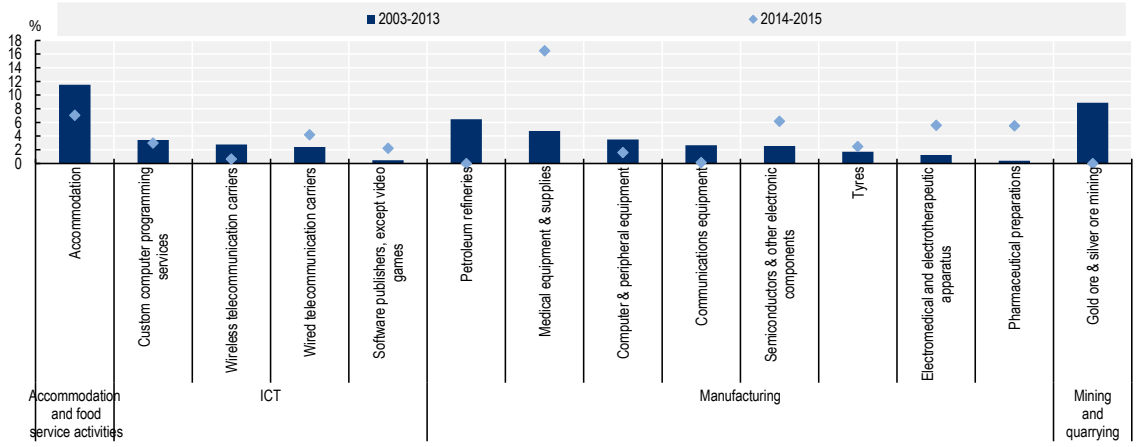
Costa Rica's ability to attract FDI is driven by advanced manufacturing capabilities, a highly skilled talent pool and strong innovation capacity, complemented by political and economic stability, a well-defined regulatory framework – with adherence to international high standards on quality and safety – and intellectual property protection. Sustainable policies and the country's strategic location – particularly relevant in the context of nearshoring – further enhance its attractiveness by providing easy access to North and South American markets (LATAM FDI, 2024[41]). Significant public efforts have also supported FDI attraction, including investments in trade-related infrastructure, support to free trade zones and the establishment of CINDE, Costa Rica's former investment promotion agency (Mora-García and Pearson,

2024[42]). Together, these factors have positioned Costa Rica as a global hub for medical device manufacturing.

Between 2018 and 2024, mergers and acquisitions (M&As) in Costa Rica were heavily concentrated in the ICT, manufacturing, and retail trade and vehicle repair sectors. Brownfield FDI in the ICT sector accounts for a larger share of total investment than greenfield FDI in the same sector, reflecting investor preference for acquiring existing firms with established market presence, capabilities and technological assets. In contrast, the manufacturing sector has a stronger share of greenfield FDI relative to brownfield investments. This indicates that investors in this sector are more focused on establishing new operations, potentially to take advantage of emerging opportunities in Costa Rica's medical technology and pharmaceutical sectors' growing dynamism (LSEG, 2025[7]).

Figure 4.18. Medical equipment manufacturing recorded the largest increase in greenfield FDI share

Share of total greenfield FDI to Costa Rica, by sector and subsector, 2003-2013 and 2014-2024



Note: Only subsectors (of the four selected sectors) that represent 2% or more of total greenfield FDI to Costa Rica in either time period are represented.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

The U.S. drives greenfield FDI in Costa Rica, accounting for nearly half of total inflows

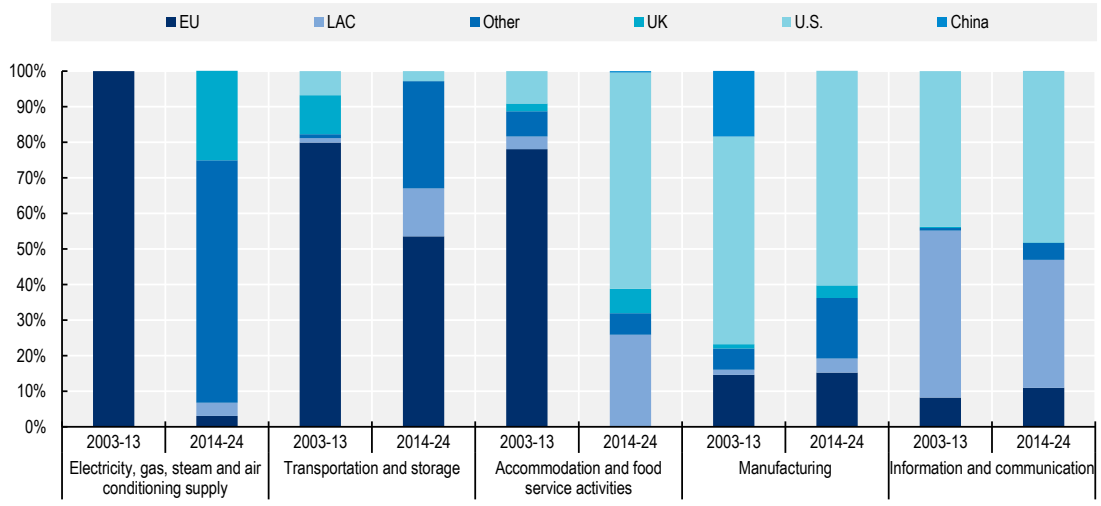
The United States is the main source of greenfield FDI in Costa Rica, displaying outstanding growth in the past two decades. Investments of US origin amounted to almost USD 11 billion, equal to 46% of total FDI greenfield during the period 2003-2024, with investments almost doubling between the periods 2003-2013 and 2014-2024. The EU ranks as the second largest, with 22% of total FDI (USD 5 billion) and the LAC region ranked third with 13% (nearly USD 3 billion). UK and Chinese investments remained comparatively low, under 1 USD billion (at 4% and 3%, respectively) (Financial Times, 2025[3]). Between 2003-2013 and 2014-2024, EU investments in the manufacturing sector almost doubled, from USD 512 million to USD 1.03 billion, much like greenfield FDI into information and communication, which rose from USD 79 million to USD 169 million. The United States invested heavily into manufacturing, surging from USD 2 billion to more than USD 4 billion in the same time frame, with significant investment increases in the information and communication sector as well.

The United States was the main source of greenfield FDI in Costa Rica's core sectors in 2014-2024, accounting for around 60% of FDI in manufacturing and 48% in ICT, maintaining its dominant position in both sectors from the previous decade. In manufacturing, the EU was the second largest investor, contributing 15% of sectoral investments in 2014-2024, while in ICT, investors from LAC ranked second,

with 36%, followed by the EU, with 10%. In the same time period, the EU was the principal investor in transport and storage, with 53% (Figure 4.19).

Figure 4.19. The EU is the second source of greenfield FDI in Costa Rica's predominant manufacturing sector

Greenfield FDI in Costa Rica, by origin and sector, % of total FDI by sector, 2003-2024



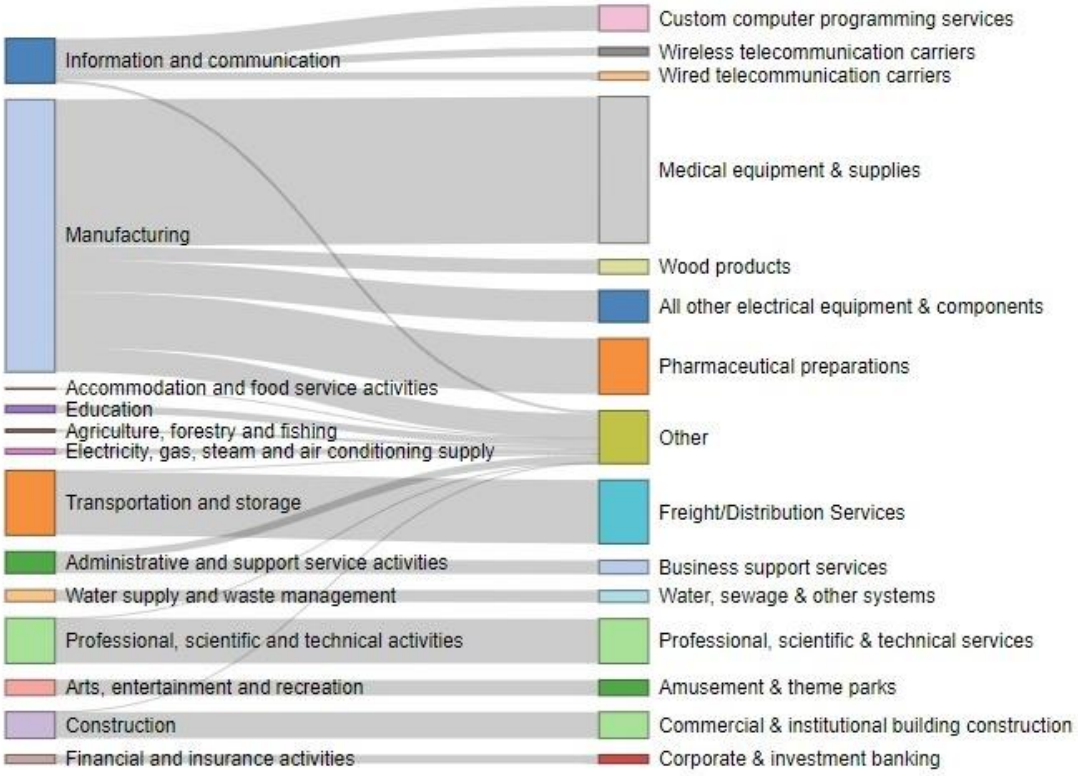
Note: This figure shows only the five sectors with the most FDI inflows in the periods 2003-2013 and 2014-2024
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

EU FDI has strengthened Costa Rica's medical and pharmaceutical manufacturing

The bulk of the EU's greenfield investments in manufacturing are concentrated in the production of medical equipment and supplies as well as pharmaceutical preparations. While the EU remains the second-largest investor in manufacturing, far behind the United States, more than half of its greenfield investment between 2014 and 2024 was directed to this sector, with investment in manufacturing and ICT doubling compared to 2003-2013. EU greenfield investments are highly concentrated in the medical equipment and pharmaceutical manufacturing subsectors, which capture 74% of EU investments in the manufacturing sector and 38% of total EU investments during the period 2014-2024 (Figure 4.20).

Medical manufacturing is a key driver of foreign direct investment within the country. Costa Rica is home to over 90 medical technology multinationals – 9 of which are of EU origin – including 12 of the world's 30 largest medical technology companies, with manufacturing operations spanning 18 specialised areas. The EU's presence in this sector in Costa Rica is continuing to grow. In 2024, three new greenfield investment announcements of EU origin were in the medical technology sector (WIPO, 2024[43]; PROCOMER, 2025[44]).

Figure 4.20. EU's greenfield FDI across sectors and subsectors, Costa Rica, 2014-2024



Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

Costa Rica has become a strategic hub for the manufacturing and exportation of medical devices, ranking as the second largest exporter for medical devices in Latin America and the eighth largest in the world (WIPO, 2024[43]). In 2023, it exported over USD 7.5 billion in medical devices, recording an annual growth rate of 18% since 2017. Medical manufacturing exports account for 42% of Costa Rica's total good exports, a dramatic increase from merely 5% (USD 288 million) in 2000, highlighting the subsector's growing economic importance within the country (LATAM FDI, 2024[41]; WIPO, 2024[43]). Employment within the sector has also more than doubled between 2017 and 2023, increasing from 22 399 to 55 000 employees, with most jobs being skill-intensive (LATAM FDI, 2024[41]). Nearly 7 000 of these employees are from EU firms (PROCOMER, 2025[44]). Companies are attracted by Costa Rica's competitive costs, skilled labour and stable institutions (Box 4.2).

Box 4.2. Costa Rica as a strategic hub for medical device manufacturing and innovation

Representatives from two German companies in medical device manufacturing, G.RAU and MeKo MedTech, highlighted that Costa Rica offers a favourable environment for foreign investments in the area due to its competitive costs, skilled labour and stable institutions.

G.RAU established its operations in Costa Rica in 2012. Its 18 000-square-metre facility is fully dedicated to manufacturing components for medical devices. The company employs 175 people and generates annual sales exceeding USD 15 million. Starting with an initial investment of USD 3.5 million, G.RAU has since re-invested over USD 20 million and plans to invest an additional USD 15 million in the next five years. G.RAU places strong emphasis on workforce development and technical excellence, for which Costa Rica's skilled workforce is key. The company offers structured training through an internal academy and collaborates with institutions such as INA and private universities. Training focuses on technical skills and leadership. The company has also launched a local R&D unit, which it plans to expand to strengthen innovation capabilities in Costa Rica.

The German firm MeKo MedTech reiterated the highly skilled supply of employees being a key decision factor for the company's upcoming new branch in Costa Rica, which will entail a first investment of USD 150 000 and infrastructure investments close to USD 500 000 (Leymann, 2025[45]). As a new investor in the country, the company highlighted the country's free trade agreement with the United States, favourable tariff regimes and free trade zones. A strong tradition of democratic stability, high-quality education and reliable renewable energy were also mentioned as key supports for long-term investment. The presence of a dense medical device ecosystem and well-developed infrastructure further strengthens Costa Rica's value proposition.

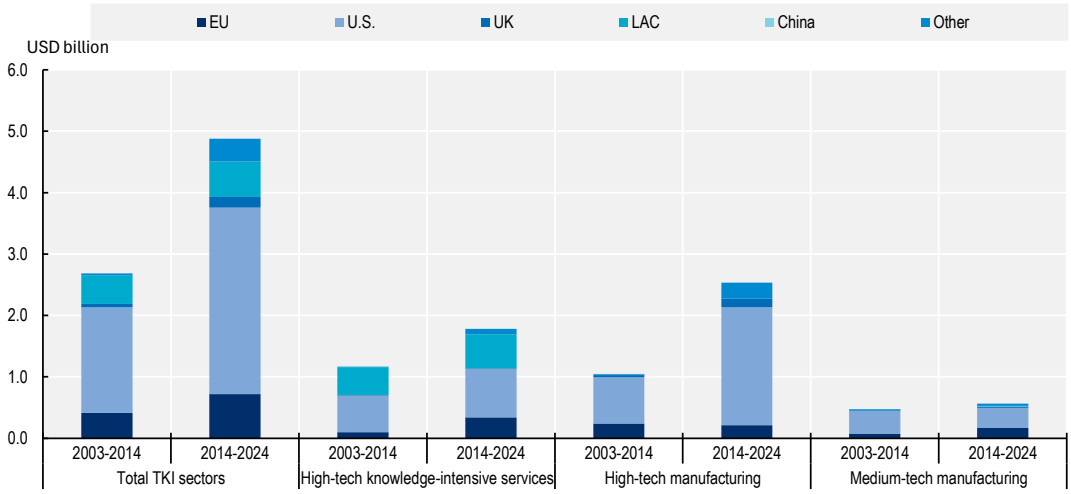
Source: Based on interview with (Quesada, 2025[46]) and (Leymann, 2025[45]).

The U.S. is the leading investor in TKI sectors, followed by the EU, which is increasing its focus on high-value-added sectors

Following active efforts from Costa Rica to focus on high-tech investment attraction, greenfield investments to technology and knowledge intensive (TKI) sectors almost doubled from USD 2.7 billion to nearly USD 4.9 billion between the periods of 2003-2013 and 2014-2024. This reflects an economic shift in Costa Rica's economy and an upgrading of production sophistication, following a transition from light manufacturing to knowledge-intensive sectors. This significant uprise can be explained by investments in high-tech manufacturing more than doubling and investments in high-tech knowledge-intensive services increasing by more than 50% (Figure 4.21). Between 2014-2024, the United States was the leading investor in both areas. LAC was the second largest investor in high-tech and knowledge-intensive services, while the EU was the second largest investor in high- and medium-tech manufacturing (Figure 4.21). In the period 2003-2013, the share of EU's investments directed to TKI sectors reached 13%, while in the last decade it increased to 36%, signalling the EU's increasing focus on this high-value-added sector (Financial Times, 2025[3]).

Figure 4.21. U.S. is the leading investor in TKI sectors

Greenfield FDI in high-technology and knowledge-intensive sectors, by origin



Note: The classification of TKI sectors follows Eurostat's methodology. For further details, see table 2.1 in Chapter 2.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

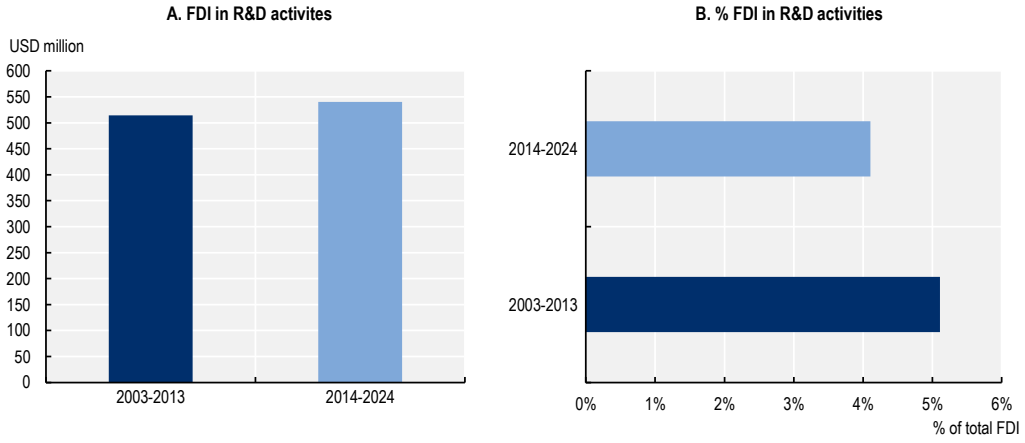
There is room to improve FDI's impact on technology and innovation in Costa Rica and increase linkages to local firms

Over the past two decades, nearly USD 1 billion in greenfield FDI in R&D activities has been announced in Costa Rica. While total investment has remained stable between the two periods, the proportion of greenfield FDI targeting R&D activities has decreased by 1 percentage point, accounting for 4% of total greenfield FDI in 2014-2024. The United States remains the main source of R&D-related FDI in Costa Rica, although announced U.S. investments have slightly declined over the past decade. While EU R&D investments remain at lower levels, they more than doubled in absolute value over the past decade, reaching approximately USD 16 million (Figure 4.22). Despite the potential to attract R&D FDI is still largely untapped, there are significant opportunities for spillover benefits to local industries and innovation ecosystems.

The development of manufacturing, in particular, of medical technology – a high-technology-intensive sector – has allowed Costa Rica's economy to shift towards more sophisticated sectors and move away from previous economic dependence on textiles, food and beverages, and light manufacturing (Alfaro, 2024[47]). However, while the medical technology sector has delivered strong growth and competitiveness gains for Costa Rica, its wider development impact could be amplified by strengthening domestic linkages in tradable goods and services. Costa Rica has achieved remarkable success in positioning itself as a global hub for medical device manufacturing, largely driven by foreign multinationals with export-oriented and efficiency-seeking strategies (Mora-García and Pearson, 2024[42]). Investment in this high-technology, R&D-intensive sector has been a catalyst for economic growth, job creation, and upgrading within global value chains, supported by national efforts to foster a conducive business environment and broader trends, such as nearshoring (Alfaro, 2024[47]).

Figure 4.22. Less than 5% of total greenfield FDI targets R&D activities

Greenfield FDI directed to R&D activities in Costa Rica, 2003-2013 and 2014-2024



Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

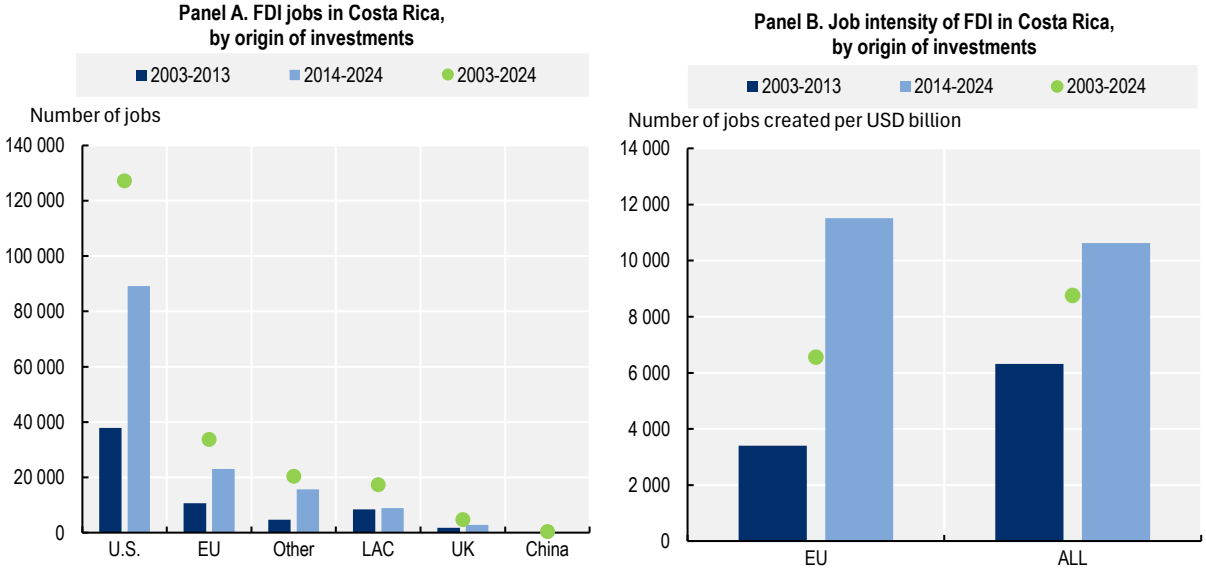
Yet, despite this upgrading, linkages with the domestic economy remain limited. Less than 2% of total input purchases by medical device multinationals are locally sourced (Mora-García and Pearson, 2024[42]), underscoring the weak integration of domestic firms into global supply chains. Where linkages do occur, the benefits are significant as evidence suggests that firms supplying multinational enterprises (MNEs) record higher sales (+33%), employment (+26%), assets (+22%) and input costs (+23%) within four years of entering such relationships. Supplying MNEs also enables domestic firms to expand product scope, improve quality, strengthen managerial practices and enhance reputation, reflecting both the demand shocks and valuable learning opportunities created by FDI (Ureña, Manelici and Vásquez, 2019[48]).

4.3.2. The role of FDI in creating (quality) jobs and promoting skills in Costa Rica

FDI has created over 200 000 jobs in Costa Rica in the past two decades

Greenfield FDI has been an important driver of employment in Costa Rica, generating an estimated over 200 000 jobs in the last two decades (2003-2024), with an increase of 120% between both decades as Costa Rica benefited from deeper integration into high-value global supply chains and strong investor interest from OECD partners (Chapter 2). The United States was the largest greenfield FDI investor and generated over 125 000 direct jobs, which represents 62% of all FDI jobs in the period. The European Union ranked second, generating 17% (over 33 000 jobs), followed by investors from the LAC region with 9% (over 17 000 jobs) and the UK with 2% (close to 5 000 jobs). Chinese investments created less than 1% of total FDI-related jobs between and all other foreign investors combined represented 10% (Figure 4.23, Panel A).

Figure 4.23. The U.S. leads in total job creation in Costa Rica



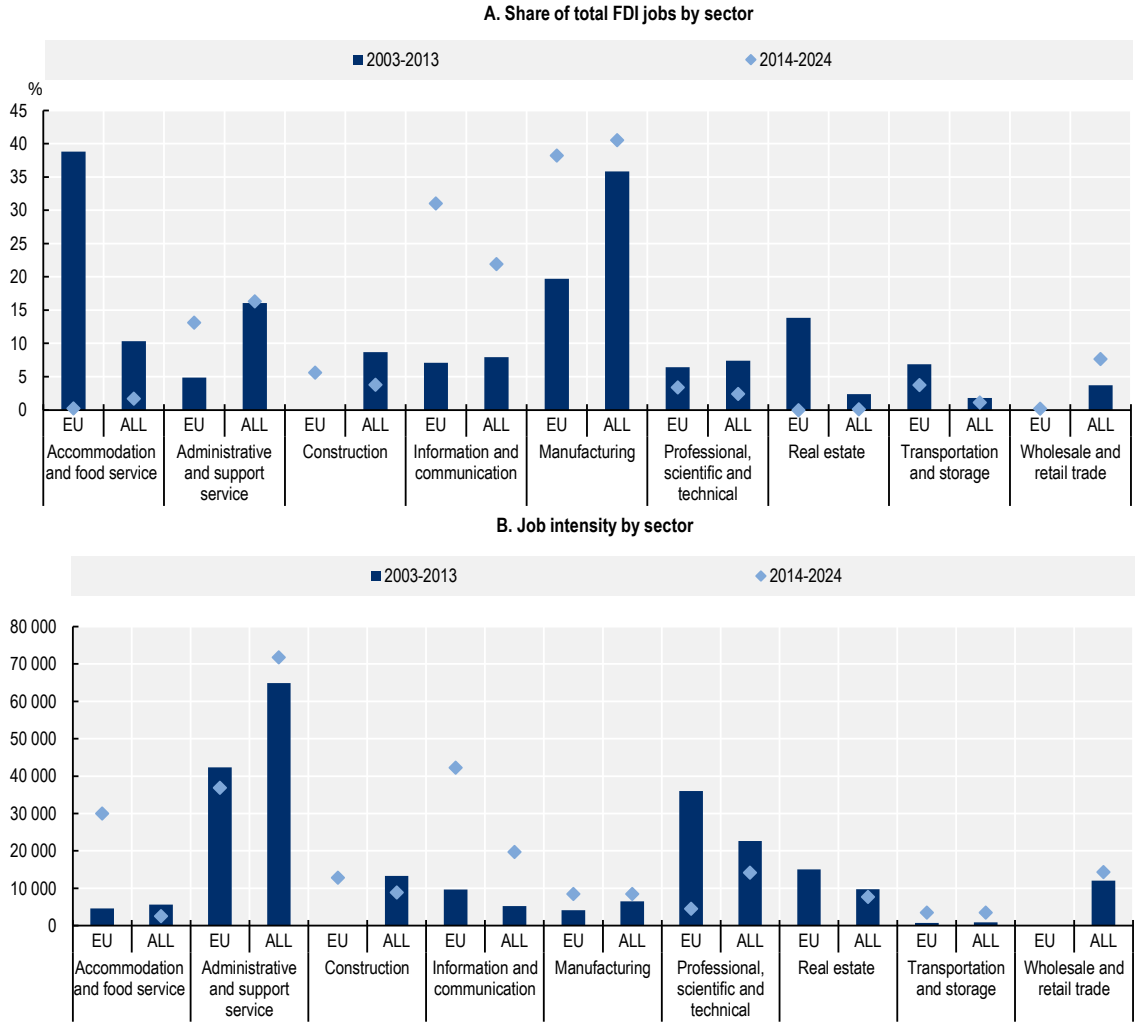
Note: Job intensity is measured as the number of jobs created per USD billion.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

Job intensity in Costa Rica increased substantially, from more than 6300 in 2003-13, to close to 11 000 in 2014-2024 of FDI jobs created per USD billion. EU FDI's job intensity in 2003-2013 was lower than that of investments from all origins, however it exhibited a sharp, more than three-fold increase in the following decade, surpassing the job intensity of all origins (Figure 4.23, Panel B).

FDI jobs are heavily concentrated in the manufacturing and ICT sectors, accounting for 41% and 22% of total FDI-generated jobs, respectively, during the period 2014-2024 (Figure 4.24, Panel A). Jobs stemming from EU greenfield investments follow a similar pattern. Over the past decade (2014-2024), 38% of EU-generated FDI jobs were in manufacturing and 31% in the ICT sector. This is a significant increase from the past decade, where only 20% and 7% of EU FDI jobs were in these sectors, respectively. In parallel, the share of EU FDI jobs in lower-skilled sectors fell. In the accommodation and food services sector, jobs declined from 39% to nearly zero percent of total EU-generated jobs between the two periods. This reflects a shift in EU FDI toward the creation of higher-skilled employment opportunities in Costa Rica.

In terms of job intensity in 2014-2024 – measured as the number of jobs created per USD 1 billion of greenfield investment – the most job-intensive sectors were administrative and support services (72 000 jobs); ICT (20 000 jobs); and professional, scientific and technical services (14 000 jobs) (Figure 4.24, Panel B). While EU investments are less job-intensive in the administrative and support services sector, they demonstrate significantly higher job intensity in the ICT sector (42 000 jobs), more than double the global average of 20 000. However, EU FDI job intensity in the professional, scientific and technical services sector remains lacking, generating less than 5 000 jobs per USD billion, a low figure compared to the global average of 14 000.

Figure 4.24. Greenfield FDI jobs are concentrated in the manufacturing and ICT sectors

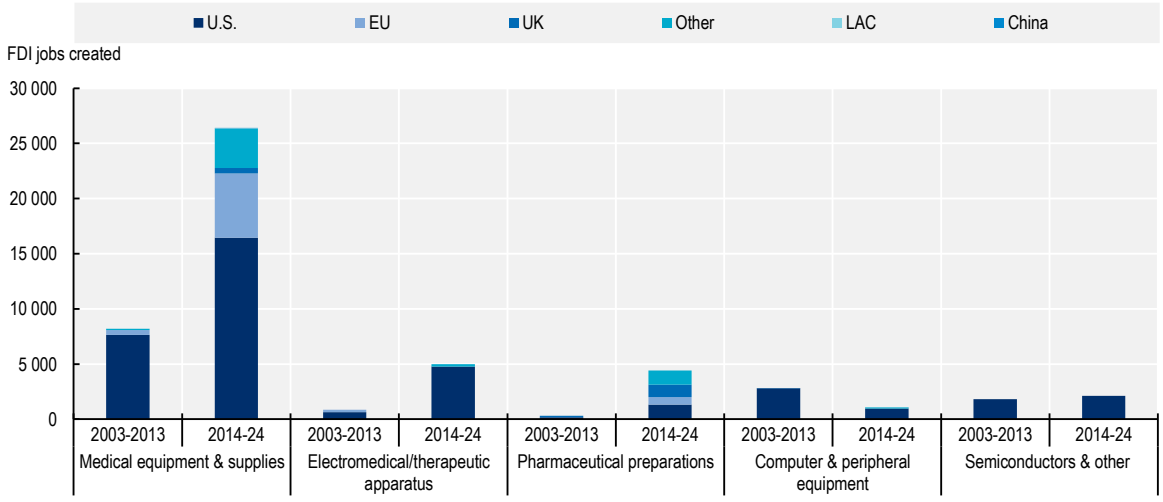


Note: Job intensity corresponds to the number of jobs created per one USD billion of greenfield investment. Only sectors representing at least 3% of total FDI jobs in either time period or any origin were presented. "All" refers to FDI of all origins.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

During 2003-2024, medical equipment and supplies overwhelmingly stood out as the manufacturing subsector in which FDI generated the most jobs, close to 35 000, which is equal to 44% of total jobs created in the sector (Figure 4.25). Jobs created in this subsector more than tripled between the period 2003-2013 and 2014-2024, as United States led in job creation. The number of EU FDI jobs created in this subsector increased substantially in the latter period, reaching almost 6 000. The remaining manufacturing subsectors experienced relatively less job creation from FDI, with the United States leading as the origin of FDI. Electromedical and electrotherapeutic apparatus as well as pharmaceutical preparations experienced considerable increases in jobs created due to FDI between the period 2003-2013 and 2014-2024, with a growing role for the EU FDI. On the other hand, the number of jobs created in computer and peripheral equipment decreased, while those for semiconductors and other electronic components remained relatively unchanged.

Figure 4.25. Job creation in manufacturing is concentrated in medical equipment and supplies, originating mainly from the U.S.

Greenfield FDI jobs in top manufacturing subsectors, by origin country/region, 2003-2013 and 2014-2024



Note: Only the five subsectors with the most jobs created in the period 2003-2024 were included in the graph.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

Foreign firms in Costa Rica contribute positively to key dimensions of development

Foreign firms in Costa Rica contribute positively to Costa Rica's development through the provision of higher wages, higher productivity, stronger export intensity and a mildly higher amount of skilled jobs. Foreign firms show a higher labour productivity of, on average, 85% more than domestic firms (Figure 4.26, Panel A). Foreign ownership is also found to be positively associated with a wage premium in Costa Rica as salaries from foreign firm are found to be 133% higher than salaries from their domestic counterparts. Firm-level data analysis in Costa Rica suggests that multinational corporations pay on average 9% larger wages than domestic enterprises (Alfaro-Urena, Manelici and Vasques, 2021[49]). This result, while more modest and confirming a positive wage premium of foreign firms in the country, shows more a moderate linkage. The average monthly salary of employees of foreign companies located in free trade zones is USD 2 075 and, specifically, for EU-owned companies, USD 2 029. This is significantly higher than the national average of USD 1 157 and may reflect the concentration of foreign companies in highly skilled and productive sectors, such as medical device and pharmaceutical manufacturing (PROCOMER, 2025[44]).

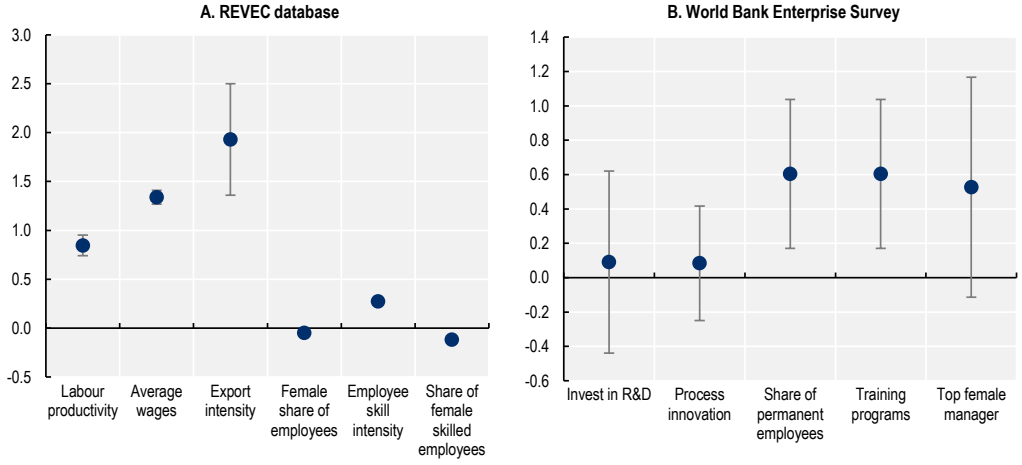
Foreign firms also show 192% higher export intensity compared to domestic firms, suggesting that foreign firm presence in Costa Rica has increased Costa Rica's internationalisation and integration in global value chains (GVCs) (Chapter 1). The analysis also shows that foreign firms hire a smaller share of women and skilled women employed, as well as a larger share of skilled employees compared to domestic firms. That said, these relative differences are less striking (Figure 4.26, Panel A).

Moreover, foreign firms are more likely to offer training programmes for their employees and have a higher share of employees on permanent contracts. The prevalence of permanent contracts is important as they provide greater job security and entail specific legal protections. In contrast, temporary contracts are often linked to less stable employment conditions and are associated with poorer health conditions (OECD,

2019[50]). No significant differences are observed between foreign and domestic firms in terms of investment in R&D, process innovation or the top manager being a woman (Figure 4.26, Panel B).

Figure 4.26. Foreign firms pay higher wages, are more productive and export more than domestic firms

Did foreign firms have better outcomes than their domestic peers in 2022? (yes if score>0; no if score<0)

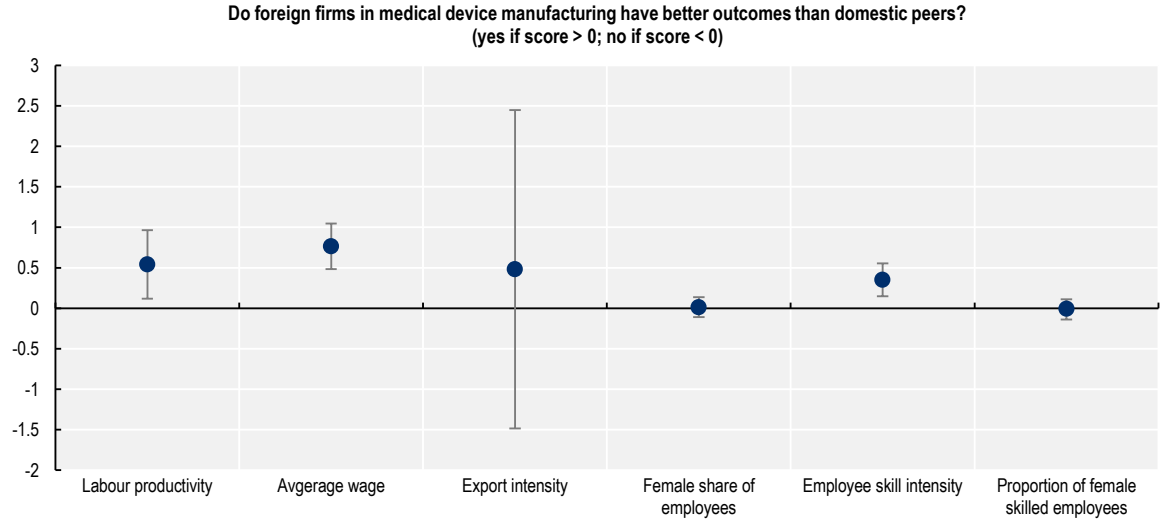


Note: This figure shows a Type 1 indicator. Foreign-owned firms are defined as having at least 10% foreign ownership. Whiskers represent 95% confidence intervals. The analysis was conducted on the REVEC database, which encompasses all companies that pay taxes in Costa Rica (panel A), as well as on the World Bank Enterprise Survey (panel B). The variable underlying export intensity was not thoroughly examined, and the precise value of the coefficient should be interpreted with caution. Refer to Annexes 4.A and 4.B for more information.
Source: Based on World Bank (2023[15]), World Bank Enterprise Surveys, https://www.enterprisesurveys.org/en/enterprisesurveys; Central Bank of Costa Rica (2025[51]), Registro de variables economicas del Banco Central de Costa Rica (REVEC).

Similarly, when narrowing the focus to the medical device manufacturing industry, differentials between foreign and domestic counterparts persist. Foreign firms are more productive, pay higher average wages and hire more skilled workers than domestic firms within the industry. However, results regarding export intensity and share of women and skilled women employed are not significant, indicating there are no differences between foreign and domestic enterprises (Figure 4.27).

Figure 4.27. Foreign firms within the medical technology industry are more productive and pay higher wages

Foreign vs. domestic firm performance in Costa Rica's medical device manufacturing industry in 2022



Note: This figure shows a Type 1 indicator. Foreign- owned firms are defined as having at least 10% foreign ownership. Whiskers represent 95% confidence intervals. The analysis was conducted on the REVEC database, which encompasses all companies that pay taxes in Costa Rica. The variable underlying export intensity was not thoroughly examined, and the precise value of the coefficient should be interpreted with caution. Refer to Annexes 4.A and 4.B for more information.
Source: Based on Central Bank of Costa Rica (2025[51]), Registro de variables economicas del Banco Central de Costa Rica (REVEC).

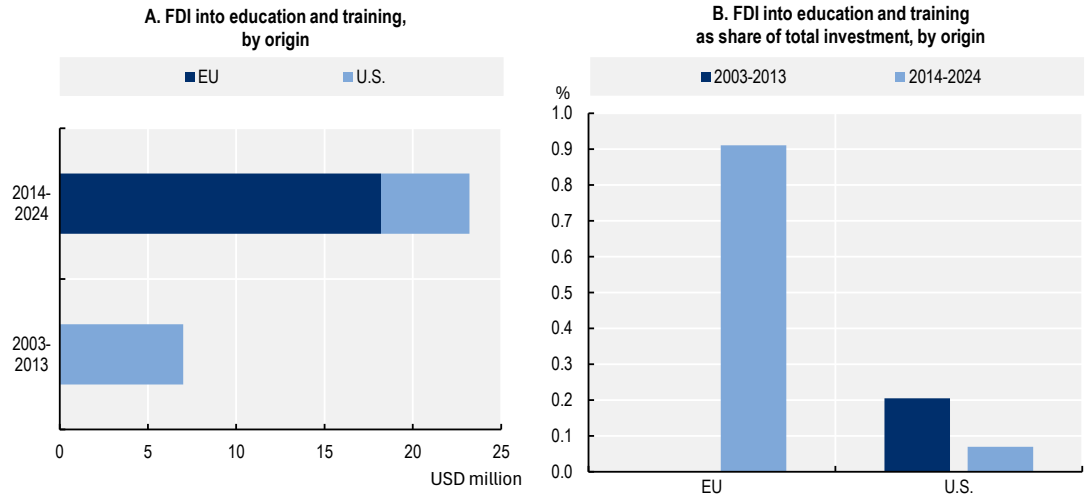
A skills-virtuous circle: Costa Rica's skilled labour force attracts FDI, while foreign companies provide more training programmes than domestic firms

A key differentiator for Costa Rica is its specialised talent pool in medical device manufacturing, a highly regulated industry where skills are essential. This pool emerged through initial training by foreign firms and government efforts to build technical capacity, resulting in significant knowledge transfers over the past two decades due to the presence of global leaders in the medical technology sector in Costa Rica. The growing supply of skilled workers in Costa Rica has enabled rapid implementation of sophisticated processes, including the local production of the most complex and high-risk category of medical devices (Class III devices) (Mora-García and Pearson, 2024[42]). Strong collaboration between industry and academia has reinforced the pipeline of engineers and technicians, with firms helping shape curricula and donating latest technology equipment to educational institutions. This has supported a growing medical technology ecosystem that operates within a complementary model, in which Costa Rica serves as an efficient and reliable platform that enables multinational companies to reinvest savings into R&D and innovation at their headquarters. This innovation, in turn further enhances the local industries' competitiveness.

Beyond medical technology, Costa Rica has also attracted major investment in the digital sector. Intel, present since 1997, re-invested EUR 1.07 million in infrastructure and talent development between 2023 and 2025, employing more than 3 400 people across its 'Megalab' and global services centre in Heredia. This illustrates how Costa Rica's skilled workforce and long-term strategy for sustainable development have positioned the country as a hub for advanced digital operations. The presence of global firms, such as Intel, Amazon (U.S.), Bayer (Germany) and Dole (Ireland), confirms Costa Rica's growing role in global value chains, underpinned by continuous investment in human capital and innovation (Euronews, 2025[52]).

Figure 4.28. EU leads in greenfield FDI to education and training in Costa Rica in 2014-2024

Greenfield FDI to education and training activities in Costa Rica



Note: Greenfield FDI from the UK, LAC, Other and China was not directed into this area of activity and therefore omitted from this graph.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

Greenfield FDI in education and training, although limited, has further reinforced Costa Rica's skilled workforce. EU greenfield FDI in education and training in Costa Rica rose from virtually zero in 2003-2013 to nearly 1% of total EU FDI in 2014-2024, reaching USD 18million. This makes the EU the main investor in this area, reflecting a growing commitment to strengthening employees' skills and capabilities. By contrast, US investment in education and training declined in both volume and share over the same period (Figure 4.28).

4.3.3. International co-operation enhances FDI and its impact in Costa Rica

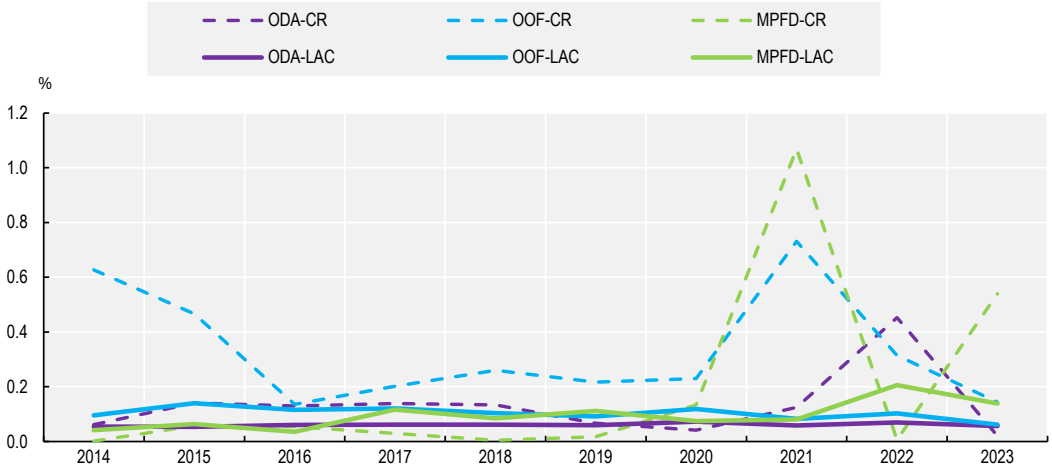
FDI has been central to Costa Rica's development, underpinning its strong economic performance and integration into global value chains. Alongside significant US inflows, EU investment has supported high-technology manufacturing and achieved important labour outcomes. In 2024, total FDI grew by 14%, reaching USD 4.3 billion, surpassing by 37% the target set in the 2023-2026 National Development and Public Investment Plan (PNDIP), which also seeks to attract investment into tourism, agro-industries and sustainable sectors beyond the greater metropolitan area (Ministerio de Planificación Nacional y Política Económica, 2022[53]; UNCTAD, 2025[1]). International co-operation, particularly through initiatives like the EU's Global Gateway Investment Agenda (EU–LAC GGIA), can play a crucial role in mobilising investment, strengthening the enabling environment and fostering FDI that triggers innovation, productivity growth and inclusive development across regions.

Mobilised private finance in Costa Rica was historically limited, but has recently grown

Mobilised private finance for development directed to production sectors held relatively small weight as a share of gross national income (GNI) until it peaked in 2021 and 2023 (Figure 4.29). This reflects a broader international trend of increasingly engaging the private sector for development financing. In Costa Rica, the most common leveraging mechanisms in 2014-2023 were direct investment in companies and Special Purpose Vehicles (SPV) (42%), followed by syndicated loans (38%) (OECD, 2025[26]). Until 2020, ODA in Costa Rica aligned with broader LAC trends, while other official flows (OOF) played a relatively larger role in the country than it did in the region in the last decade.

Figure 4.29. Despite volatility, official flows to production sectors have been increasing recently

Official flows to production sectors in Costa Rica and LAC as % of GNI, 2014-2023



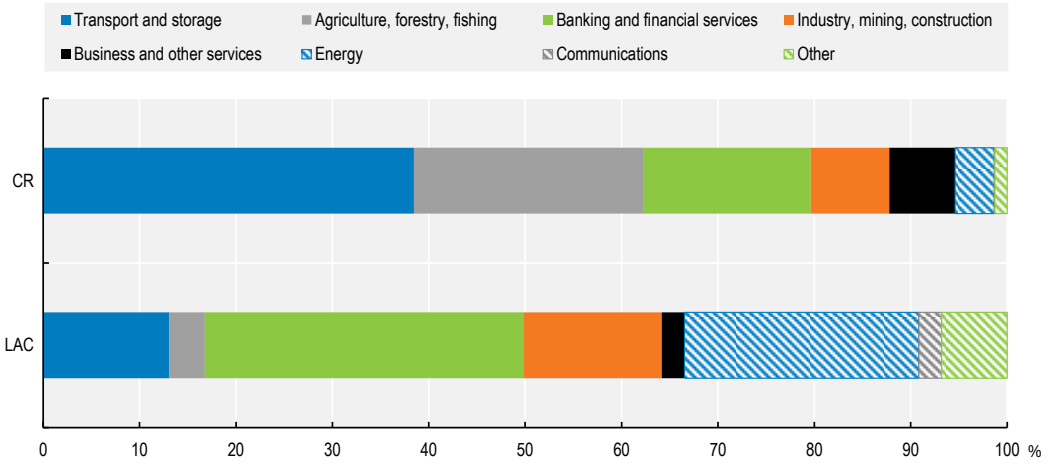
Note: ODA – Official Development Assistance; OOF – Other Official Flows; MPFD – Mobilised private finance for development. Production sectors include agriculture, construction, energy, fishing, forestry, industry, mineral resources and mining, tourism, transport, water supply and sanitation, and tourism and storage.
Source: Based on OECD (2025[26]), CRS - Private: Mobilised private finance for development, https://data-explorer.oecd.org/; World Bank (2025[27]), World Development Indicators, https://databank.worldbank.org/; OECD (2025[28]), CRS - Creditor Reporting System (flows), https://data-explorer.oecd.org/.

Private finance is increasingly mobilised in a wider range of sectors in Costa Rica, although it remains concentrated in a few when it comes to value. During 2014-2023 in Costa Rica, mobilised private finance for development was mainly directed towards transport and storage (39%), agriculture, forestry and fishing (24%), as well as banking and financial services (17%) (Figure 4.30). While private finance for development is expanding into sectors largely complementary to FDI and aligns with one of the EU's primary FDI focuses in Costa Rica – transport and storage – there is an opportunity to further align mobilised finance with high-value FDI sectors, such as manufacturing and technology, to strengthen synergies, boost innovation and enhance inclusive and sustainable development outcomes.

Moreover, sectoral trends in Costa Rica and LAC often differ. In the region, mobilised private finance tends to be substantially more concentrated in banking and financial services, a knowledge-intensive, high-value-added sector, as well as energy. Flows to the energy sector in Costa Rica are dedicated to renewable energy, illustrating the use of development finance to support the green transition. Nonetheless, this is undermined by the low share of mobilised private finance going to this sector (4%) (OECD, 2025[26]).

Figure 4.30. Mobilised private finance in Costa Rica is concentrated in transport and storage

Mobilised private finance for development, by sector, 2014-2023



Note: Sectors representing less than 2% of total for either Costa Rica or LAC were aggregated into "Other", including government and civil society, tourism, other multisector, water supply and sanitation, education, health, other social infrastructure and services, and trade policies and regulations.
Source: Based on OECD (2025[26]), CRS - Private: Mobilised private finance for development, https://data-explorer.oecd.org/.

Besides engaging with the private sector directly, international co-operation also enhances the long-term appeal of productive sectors, increasing their attractiveness to investors. The role of Official Development Assistance (ODA) is especially important in the early stages when mobilised private finance is only beginning to gain traction, as is the case in Costa Rica.

In particular, ODA can strengthen the enabling environment for investment by enhancing skills, training and education, thereby enhancing the employability of the workforce. Between 2014 and 2023, the bulk of ODA targeting skills development was concentrated in vocational training. The EU emerged as the top donor in this area in Costa Rica, providing significant support for vocational education and training initiatives (USD 2.6 million). These are essential for building a skilled workforce capable of attracting and sustaining high-value investments. By targeting vocational and technical skills, ODA complements private sector investments. It helps local labour markets meet the needs of advanced manufacturing, digital services and other high-productivity sectors, thereby boosting the development impact of foreign direct investment. Interestingly, while the United States leads in investing in technology, knowledge and innovation (TKI) sectors in Costa Rica and provides the largest share of FDI to R&D activities among all investors, it contributes relatively less ODA to training.

EU partnership supports investment and development strategies in Costa Rica

The European Union is contributing to facilitating Costa Rica's sustainable investment and development goals through the Global Gateway Investments Agenda (GGIA). A key area within Costa Rica's goals is green infrastructure and connectivity through electric public transport. The EU is supporting the creation Costa Rica's first electric train with lines spanning more than 50km in the greater San José metropolitan area, financed by a USD 250 million loan from the EIB, aligned with the country's National Decarbonisation Plan (EIB, 2025[54]; Government of Costa Rica, 2018[55]). This document, along with the country's NDP, set out a long-term vision for a green, competitive and resilient 3D economy – decentralised, digitalised and decarbonised (Ministerio de Planificación Nacional y Política Ecónomica, 2022[56]). In this context, under

the EU-LAC Digital Alliance, a series of initiatives are aimed at improving connectivity, such as the setup of a cyber-intelligence centre in Costa Rica, the deployment of 5G network, fist launched in 2024 utilising European technology, as well as European industry collaboration with the National Learning Institute to enhance digital skills and support entrepreneurship (European Commission, n.d.[57]).

The EU's Multiannual Indicative Programme 2021-2027 identifies key political and economic priorities in Costa Rica and sets forth a Cooperation Facility. The EU Cooperation Facility entails a budget of EUR 14M targeting four vital components: green and blue transition, digitalisation and innovation, technical support as well as strategic communication (European Comission, 2025[58]). Regarding health, another pilar of the EU-LAC GGIA, the EU is involved in accelerating the country's pharmaceutical manufacturing subsector (European Commission, n.d.[59]). Apart from initiatives directly under the GGIA, EU and Costa Rica seek to expand their collaboration in the domain of sustainable finance. For instance, the EU helped develop the country's sustainable finance taxonomy, invested in the country's first blue bond and is striving towards increasing access to capital within the Global Green Bond Initiative (European Commission, n.d.[57]).

4.4. Dominican Republic: FDI trends and impacts, with a focus on EU investments

4.4.1. The role of FDI in enhancing production structures and innovation

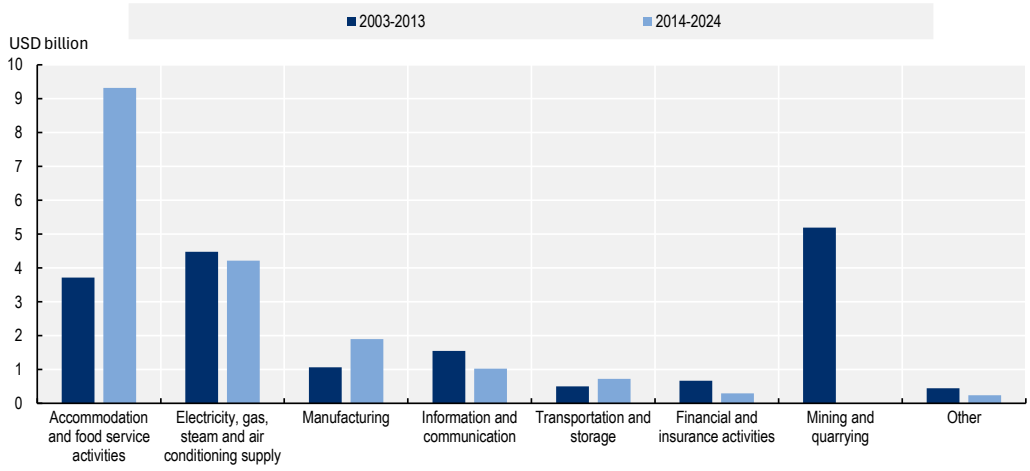
FDI has strengthened its structural and stabilising role in the Dominican Republic's economy, with a focus on tourism

FDI plays an increasingly important role in the Dominican Republic's economy and is a source of macroeconomic stability. The country was the largest FDI recipient in the Caribbean in 2023 (UNCTAD, 2024[60]). The FDI stock-to-GDP ratio has risen steadily, peaking at 56% in 2020 and then dropping to close to 50% in 2024 – close to the LAC average but below the OECD level. Inflows have shown resilience, remaining stable even during the 2020 pandemic shock, which heavily affected the tourism sector. On a per capita basis, FDI has continued to increase, allowing the Dominican Republic to slightly surpass both LAC and OECD averages, underscoring strong investor confidence and the structural role of FDI in a growth model oriented toward trade and global integration (UNCTAD, 2025[1]; World Bank, 2025[61]).

Between 2014 and 2024, the accommodation and food services sector attracted 53% of total greenfield investments over this period (Figure 4.31). The electricity, gas, steam and air conditioning supply sector followed with 24%, manufacturing accounted for 11%, information and communication with 6%, and transportation and storage with 4% of total investments. All remaining sectors combined represented just 3% of greenfield FDI during this period.

Figure 4.31. The accommodation and food services sector received over half of greenfield FDI

Greenfield FDI to the Dominican Republic, by sector

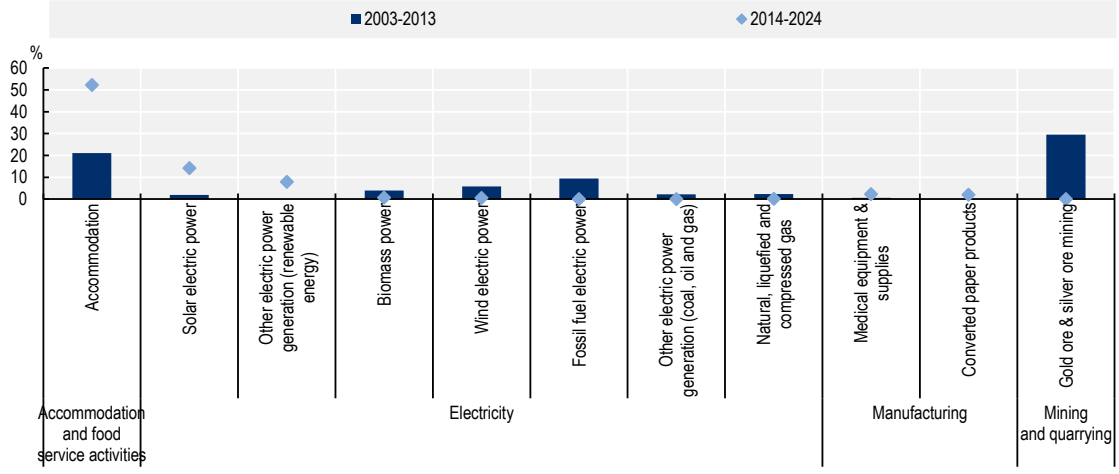


Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

Sectors and subsectors attracting greenfield FDI shifted significantly between 2003-2013 and 2014-2024. Between 2003-2013, mining and quarrying, along with non-renewable energy, dominated greenfield FDI, accounting for nearly 30% and 12% of total investments, respectively. The subsequent decade saw a shift toward renewable energy, notably solar energy. Between 2014 and 2024, mining and quarrying, and non-renewables received less than 1% of total investments, while renewable energy sources attracted nearly 24% of total greenfield FDI, up from just 11.5% in the previous period. Solar energy alone experienced the most striking increase among renewables, with its share rising from 2% (USD 340 million) to nearly 15% of total investments over the respective periods (USD 2.5 billion). This reflects a shift in investment trends towards more environmentally sustainable sectors, as well as alignment with the governments agenda to increase renewable energy generation substantially. Accommodations also saw a significant rise in FDI, with its share increasing from 21% to 52% over the same periods, corresponding to USD 3.7 and 9.3 billion in the two respective periods (Figure 4.32).

Figure 4.32. Solar energy recorded the second largest increase in greenfield FDI share

Share of total greenfield FDI to the Dominican Republic, by sector and subsector



Note: The figure includes only subsectors (of the four selected sectors), which represent 0.5% or more of total greenfield FDI to the Dominican Republic.

Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

Between 2018 and 2024, mergers and acquisitions (M&As) in the Dominican Republic were heavily concentrated in the manufacturing and electricity sectors, which recorded total M&A transaction values of USD 1 001 and 926 million, respectively, accounting for all available values of brownfield FDI transactions during this period. The LAC region holds the largest share of brownfield FDI value in manufacturing (88%), followed by the United States (10.5%). (LSEG, 2025[7])

Increasing inward FDI can be attributed to critical actors, such as the national investment promotion agency, ProDominicana (formerly CEI-RD), created in 2017, which targets strategic sectors such as tourism, renewable energy, technology, manufacturing, semiconductors, agriculture and biomedicine (ProDominicana, 2025[62]; OECD/UNCTAD/ECLAC, 2020[63]). The free zone model has also been instrumental in attracting investment and enhancing export competitiveness by offering tax exemptions and administrative facilitation. While this model is gradually evolving toward greater economic integration, FDI attraction – particularly in tourism and manufacturing – remains central to the country's development strategy (Consejo Nacional de Zonas Francas de Exportación, 2025[64]).

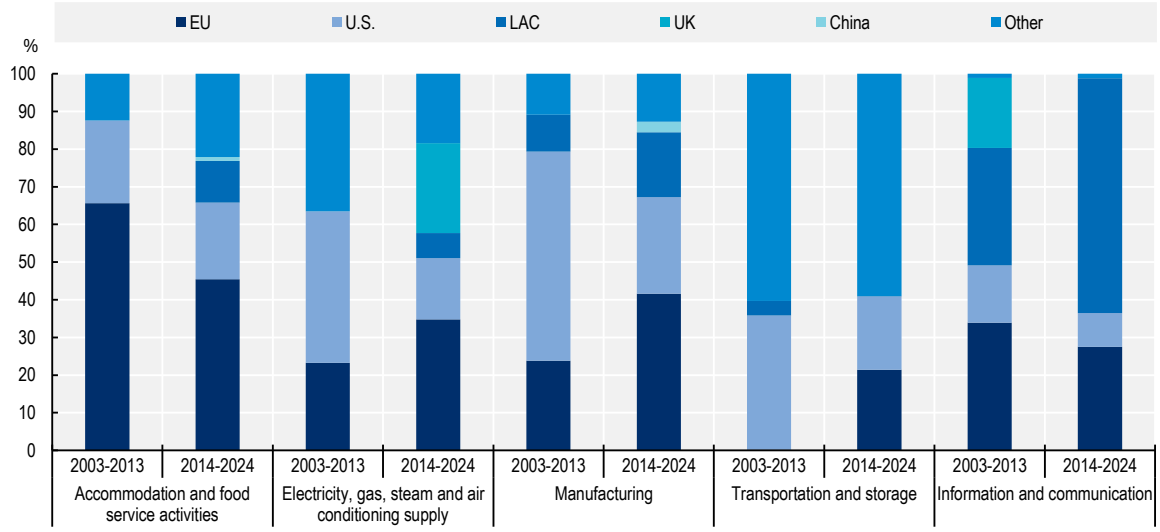
The EU is the leading provider of greenfield FDI to the Dominican Republic in its main investment sectors and a key driver of renewable energy growth

The European Union has been the largest greenfield investor in the Dominican Republic over the past two decades. EU investments accounted for 33.5% of total greenfield FDI between 2003 and 2024, exceeding USD 11.5 billion. The United States ranked second with over USD 7 billion (20%) in investments, followed by investors from the LAC region, with over USD 3.5 billion (10%). FDI from the United Kingdom and China was relatively low, around USD 1.3 billion (3%) and USD 150 million, respectively. Investments from other origins combined totalled over USD 11 billion (32%). Notably, EU investments increased significantly between the past two decades from around USD 4.8 to 6.8 billion (Financial Times, 2025[3]).

The EU is the primary source of greenfield FDI in the Dominican Republic's main investment sectors. In the period 2014-2024, investments of EU origin into accommodation and food services represented 46% of investments within the sector. While the EU share was lower compared to the previous decade, investments almost doubled in absolute value, signifying a broader trend of increased investment into this sector. The EU also led in the electricity sector, with USD 1.5 billion, representing 35% of total investments in the sector, and manufacturing, with slightly over USD 650 million (35%), increasing its share of investments in these sectors as compared to the previous decade (Figure 4.33).

Figure 4.33. The EU is the main investor in accommodation and food services, electricity and manufacturing

Greenfield FDI, by origin and sector, % of total FDI by sector, 2003-2024



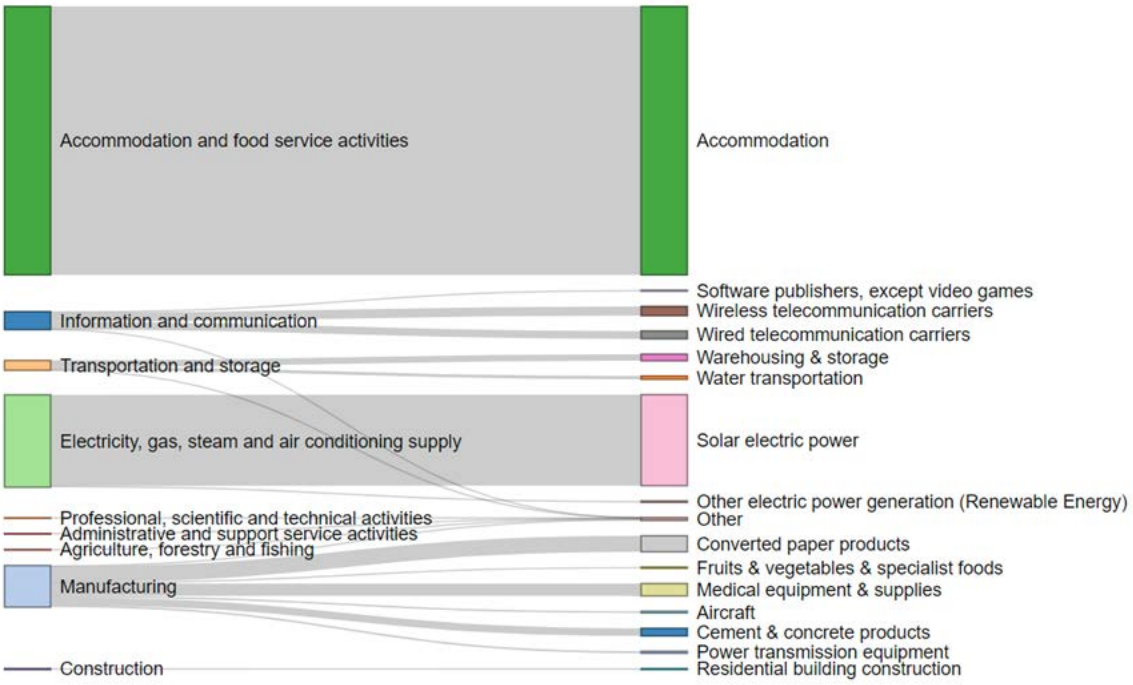
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

The sectoral composition of greenfield FDI by origin shows broadly similar patterns for the European Union and the United States. Between 2014 and 2024, most EU investments went to accommodation and food services (62%), followed by electricity (21%), manufacturing (10%), ICT (4%), and transport and storage (4%). US investments display a comparable profile, with accommodation (55%), electricity (20%) and manufacturing (12%), followed by transport and storage, and other smaller shares. By contrast, LAC investors focus more heavily on ICT (26%), with the remainder distributed across accommodation (42%), electricity (12%), manufacturing (11%) and finance (8%). Investments from the UK are almost exclusively directed to electricity, while Chinese investment concentrates, by almost 70%, in accommodation and the remaining in manufacturing.

The EU is the primary provider of greenfield FDI to the electricity sector by virtue of continued growth in its investments in the sector over the past two decades. EU greenfield FDI was highly concentrated in renewable energy, both in the 2003-2013 and 2014-2024 periods, with its share increasing slightly over time to represent more than one-fifth of total EU greenfield FDI. Between 2014 and 2024, almost all EU greenfield FDI in the Dominican Republic's electricity sector targeted solar energy, accounting for 21% (USD 1.5 billion) of total greenfield flows (USD 6.8 billion) (Figure 4.34). In contrast, investment in other EU–LAC GGIA priority areas has remained limited. Telecommunications, which accounted for a notable share of EU FDI in the earlier period, have declined in relative terms, while digital services and medical instruments have only recently emerged, maintaining a marginal role (Financial Times, 2025[3]).

Figure 4.34. EU FDI is concentrated in accommodation, renewable energy and manufacturing

FDI of EU origin across sectors and subsectors in the Dominican Republic, 2014-2024



Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

Efforts from EU investors have aligned toward the renewable energy sector as it has become a national priority for the Dominican Republic. This has been driven by the high cost of fossil fuel imports and the country's pledge to cut GHG emissions by 27% by 2030 (Quevedo et al., 2024[65]). The country aims for 30% of electricity generation from renewables by 2030, a significant shift given its current dependence on imported fossil fuels, which account for 62% of emissions and expose the economy to global oil price volatility (Pellerano & Herrera, 2025[66]; International Trade Administration, 2024[67]; Pichardo, 2025[68]). Progress is underway: the share of renewables in electricity generation more than doubled from 11% in 2021 to over 23% in 2024 (IRENA, 2024[69]; Dominican Today, 2025[70]; World Energy Council, 2024[71]). The Dominican Republic is at a pivotal moment in energy transition and FDI serves as a vital catalyst in accelerating this shift. Achieving full decarbonisation, however, will require an estimated USD 16 billion in investment (Quevedo et al., 2024[65]).

FDI is pivotal in advancing this transition by providing capital, technology and expertise. The Dominican Republic has built a favourable investment climate. It offers incentives to businesses developing renewable energy technologies in efforts to increase domestic energy production from sustainable sources. The Renewable Energy Incentives Law (2007) grants tariff exemptions on imported inputs and a 10-year tax holiday on profits from renewable energy and equipment sales (International Trade Administration, 2024[67]). These incentives have already helped attract foreign investment, reduce reliance on imports and diversify the energy mix, positioning the country at a critical juncture in its low-carbon transition.

A stable regulatory environment combined with growing market opportunities have positioned the Dominican Republic as an increasingly attractive destination for clean energy investments. In Bloomberg's 2024 *Climatescope* index, which evaluates energy transition potential in emerging markets, the Dominican Republic ranked as the fifth most attractive investment destination for renewable energy in LAC

(BloombergNEF, 2025[72]). European companies have been critical in advancing this sector, while ensuring FDI had development impact (Box 4.3).

Box 4.3. Akuo Energy, Energy, a European company investing in renewables fosters local impact

Akuo Energy, a French renewable energy company, has been central to the Dominican Republic's strategy of reaching 30% renewable energy in its grid by 2030. Akuo's subsidiary in the Dominican Republic has the largest workforce among its Latin American operations (Chile, Colombia, the Dominican Republic and Uruguay). Since 2017, its subsidiary – employing 22 professionals, 90% of them Dominican, including individuals from communities near project sites – has pioneered projects in underserved regions, including the flagship Pecasa Wind Farm in Monte Cristi, co-financed by PROPARCO. Akuo's investments have created quality jobs, promoted gender inclusion and built local skills, while also improving infrastructure, supporting land titling for 120 families and stimulating local businesses. By combining strict environmental safeguards with socio-economic impact, Akuo illustrates how renewable FDI can accelerate inclusive and sustainable development, setting a precedent for further private investment in the sector.

Source: Based on interviews with (Longo, 2025[73]).

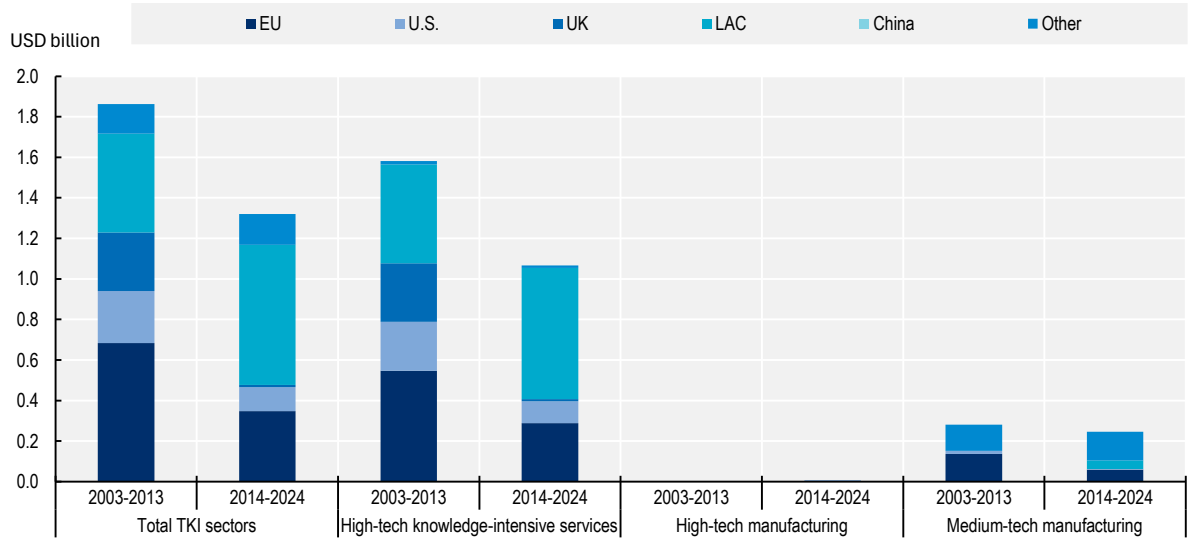
Greenfield FDI to tech- and knowledge-intensive (TKI) sectors decreased, while more FDI is necessary in R&D

Greenfield FDI to TKI in the Dominican Republic decreased from USD 1.8 billion to 1.3 billion (-30%) between 2003-2013 and 2014-2024, as investments from all origins, except for LAC, slowed down. Because TKI sectors are key drivers of innovation, productivity and long-term economic growth, decreased FDI from investors outside of LAC is concerning, especially since greenfield FDI into TKI in the LAC region has grown considerably (Chapter 1).

EU was the largest source of greenfield FDI in this sector in 2003-2013, with USD 684 million. LAC overtook the EU in 2014-2024, with USD 691 million, following a surge in investment (Figure 4.35). High-tech knowledge-intensive services stood out as the largest TKI subsector by amount of FDI in both time periods. The focus on high-tech knowledge-intensive services contrasts with the LAC trend, where medium-tech manufacturing received the largest share of investment (Chapter 1). High-tech manufacturing received very low greenfield FDI of any origin in any time period, while investments in medium-tech manufacturing decreased substantially. The adverse trend of slowed investment into TKI sectors in the Dominican Republic is also reflected in the share of FDI into this sector of total investment as it decreased for all origins (Financial Times, 2025[3]).

Figure 4.35. While central for the Dominican Republic, FDI to TKI sectors decreased

Greenfield FDI to TKI sectors, by origin

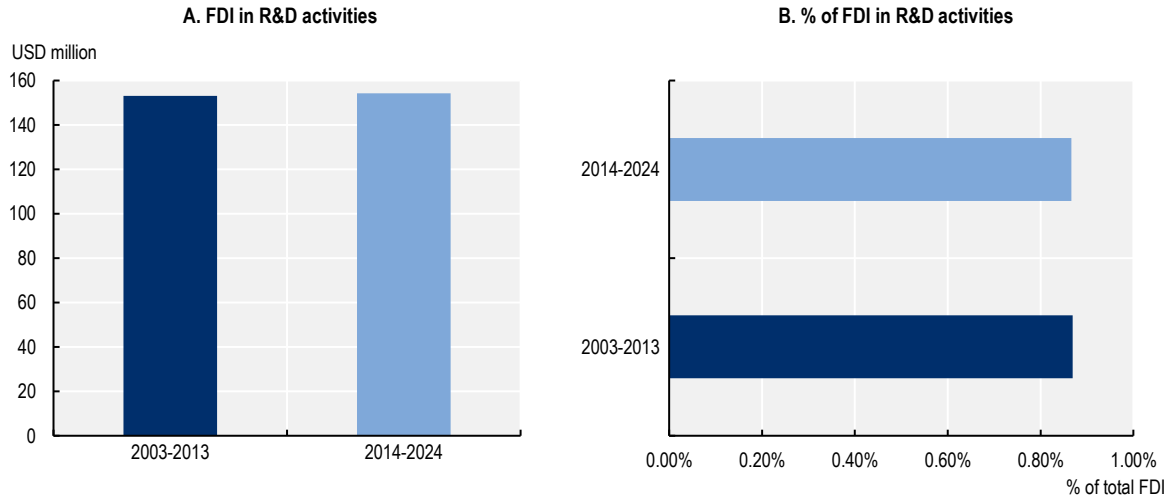


Note: The classification of TKI sectors follows Eurostat's methodology. For further details, see table 2.1 in Chapter 2.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

Greenfield FDI in R&D activities remain limited. Over the last two decades, less than 1% of total greenfield FDI was directed to R&D. The EU has been a significant player, accounting for the majority of FDI in R&D during this period, followed by the UK and the U.S. Total investment remained relatively stable during the last two decades, at around USD 150 million (Figure 4.36). The low level of investment in R&D may partly be due to the concentration of FDI in tourism-related services, where R&D activity is limited. However, there is potential to leverage FDI to promote innovation and technological development, facilitating spillovers and technology transfer from foreign to domestic firms operating in the country.

Figure 4.36. Greenfield FDI in research and development activities remain limited

Greenfield FDI in R&D activities, 2003-2013 and 2014-2024



Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

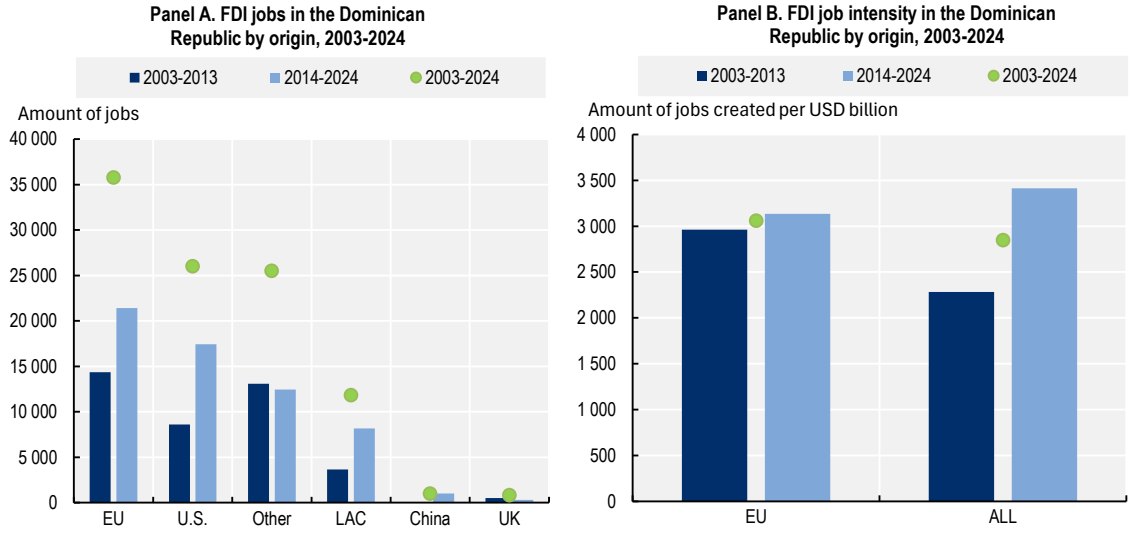
4.4.2. The role of FDI in creating (quality) jobs and skills in the Dominican Republic

The EU leads in total job creation in the Dominican Republic

Greenfield FDI has created an important number of jobs in the Dominican Republic, with the EU as the main contributor. FDI is estimated to have generated more than 60 000 jobs during the 2014-2024 period, a 50% increase compared to the previous decade. During the past two decades, EU companies were responsible for the creation of 36 000 jobs, accounting for 35% of all FDI-related jobs in the country (Figure 4.37, Panel A). The United States ranked second, generating 26% of FDI-related jobs (26 000 jobs), followed by investors from the LAC region with 12% (12 000 jobs). Chinese and UK investments created both around 1% of total FDI-related jobs between 2003-2024 and all other foreign investors combined generated 25% (25 000 jobs).

Total job intensity of FDI in Dominican Republic moderately increased from close to 2300 in 2003-13 to 3400 in 2014-24 of FDI jobs created per USD billion. EU FDI exhibits a broadly similar job intensity, yet the uprise between decades was less pronounced than that of investments from all origins (Figure 4.37, Panel B).

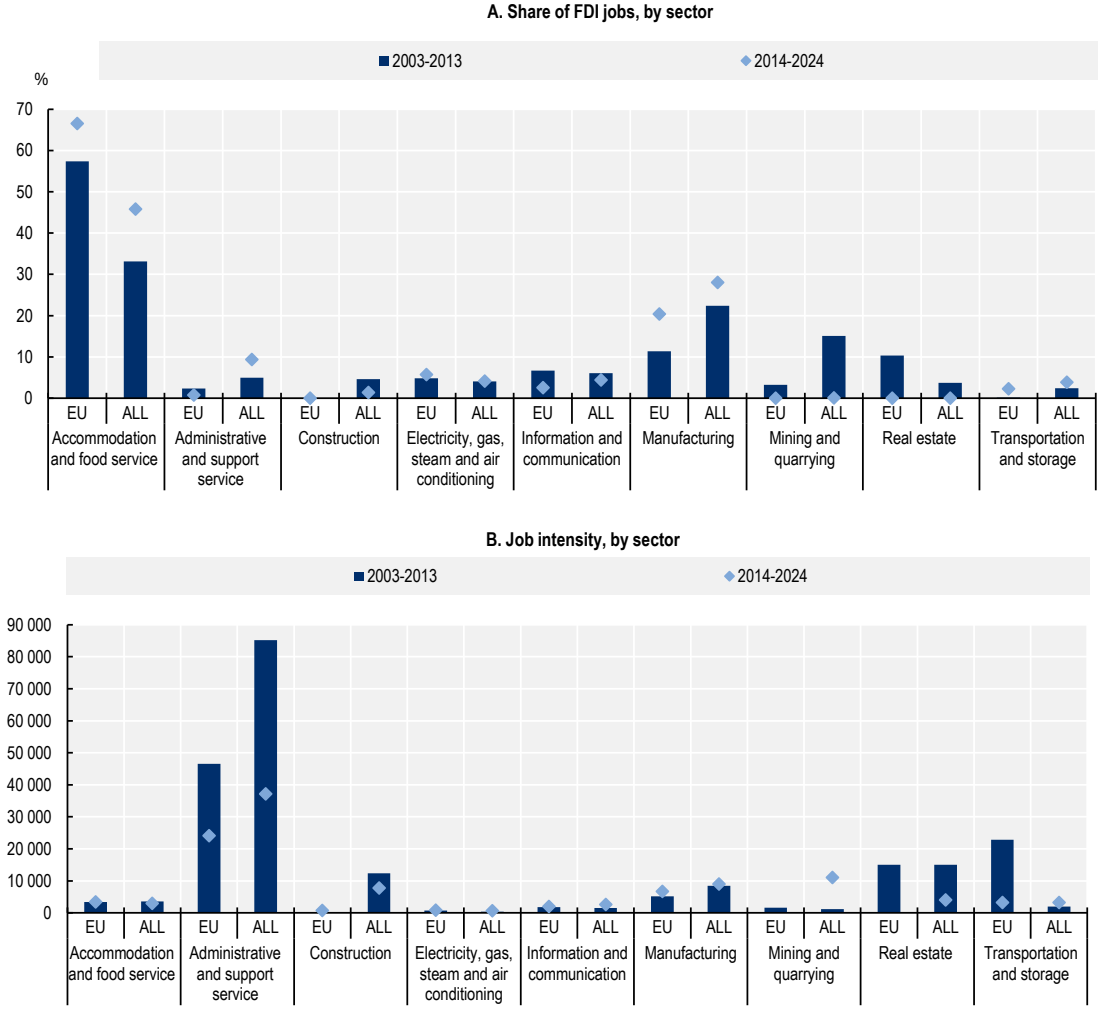
Figure 4.37. The EU stands first in total job creation



Note: Job intensity is measured as the number of jobs created per USD billion.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

As the distribution of greenfield investments suggests, job creation from greenfield FDI is primarily concentrated in the accommodation and food services sector, as well as manufacturing, representing 73% of jobs created from all investments and 87% of jobs created from EU investments (Figure 4.38, Panel A). Moreover, one billion investment in these sectors is estimated to generate around 2 900 jobs and 9 000 jobs, respectively (Figure 4.38, Panel B).

Figure 4.38. EU greenfield FDI job creation is concentrated in the accommodation and food services, and manufacturing sectors

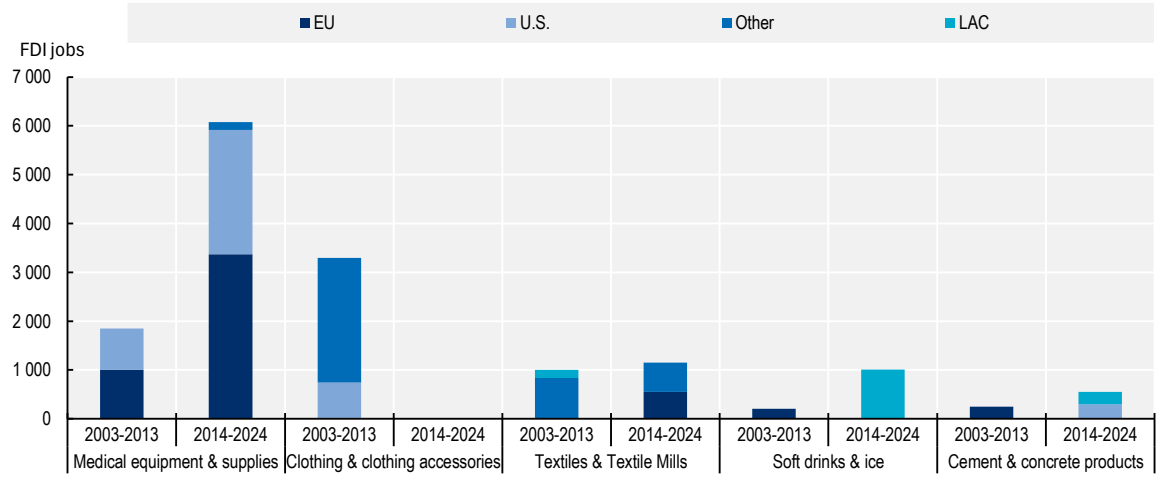


Note: Job intensity corresponds to the number of jobs created per one USD billion of greenfield investment. Only sectors representing at least 3% of total FDI jobs in either time period or from any origin were presented. "All" refers to FDI of all origins.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

Greenfield FDI has substantially contributed to job creation in manufacturing, with the number of jobs created reaching almost 17 000 (Financial Times, 2025[3]). In the five largest subsectors by job creation, greenfield FDI of EU origin played the largest role (5 400), with the United States in second place (4 400) (Figure 4.39). FDI job creation has also experienced a notable shift as jobs are increasingly concentrated in the medical equipment and supplies subsector, while clothing and clothing accessories saw a decline to zero in the latter decade. EU FDI has been a driver of the shift towards medical equipment manufacturing as it created the most jobs in this subsector (3 300).

Figure 4.39. FDI jobs in manufacturing increasingly concentrated in medical equipment, with EU as the main origin

Greenfield FDI job creation in manufacturing subsectors, by origin



Note: Only five subsectors with the most job created were shown in this graph. UK and China are not included as their investments did not create any jobs in these subsectors.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/.

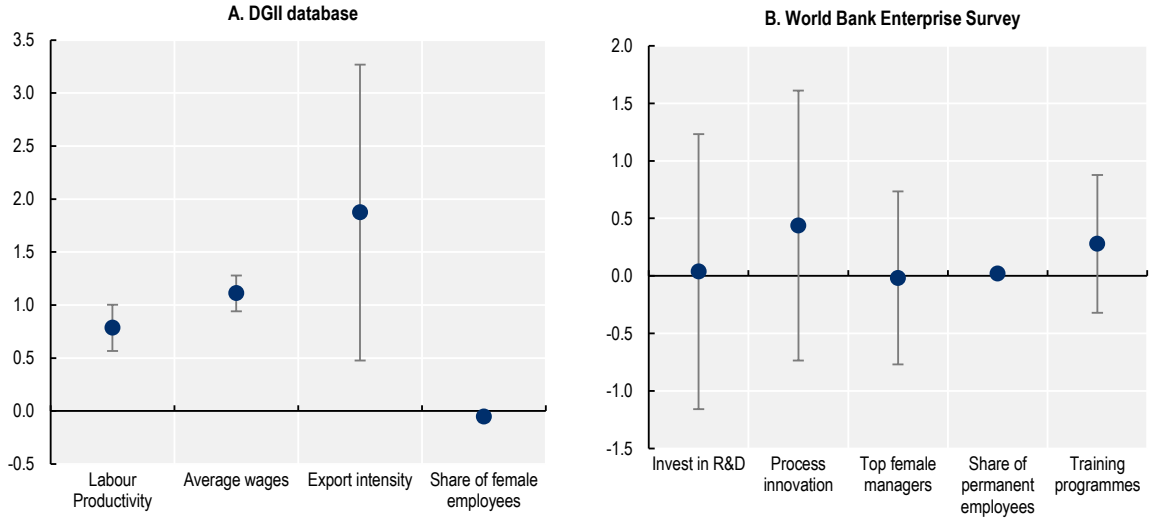
Foreign firms are associated with significantly higher labour productivity, wage premium and export intensity,

Foreign firms are found to have significantly higher labour productivity, average wages and export intensity than domestic firms in the Dominican Republic. Foreign firms show 78% higher labour productivity than domestic firms, indicating that foreign firms generate substantially more revenue per worker. Furthermore, foreign firms pay their employees, on average, 110% higher wages than domestic firms, hinting at a positive impact of foreign firms on labour market outcomes. As in most LAC countries, however, workers in EU greenfield FDI-intensive sectors work longer hours in the Dominican Republic – they average 52.1 hours per week compared to 45.5 in other sectors (Chapter 2). Foreign firms also exhibit larger export intensity; that is, exports relative to total sales as compared to domestic firms. This finding suggests that foreign firms may contribute to the Dominican Republic's internationalisation and integration in GVCs (Chapter 1). Lastly, the analysis reveals no significant differences between domestic and foreign firms in terms of share of women employed (Figure 4.40, Panel A).

Job quality is an important indicator of sustainability and is influenced by the stability of employment contracts (permanent vs. temporary) and opportunities for skills development (Chapter 2). However, there are no significant differences when it comes to the presence of employee training programme, introducing processes of innovation, investment in R&D or top managers being women. Lastly, regarding contract types, which is another important indicator of job quality, foreign firms do not differ significantly from domestic firms in their use of temporary contracts (Figure 4.40, Panel B).

Figure 4.40. Foreign firms pay higher wages, are more productive and have higher export intensity than domestic firms

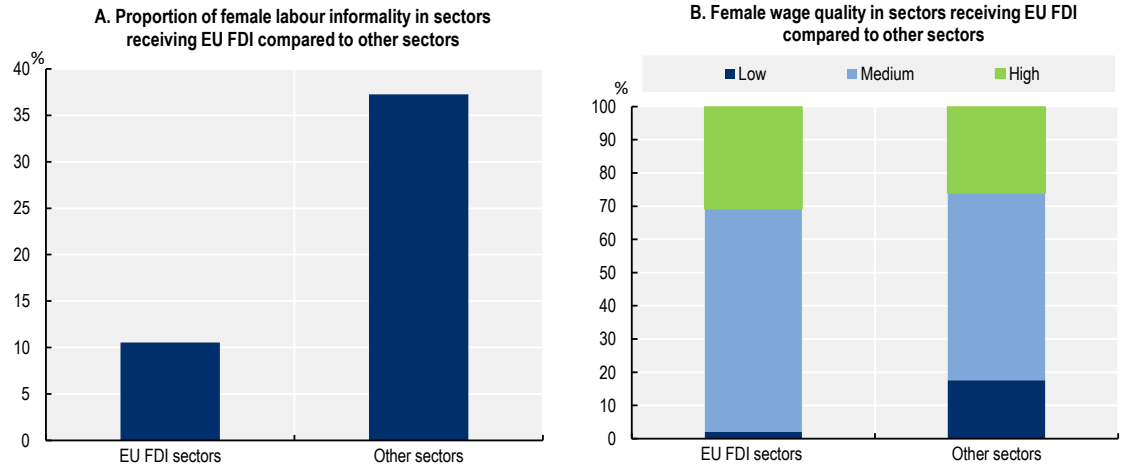
Did foreign firms have better outcomes than domestic firms in 2024? (yes if score>0; no if score <0)



Note: This figure shows a Type 1 indicator. In the World Bank Enterprise Survey, foreign firms are defined as having at least 10% foreign ownership. Importantly, in the DGII database, foreign ownership is self-reported. The DGII is the taxpayer registry database of the Dominican Republic, which encompasses all companies that pay taxes in the country. Whiskers represent 95% confidence intervals. Refer to Annexes 4.A and 4.B for more information.
Source: Based on on DGII (2025[74]), Registro de contribuyentes de la Dirección General de Impuestos Internos de la República Dominicana (DGII); World Bank (2016[75]), World Bank Enterprise Surveys, https://www.enterprisesurveys.org/en/enterprisesurveys.

In the Dominican Republic, jobs originating from EU FDI are shown to be concentrated in sectors with higher wages, wage quality and labour formality. Workers in these sectors more often have a written and permanent contract, a pension scheme, health insurance, as well as work more hours and are predominantly male (Chapter 3). Jobs created by EU FDI tend to be present therefore in sectors in which workers are compensated better and are more protected by social security, yet these sectors tend to also hire substantially more men than women. A more in-depth analysis on these gender disparities reveals that sectors with jobs created by EU FDI also show lower levels of female labour informality (11%) than other sectors in the Dominican Republic (37%) (Figure 4.41). Moreover, despite the concentration in male dominated sectors, EU FDI jobs tend to be created in sectors which pay women higher quality wages, as determined by relation to the national median wage.

Figure 4.41. EU greenfield FDI jobs concentrated in sectors with lower female labour informality and higher quality wages for women



Note: The selected sectors account for at least 80% of the jobs created by EU FDI in the country and include a minimum of five sectors, based on fDi Markets statistics over the five years preceding the most recent available household survey. The results shown in the following graphs are weighted averages for these sectors, using each sector's share of total EU FDI-related job creation as a weight. For the remaining sectors — those receiving little or no EU FDI — simple (unweighted) averages are reported. Wage quality is defined based on monthly labour income. An individual's wage is classified as low if it is less than 0.5 times the national median, middle if it falls between 0.5 and 1.5 times the median, and upper if it exceeds 1.5 times the national median. For further detail, please see Box 3.7 in Chapter 3.
Source: Based on Financial Times (2025[3]), FDI Markets (database), https://www.fdimarkets.com/; OECD (2024[76]), Key Indicators of Informality based on Individuals and their Households (KIIbIH) database.

FDI contributes to formal job creation, but has limited backward linkages with local companies and regional inequalities persist

FDI is largely concentrated in the Dominican Republic's free trade zones (FTZ), with almost 60% of companies operating in FTZs being of foreign origin (LATAM FDI, 2025[77]). However, a survey of firms operating in FTZs shows that these firms do not purchase their inputs locally as local inputs are relatively expensive and of inferior quality. This demonstrates the limited backward linkages that FDI creates within the country. Linkages with local companies must be strengthened in order to create spillover benefits from FDI (Ramcharran, 2017[78]). Furthermore, there is a technological dualism between FTZs and the rest of the economy, which has resulted in FDI – which is primarily directed to FTZs – creating unbalanced regional growth (Ramcharran, 2017[78]).

The country's proximity to the United States and free trade agreement (FTA) with the United States – DR-CAFTA – make the Dominican Republic an attractive hub for global investors looking to nearshore. Many US enterprises have relocated companies from Asia to the Dominican Republic to nearshore production (LATAM FDI, 2024[79]). FTZs have created significant hubs of wealth that primarily export to the United States. Overall, FTZs account for 67% of the country's exports (LATAM FDI, 2025[80]). The country is trying to diversify investments and is promoting agro-industrial and biotechnological free trade zones (LATAM FDI, 2024[79]).

In 2024, FTZs were responsible for the creation of nearly 200 000 direct jobs, with women representing 53% of total employment. Investments have played a key role in empowering female workers, offering them stable, well-paying jobs in different industries, including textiles and medical device manufacturing, and agro-industrial processing. FTZs have also contributed to improved working conditions and creating formal employment with benefits, such as social security, healthcare and professional growth (LATAM FDI,

2025[80]). The development and positive impact of FTZs reflects FDI contribution to the Dominican Republic as FDI is highly concentrated in these zones.

4.4.3. International co-operation enhances FDI and its impact

In the last decade, over 30% of EU greenfield investments in the Dominican Republic have targeted EU–LAC GGIA priority areas. Between 2014 and 2024, EU FDI was concentrated in renewable energy (23%), telecommunications (4%) and medical instruments (3%). By focusing on sectors critical for the country's green and digital transitions, and expansion of knowledge-intensive industries, these investments provide a strong foundation for complementary international co-operation. Leveraging this momentum can help not only attract further sustainable investment but maximise its development impact, thereby advancing inclusive and sustainable growth, economic diversification and the Dominican Republic's gradual move up the value chain.

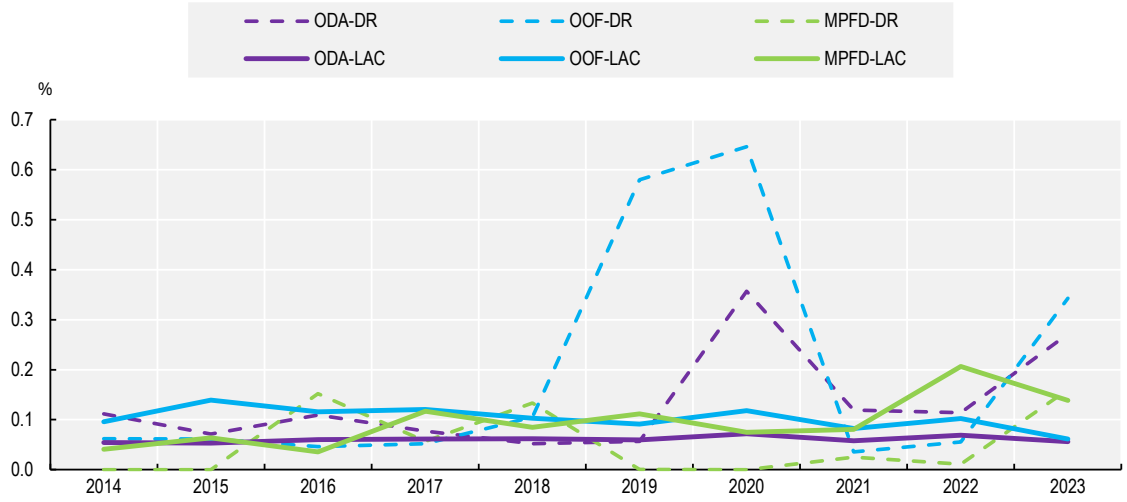
Mobilised private finance is emerging, while ODA plays an important role in enhancing the quality and quantity of FDI to support the green transition

Official Development Assistance (ODA), other official flows (OOF) and private finance play complementary roles in advancing productive transformation and sustainable development. Official flows to production sectors in the Dominican Republic and LAC between 2014 and 2023 reveal three distinct dynamics. First, ODA has remained relatively stable, providing a predictable but modest share of support, generally below 0.15% of GNI across both the Dominican Republic and the region. Second, OOF display high volatility, with the Dominican Republic recording a marked surge between 2018 and 2020 – peaking at over 0.6% of GNI – before declining sharply. Third, mobilised private finance for development has emerged only recently, with flows increasing after 2020 and reaching around 0.2% of GNI in LAC and 0.15% in the Dominican Republic in 2022, though these remain unstable and project-dependent (Figure 4.42).

Compared to the LAC average, the Dominican Republic shows greater volatility, reflecting the outsized role of individual transactions. These patterns highlight the need to consolidate predictable ODA, better channel OOF to support long-term productive investment and strengthen mechanisms to mobilise and stabilise private finance to reduce dependence on volatile flows and reinforce productive transformation strategies. The Dominican Republic illustrates both opportunities and challenges: concessional flows provide a base, but their catalytic use is crucial to mobilise larger and more sustainable private finance.

Figure 4.42. Official flows in the Dominican Republic reached a peak in 2020

Official flows to production sectors in the Dominican Republic and LAC as % of GNI, 2014-2023

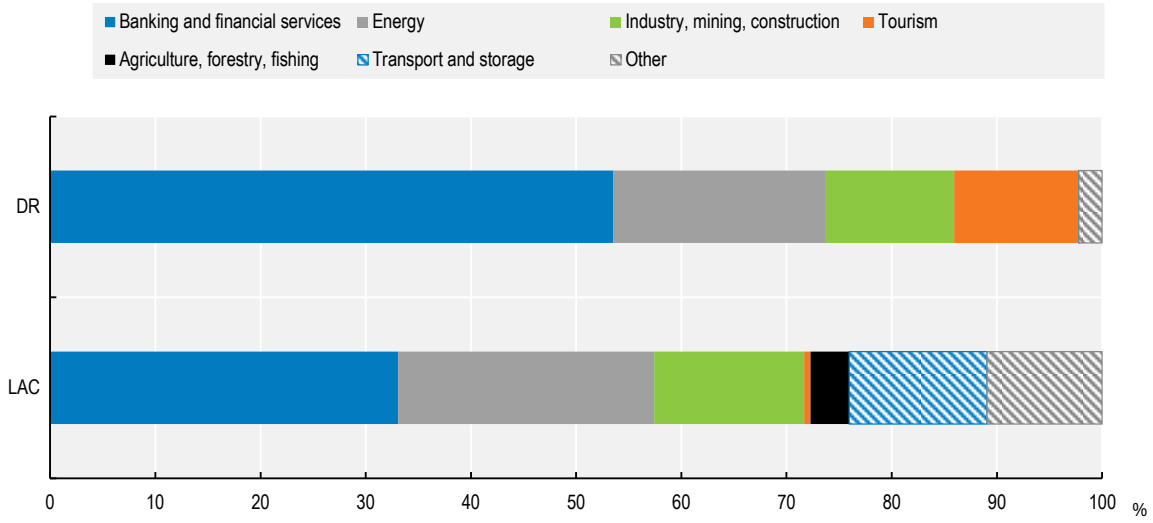


Note: ODA – Official Development Assistance; OOF – Other Official Flows; MPFD – Mobilised private finance for development. Production sectors include agriculture, construction, energy, fishing, forestry, industry, mineral resources and mining, tourism, transport, water supply and sanitation, and tourism and storage.
Source: Based on OECD (2025[26]), CRS - Private: Mobilised private finance for development, https://data-explorer.oecd.org/; World Bank (2025[27]), World Development Indicators, https://databank.worldbank.org/; OECD (2025[28]), CRS - Creditor Reporting System (flows), https://data-explorer.oecd.org/.

Mobilised private finance for development, still at an early but accelerating stage, has concentrated in banking and financial services, energy and industry over the past decade – mirroring regional trends in LAC. The Dominican Republic shows an additional focus on tourism, a major FDI sector (Figure 4.43). This complements EU FDI priorities in the green transition and manufacturing and highlights the catalytic role of concessional resources in production sectors such as energy, where they have helped unlock larger-scale investments. Although ODA volumes remain modest, their strategic use in technical assistance, risk-sharing instruments and project preparation has been instrumental in laying the foundation for mobilising private capital.

Figure 4.43. Mobilised private finance by official development interventions has been concentrated in banking and financial services in the Dominican Republic

Mobilised private finance for development, by sector, 2014-2023

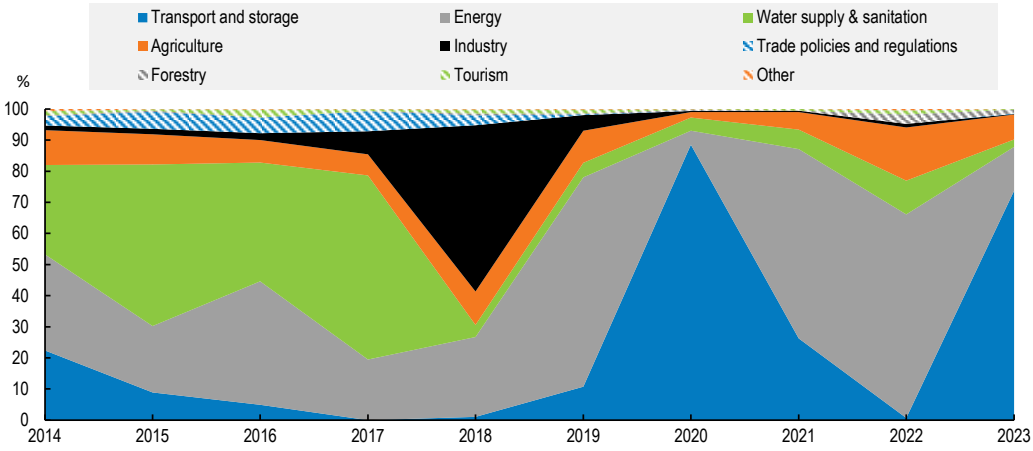


Note: Sectors representing less than 2% of total for LAC and the Dominican Republic were aggregated into "Other", including education, other social infrastructure and services, general environmental protection, government and civil society, other multisector, health, water supply and sanitation, trade policies and regulation, communications, and business and other services.
Source: Based on OECD (2025[26]), CRS - Private: Mobilised private finance for development, https://data-explorer.oecd.org/.

EU ODA to the Dominican Republic between 2014 and 2023 shows a highly fluctuating sectoral allocation, reflecting the project-driven nature of EU support and the shifting priorities of the country's development agenda (Figure 4.44). The composition alternates mainly between transport and storage, and energy, which dominate most years, alongside occasional surges in industry, and water supply and sanitation. The rise in allocations to water and sanitation in 2021–2022 mirrors donor responses to public health and resilience needs during and after the COVID-19 pandemic when water access became a critical area of intervention.

Figure 4.44. EU ODA to the Dominican Republic production sectors fluctuates significantly between transport and storage, and energy

EU ODA to the Dominican Republic distributed to production sectors, 2014-2023



Note: "Other" includes fishing, mineral resources and mining, and construction.
Source: Based on OECD (2025[28]), CRS: Creditor Reporting System (flows), https://data-explorer.oecd.org/.

ODA support to skills, training and education was overwhelmingly driven by the EU and its institutions in the Dominican Republic between 2014 and 2023. It accounted for nearly all of the USD 35 million allocated over the period. Other donors, including Korea, Japan, Australia and the United States, among others, contributed only marginally. The focus of EU support has been on vocational education and training, which absorbed close to 70% of total allocations. This reflects a strategic orientation towards improving employability and aligning workforce skills with productive sector needs. Smaller but noteworthy shares went to environmental education, water supply and sanitation, and multi-sectoral training programmes, while activities such as teacher training, technical and managerial training, and agricultural skills received limited support (OECD, 2025[28]).

This pattern underscores how the EU is the lead partner in strengthening the Dominican Republic's skills base and that resources are concentrated in vocational training. The latter is consistent with the country's emphasis on linking education to labour market demand and a foundation for FDI. However, the lack of donor funding in other areas of education, such as advanced technical training, teacher development and sector-specific skills, suggests scope for broadening support to foster a more comprehensive skills ecosystem.

EU partnership supports investment and development strategies in the Dominican Republic

The Dominican Republic's National Development Plan (NDP) sets out four strategic axes for its development by 2030: a democratic, rule of law state; society with equal rights and opportunities; competitive, innovative, sustainable economy; and sustainable, climate-oriented, risk-managing society (Ministerio de Economía, Planificación y Desarollo, 2012[81]). In this context, EU's Multiannual Indicative Programme 2021-2027 for the Dominican Republic identifies three priority areas for EU co-operation for which EUR 14M have been dedicated: increasing economic opportunities, especially for women and youth, nature and cities for people and a modern state close to its citizens (European Comission, 2022[82]). The first priority area, in particular, aims to improve the business climate, support the competitiveness of MSMEs and promote employability, and can likely contribute to attracting investment in the country. The green transition is also central to the NDP, the country's ambition to achieve carbon neutrality by 2050,

and is also one of the areas under Global Gateway, where the EU is contributing to sustainable urban transport in the country's capital city by upgrading its metro line, with the explicit goal of meeting emission targets (Presidencia de la República Dominicana, 2022[83]; European Commission, n.d.[84]).

The EU, under Global Gateway, also facilitates the advancement of digital transformation with the aim of boosting innovation and connectivity across sectors, for instance the EU launched Digital Connectors, which promote business and internationalisation by connecting enterprises, hosted the LAC Cyber Competence Centre, leading cybersecurity co-operation and promoted a National Research and Education Network (European Commission, n.d.[85]). Apart from projects directly under Global Gateway, the EU is also involved in complementary areas such as expanding sustainable finance in the Dominican Republic which can help enhance the impact of investment in the green transition. The EU is developing green bond markets via the Global Green Bonds Initiative and helping attract investors towards them by scaling up the financial normative setup in the country (European Commission, n.d.[86]). Under the conditions created by the Global Green Growth Initiative, the Dominican Republic's first sovereign green bond was issued in 2024 (European Commission, n.d.[85]).

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Annex 4.A. Methods

Indicators Type I methodology

Type 1 Indicators measure how foreign firms perform relative to domestic firms for a given outcome (OECD, 2019[50]). It takes positive value if foreign firms have higher outcomes than domestic firms and negative value if foreign firms have lower outcomes, on average. The indicator is constructed as the proportional difference between average outcomes of foreign firms and average outcome of domestic firms:

$$Type\ 1 = (\bar{Y}_F - \bar{Y}_D)\ \bar{Y}_D$$

where $\bar{Y}_F$ is the average outcome of foreign firms and $\bar{Y}_D$ is the average outcome of domestic

firms and population averages are calculated using survey weights.

Confidence intervals are reported for Type 1 indicators, both to indicate the extent of firm heterogeneity (i.e. the extent to which the data at the firm level vary around the mean) and to indicate whether estimated differences are statistically significant at the 95% confidence level. In the figures, if the confidence interval crosses the zero line, the difference of average outcomes of foreign and domestic firms is not statistically significant. The confidence interval is calculated as follows:

$$CI = (\bar{Y}_F - \bar{Y}_D) \pm t_{0.25} * s_p \sqrt{\frac{1}{n_F} + \frac{1}{n_D}}$$

where CI represents the upper and lower bounds of the interval, s_p is the sample standard error, n_F is the number of observations of foreign firms and n_D is the number of observations of domestic firms used to construct the indicator.

Type 1 indicators are unadjusted inferential comparisons that estimate the average differences in outcomes between foreign and domestic firms. They suffer from limitations such as omitted variable bias, do not account for other relevant firm characteristics, such as sectoral location or size, and cannot be used to identify causal relationships. They should be interpreted as as snapshot, first-order comparison between foreign and domestic firms, not definitive evidence of ownership effects.

Indicators type II methodology

Type 2 Indicators show whether FDI is concentrated in sectors with higher or lower sustainable development outcomes, while controlling for the economic size of each sector (OECD, 2019[50]).

This indicator type requires sector-level information on FDI, GDP and the development outcome considered (e.g. labour productivity or wages), and compares two sector-weighted averages. The first weighted average (the “FDI-weighted” outcome) is a function of sector-level GDP and FDI. The second weighted average (the “baseline” outcome) only uses sector-level GDP shares as weights. The indicator is constructed as the proportional difference between the FDI-weighted and baseline outcomes:

$$Type\ 2 = \frac{\sum_s \omega_s Y_s - \sum_s \delta_s Y_s}{\sum_s \delta_s Y_s}$$

$$\omega_s = \frac{1}{\sum_s \frac{FDI_s}{FDI_{TOT}} \frac{GDP_s}{GDP_{TOT}}} \left(\frac{FDI_s}{FDI_{TOT}} \frac{GDP_s}{GDP_{TOT}} \right)$$

$$\delta_s = \left(\frac{GDP_s}{GDP_{TOT}} \right)$$

where Ys is the average outcome of sector s; ωs is the weight corresponding to sector s constructed using the product of the GDP share and the FDI share of sector s; δs is the GDP share of sector s. By controlling for sector-level GDP, the indicator provides information on the extent to which the relative distribution of FDI across sectors relates to economy-wide outcomes. The indicator takes positive value if the FDI-weighted outcome is higher than the baseline; and vice versa.

Type 2 Indicators were adjusted in this paper to fit data availability and better reflect investment dynamics. Instead of a point in time, this analysis used FDI from the years 2013-2020, averaged. Furthermore, total gross value added by sector was utilised in place of GDP. Type 2 indicators were calculated separately for different regions for comparison purposes.

Type 2 Indicators are a descriptive measure which shows whether FDI is directed into sectors with higher or lower outcomes, based on available data on these sectors. They do not identify any causal relationships and no claims as to whether FDI influences these outcomes can be made. Furthermore, due to data unavailability, the analysis was performed at the sector level, masking subsector discrepancies in outcomes.

Annex Table 4.A.1. Type 2 Indicators sector classification

National Accounts Sector	Corresponding ISIC Rev. 4 Sectors	ISIC Rev. 4 Code
Agriculture, forestry, fishing	Agriculture; forestry and fishing	A
Industry (not including manufacturing)	Mining and quarrying; Electricity; gas, steam and air conditioning supply; Water supply; sewerage, waste management and remediation activities	B, D, E
Manufacturing	Manufacturing	C
Construction	Construction	F
Distribution, trade, repairs; accommodation, food services, activities	Wholesale and retail trade; repair of motor vehicles and motorcycles; Transportation and storage; Accommodation and food service activities	G, H, I
Information and communication	Information and communication	J
Financial and insurance activities	Financial and insurance activities	K
Real estate activities	Real estate activities	L
Professional, scientific, technical activities; administration, support service activities	Professional, scientific and technical activities; Administrative and support service activities	M, N
Public administration; compulsory s.s.; education; human health	Public administration and defence; compulsory social security; Education; Human health and social work activities	O, P, Q
Other Service activities	Arts, entertainment and recreation; Other service activities; Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use; Activities of extraterritorial organisations and bodies; Not elsewhere classified	R, S, T, U, X

Note: Type 2 indicators assess whether FDI is concentrated in sectors with better outcomes (labour productivity, average wages, skill intensity and gender share). To calculate these indicators, the national account sector groupings are used. The table above displays the corresponding ISIC sectors.

Annex 4.B. Data

Type 1 Indicators data

Annex Table 4.B.1. Costa Rica Type 1 Indicators

Indicator	Year	Source	Variable(s) used	Number of domestic firms	Number of foreign firms
Invest in R&D	2023	WBES	During last fiscal year, establishment spent on R&D (excluding market research)?	281	73
Process innovation	2023	WBES	During last 3 years, establishment introduced new/significantly improved process	281	72
Share of permanent employees	2023	WBES	Number of permanent full-time employees at end of last fiscal year; number of full-time temporary employees at end of last fiscal year	281	73
Training programmes	2023	WBES	Formal training programmes for permanent full-time employees in last fiscal years	281	73
Top female manager	2023	WBES	Top Manager Female	281	73
Female share of employees	2022	REVEC	Female employees / total employees	17 013	1 246
Average wages	2022	REVEC	Total labour cost / total employees	68 382	1 384
Labour productivity	2022	REVEC	Firm revenue / total employees	59 773	1 416
Export intensity	2022	REVEC	Export value/ total revenue (The variable underlying export intensity was not thoroughly examined, and the precise value of the coefficient should be interpreted with caution)	3 039	369
Skill intensity	2022	REVEC	Skilled employees / total employees	17 054	1 165
Female skill intensity	2022	REVEC	Female skilled employees / skilled employees	11 349	1 166

Annex Table 4.B.2. Costa Rica type 1 Indicators (medical device manufacturing subsector)

Indicator	Year	Source	Variable(s) used	Number of domestic firms	Number of foreign firms
Labour productivity	2022	REVEC	Firm revenue / total employees	136	48
Average wage	2022	REVEC	Total labour costs / total employees	151	48
Export intensity	2022	REVEC	Export value/ total revenue (The variable underlying export intensity was not thoroughly examined, and the precise value of the coefficient should be interpreted with caution)	12	16
Female share of employees	2022	REVEC	Female employees / total employees	53	47
Skillu intensity	2022	REVEC	Skilled employees / total employees	51	39
Female proportion of skilled employees	2022	REVEC	Female skilled employees / skilled employees	45	46

Annex Table 4.B.3. The Dominican Republic type 1 Indicators

Indicator	Year	Source	Variable(s) used	Number of domestic firms	Number of foreign firms
Invest in R&D	2016	WBES	During last fiscal year, establishment spent on R&D (excluding market research)?	321	32
Process innovation	2016	WBES	During last 3 years, establishment introduced new/significantly improved process	322	32
Share of permanent employees	2016	WBES	Number of permanent full-time employees at end of last fiscal year; number of full-time temporary employees at end of last fiscal year	304	29
Training programmes	2016	WBES	Formal training programmes for permanent full-time employees in last fiscal years	321	32
Top female manager	2016	WBES	Top Manager Female	324	33
Female share of employees	2024	DGII database	Female employees / total employees	90 511219	13819
Average wages	2024	DGII database	Total labour costs / total employees	21970 042	23663
Export Intensity	2024	DGII database	Export value / total revenue	141 974	3 432
Labour productivity	2024	DGII database	Total revenue / total employees	25177 874	21734

Revec Database

The REVEC database is an administrative dataset of formal firms in Costa Rica. The database is constructed using data from administrative records, mainly tax records and Social Security Agenda records, as well as economic surveys. To protect confidentiality, firm observations were excluded in sectors with fewer than five foreign firms or in cases where a single firm accounts from more than 60% of sectoral sales. Employee data include all formal employees. The processing of the information required to generate the results presented in this document was carried out by the Central Bank of Costa Rica (BCCR), under the necessary technological security conditions to ensure the integrity and confidentiality of the information. However, the views expressed in this document are the sole responsibility of the authors and do not reflect the official position of the BCCR.

DGII Database

DGII (Dirección General de Impuestos Internos de la República Dominicana) database is constructed using data from the taxpayer registry of the Dominican Republic. It encompasses all firms that pay taxes in the country. Importantly, foreign ownership is self-reported in this database. The processing of the information required to generate the results presented in this document was carried out by DGII. However, the views expressed in this document are the sole responsibility of the authors and do not reflect the official position of the DGII.

Type 2 Indicators data

Annex Table 4.B.4. Colombia Type 2 Indicators

Indicator	Year range	Outcome Data Source	Outcome Data variable	Other Information
Labour productivity	2015-2023	OECD National Accounts	Gross total value added by economic activity / employees by economic activity	
Average wages	2015-2023	OECD National Accounts	Compensation of employees (wages and salaries and employer's social contributions) by economic activity / number of employees by economic activity	
Skill intensity	2020-2023	ILO STAT	Employment by economic activity and occupation	Skilled labour corresponds to ISCO skill levels 3 and 4

5 The contribution of the EU's FDI to skills development in LAC: Insights from private firms

This section analyses the impact of the European Union (EU) investments in Latin America and the Caribbean (LAC) in education and skills development, with a focus on technical and vocational education and training (TVET). It examines the training programmes and initiatives of four major EU enterprises with long-standing operations in LAC. Drawing on interviews with company representatives, the study highlights implementation processes, challenges encountered, lessons learned and the tangible results of their TVET initiatives.

5.1. Summary

This chapter analyses how four major EU companies in Latin America and the Caribbean (LAC) support technical and vocational education and training (TVET) for skills development and workforce upgrading. It examines how Santander, Siemens, Telefónica and Volkswagen – selected based on regional and sectoral representation – address significant labour market challenges, such as widespread informal employment, low productivity, persistent skills shortages and stagnant public investment in education and training. The analysis highlights how private sector efforts can provide valuable models for strengthening adult learning systems across Latin America and the Caribbean (LAC).

In LAC, 55.7% of workers are in informal jobs and labour productivity is only about one-third of the OECD average. While unemployment was 6.3% in 2023, employers consistently cite skills shortages as a major obstacle to growth: 22.8% of firms in the region identify an inadequately educated workforce as a constraint compared to 9.7% in South Asia and 11.2% in East Asia.

Foundational skills remain low: fewer than 15% of adults reached high literacy levels in the four LAC countries participating in the OECD Survey of Adult Skills (PIAAC) (versus 44.6% in the OECD), with Ecuador at 5.2%, Peru at 6.1%, Mexico at 11.7% and Chile at 14.5%. And only 3.6% of adults in Ecuador, 5.6% in Peru, 8.9% in Mexico and 11.9% in Chile achieved advanced numeracy (compared to 42.2% in the OECD).

Public education investment has stagnated at around 4.6% of GDP since 2020, while TVET spending averages under 0.2% of GDP – less than half the 0.46% seen in high-income countries. Although 39.2% of LAC firms provide training (above other developing regions but below OECD averages), disparities are stark: 61% of firms in Peru versus 9% in Barbados in 2023. Worker participation in training is higher – averaging 63% across 20 countries – but training is mainly financed by firms, with only 19% of employers receiving public support. These gaps are most acute for small- and medium-sized enterprises (SMEs) and informal workers, reinforcing inequality and limiting productivity growth.

Additionally, compared to local firms, European Union (EU) companies invest more heavily in training, provide more stable employment and offer higher wages. Between 2014 and 2024, EU investors accounted for 32% of all investment in training and education in the region. These companies often adapt the European dual education system to fit local contexts, thereby bridging the gap between education and employment.

Case studies illustrate these initiatives: Santander (banking) leverages digital platforms and partnerships with nearly 700 universities to provide scalable training in high-demand skills; Siemens (manufacturing and energy) promotes science, technology, engineering and mathematics (STEM) education through large-scale programmes reaching students and teachers across the region, while modernising technical training in partnership with vocational training institutes (VTIs), such as Brazil's National Training Service (SENAI, its acronym in Portuguese); Telefónica (information and telecommunications) combines digital inclusion with gender equality, exemplified by its *Mujeres en Red* programme, which has integrated women into technical roles in Peru and Colombia; and Volkswagen Mexico (manufacturing and energy) has successfully applied a German-style dual training model, producing thousands of skilled graduates for the automotive industry.

Across these initiatives, several success factors emerge as potential models for the region, which are consistent with OECD recommendations for strengthening adult learning systems in LAC (OECD, 2020[1]; 2021[2]; 2025[3]):

- **Strong public-private partnerships tailored to local needs**. EU firms act as institutional partners by contributing training expertise and multi-stakeholder collaboration. This is evident in Volkswagen's Dual Training Centre in Mexico and its partnership with Guanajuato's public VTI and Siemens' long-standing co-operation with Brazil's SENAI. Horizontal collaboration through regional

networks such as the International Labour Organization (ILO) Cinterfor enhances the effectiveness of these initiatives by connecting VTIs across the region and enabling the exchange of best practices and technical expertise.

- **Robust monitoring and evaluation systems that ensure measurable impact.** A defining feature – and good practice – of these private sector-led TVET initiatives is the establishment of robust monitoring and evaluation frameworks. These not only enhance accountability, but also demonstrate measurable impact to internal and external stakeholders. For example, Santander's *Universia* programme tracks alumni outcomes – including employment, wage progression and retention – ensuring sustained impact and providing data to inform programme adjustments. Networks such as ILO Cinterfor support the development of robust monitoring and evaluation frameworks, and facilitate public-private partnerships, ensuring training aligns with labour market needs and local enterprise requirements.
- **Focusing on job-relevant, high-demand skills.** By prioritising high-demand skills, such as digital literacy, automation and leadership, these firms provide participants with practical, job-relevant competencies that significantly enhance their employability upon graduation. Volkswagen adapts its dual training model to the technical requirements of the automotive industry, while Telefónica's *Conecta Empleo* and *Digital Minds* respond to the challenges of digital transformation.
- **Expanding access through flexible delivery methods.** Digital and hybrid programmes – such as Santander's *Open Academy*, *Universia*, *MetaRed*, and *Campus Digital* – offer free or subsidised training for vulnerable populations. Training levies can help reach informal workers, who are often excluded from formal TVET.
- **Promoting inclusion of women, people with disabilities and vulnerable groups.** Telefónica's *Mujeres en Red* integrates women into technical roles in the telecommunications sector, while Siemens' *Experimento* and *STEM Network Latin America* strengthen science education and teacher training. Extending outreach to Indigenous Peoples, and Afro-descendant and disabled populations remains a priority for more inclusive adult learning systems.

The experiences of Santander, Siemens, Telefónica, and Volkswagen de México underscore the strategic value of EU-supported TVET initiatives in addressing LAC's persistent labour market challenges. In a region characterised by high informality, youth unemployment and skill mismatches, these corporate-led efforts have helped bridge the gap between education and employment – particularly by adapting elements of the European dual TVET model to local contexts.

5.2. The skills challenge in LAC

5.2.1. High informality, low foundational skills and stagnant education investment

The labour market in LAC faces macro-structural challenges. Although the regional unemployment rate stood at 6.3% in 2023 (World Bank, 2023[4]), a more significant concern is the widespread prevalence of informal and low-quality jobs, with 55.7% of workers involved in informal employment (OECD et al., 2024[5]). Labour productivity remains low – about one-third of the OECD average – and many young adults struggle to access stable, well-paid employment (OECD et al., 2024[5]; OECD, 2024[6]). Meanwhile, employers frequently identify skills shortages as a major barrier to business expansion (OECD, 2023[7]). Investing in human capital is crucial for raising productivity, reducing inequality and strengthening the resilience of labour markets (Arias et al., 2023[8]).

Deficiencies in foundational skills are a core challenge. The OECD Survey of Adult Skills (PIAAC) shows that adults in the four participating LAC countries – Chile, Ecuador, Mexico and Peru – scored well below most countries in literacy, numeracy and problem-solving in digital environments. Fewer than one in eight adults in Ecuador (5.2%), Peru (6.1%), and Mexico (11.7%) reach high literacy levels in PIAAC (Level 3

and above) compared to 14.5% in Chile and 44.6% across the OECD (OECD, 2023[7]). In numeracy, 42.2% of OECD adults scored at Level 3 or above, versus only 3.6% in Ecuador, 5.6% in Peru, 8.9% in Mexico and 11.9% in Chile (OECD, 2023[7]). Additionally, 32.9% of adults in Ecuador, 39.2% in Mexico, and 43.6% in Peru lacked the ICT skills required to take part in the digital assessment compared to 11.7% across all countries participating in PIAAC (OECD, 2023[7]). These skills gaps, combined with high informality, hinder productivity and inclusive economic growth.

Public investment in education in LAC rose from 4.2% of GDP in 2000 to 5.2% in 2010, but fell to 4.4% in 2015 and stood at 4.6% in 2020 (Arias et al., 2023[8]). This stagnation risks weakening the link between formal education, practical skills and employment. While formal education is crucial, productivity differences across countries largely reflect workers' ability to complement schooling with ''learning by doing'' – skills gained on the job (ILO, 2017[9]; OECD, 2024[10]). This underscores the need to strengthen vocational training institutions.

Public spending in technical and vocational education and training (TVET) in LAC averages less than 0.2% GDP, well below the 0.46% average of high-income countries. Costa Rica is an outlier, raising spending from 0.3% of GDP in 2015 to 0.71% of GDP or 30% of secondary education outlays (Hanni, 2019[11]; World Bank, UNESCO & ILO, 2023[12]). Despite budget constraints, public institutions, such as Brazil's S-system, Colombia's National Training Service (SENA), Peru's National Industrial Technical Training Service (SENATI) and Mexico's National College of Technical Professional Education (CONALEP), are strengthening links between education and labour market needs in partnership with the private sector.

5.3. Training systems in LAC: Public and private sector roles

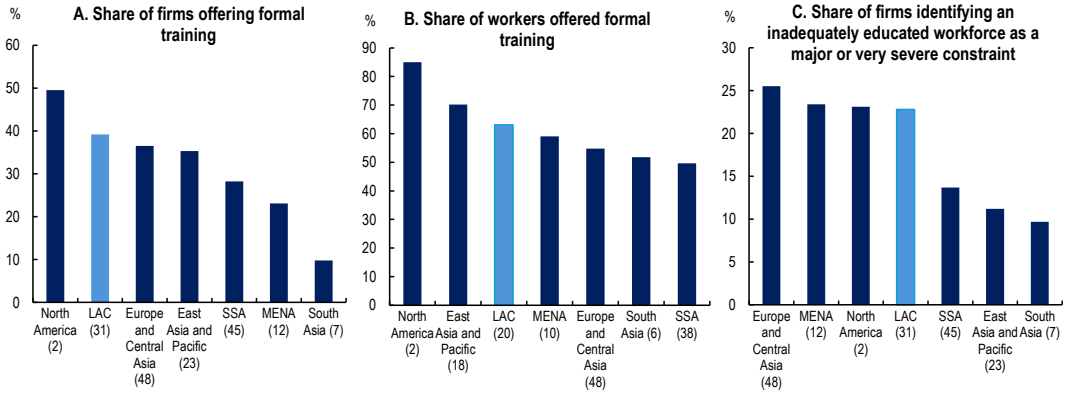
LAC economies employ fewer people in high-skill, high-value-added sectors compared to OECD countries (OECD, 2023[7]). Although some workers in LAC receive on-the-job training, the region still lags in providing adult learning opportunities. This gap stems from low participation rates among self-employed and informally employed individuals who generally have no access to training, as well as those working in industries with limited research and development intensity. These groups form a larger portion of the labour force in LAC than in OECD countries (OECD, 2023[7]).

5.3.1. Firm training in LAC exceeds other developing regions, but is still below high-income countries, with wide cross-country disparities.

Despite gaps in skills and education outcomes, some firms in LAC do invest in formal training – more so than in most other developing regions, though still below the levels seen in high-income countries (World Bank, 2024[13]). On average, 39.2% of firms across 31 LAC countries provided formal training to their permanent, full-time employees during the most recent fiscal year with available data (World Bank, 2024[13]) (Figure 5.1 A). The average in other developing regions ranges from 36.5% in Europe and Central Asia to 9.8% in South Asia. It is important to note that this regional average is based on data collected over different years within the 2009-2025 period as the reference fiscal year varies by country or when the data is available (Figure 5.2 A).

Nevertheless, this regional average masks wide disparities across countries. For example, in 2024, 55% of companies in Ecuador offered formal training compared to just 23% in Jamaica (Figure 5.2 A). In 2023, 61% of firms in Peru reported offering training programmes, while the share was lower in other countries: 42% in Colombia, 38% in Mexico, 37% in Costa Rica and Paraguay, 35% in El Salvador and as low as 9% in Barbados (Figure 5.2 A). These disparities reflect country-specific factors, such as the economic sector composition and the size of the formal labour market (Hanni, 2019[11]).

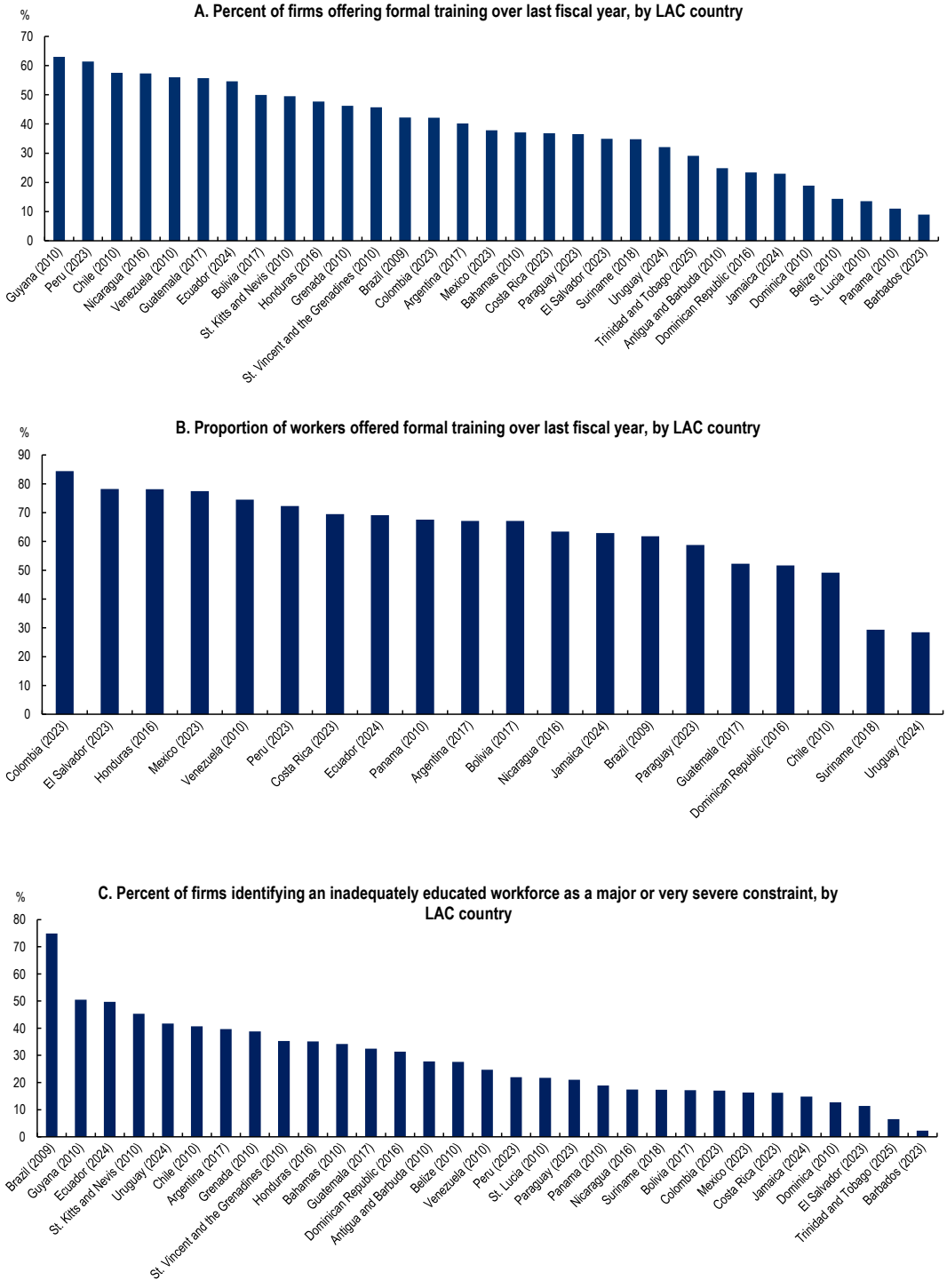
Figure 5.1. Key indicators on on-the-job training, by region (2009-2025)



Note: The regional averages reported here are based on the number of countries indicated in brackets following the region's name. The regional averages are based on data collected over different years within the 2009-2025 period as the reference fiscal year varies by country. For panel A, the survey question was ''Over fiscal year [last complete fiscal year], did this establishment have formal training programmes for its permanent, full-time employees? For panel B, the question asked was ''Referring to the training programmes run over fiscal year [last complete fiscal year], what percentage of permanent, full-time employees of the following categories [production or non-production workers] received formal training? For panel C, the question was ''To what degree is an inadequately educated workforce an obstacle to the current operations of this establishment?

Source: Based on World Bank (2025[14]), Enterprise Surveys Indicator Descriptions https://www.enterprisesurveys.org/en/data/exploretopics/workforce.

Figure 5.2. Key indicators on on-the-job training, by LAC country



Note: This data includes all LAC countries that reported to the World Bank Enterprise Surveys over the last fiscal year they did. The year in which the country last reported is indicated in brackets.
Source: Based on World Bank (2025[14]), Enterprise Surveys Indicator Descriptions https://www.enterprisesurveys.org/en/data/exploretopics/workforce.

5.3.2. Relatively high training participation yet limited public financing and uneven access

More than half of formal employees in LAC reported receiving some form of formal training, but with wide cross-country variation (World Bank, 2024[13]) (Figure 5.1 B). Between 2010 and 2025, an average of 63.1% of workers in 20 countries said they were offered formal training (Figure 5.1 B). In 2024, 69.1% of employees in Ecuador received training compared to only 28.5% in Uruguay. In 2023, the share reached 84.4% in Colombia, 78.2% in El Salvador, 77.5% in Mexico, 72.3% in Peru, 69.5% in Costa Rica and as low as 58.8% in Paraguay (Figure 5.2 B) (World Bank, 2024[13]).

Despite these relatively high participation rates, enterprise investment in training remains modest. Training costs account for only 4% of operating expenses in Honduras and 2% in Uruguay (Hanni, 2019[11]). When firms do invest in training, firms bear most of these costs themselves – 87% in Uruguay, 86% in the Bahamas, 81% in Honduras and 75% in Colombia – while public financing is minimal (Hanni, 2019[11]). Only 19% of firms offering training reported public financial support and in 7 of the 12 countries surveyed this share was under 15%. Access is especially limited for SMEs: just 13% of small firms (fewer than 20 employees) and 22% of large firms (100 or more employees) received public support for TVET (Flores-Lima et al., 2014[15]). While training levies exist – for example, Jamaica's HEART/NSTA levy of 3% on formal enterprises – funds are mainly directed to the administration and training courses of vocational training centres, leaving limited funding for continuous training and apprenticeships. These findings highlight the limited use of public resources for training despite the region's efforts to enhance workforce development.

Informal workers, who represent 55.7% of LAC's workforce, have even less access to training (OECD, 2024[6]). SMEs, which dominate the region's economies, also show low TVET participation (Flores-Lima et al., 2014[15]). These gaps reinforce low productivity, constrain mobility and widen inequality. Addressing them requires policies that extend beyond formal employment, ensure access for vulnerable groups and strengthen public-private collaboration. Lessons from Africa's national training funds, which earmark levy revenues for informal sector training, suggest a model LAC could adapt. VTIs would play a central role in delivering accessible, relevant programmes.

5.4. LAC firms face above-average skills shortages, with wide disparities.

Private investment in on-the-job training is largely driven by skills shortages. On average, 22.8% of firms in 31 LAC countries identified an inadequately educated workforce as a major or severe constraint between 2009 and 2025 (World Bank, 2024[13]) (Figure 5.1 C). This rate is much higher than in South Asia (9.7%), East Asia and Pacific (11.2%) or Sub-Saharan Africa (13.8%). Differences within LAC are stark: in 2024, 49.7% of employers in Ecuador reported an inadequately educated workforce as a constraint, compared to only 14.8% in Jamaica (World Bank, 2024[13]) (Figure 5.2 C). In 2023, the share was 22% in Peru, 21% in Paraguay, 17% in Colombia, 16.3% in Mexico, 16.2% in Costa Rica, 11.4% in El Salvador and as low as 2.3% in Barbados (Figure 5.2 C) (World Bank, 2024[13]). These disparities reflect the relative strength of vocational training institutions, from robust systems such as Costa Rica's National Training Institute (INA) and Colombia's SENA to weaker institutions like Ecuador's Service for Professional Training (SECAP). Globally, 19.2% of firms reported an inadequately educated workforce (World Bank, 2024[13]), placing LAC above the average and highlighting the urgent need for stronger TVET systems to enhance workforce competitiveness and productivity.

5.5. TVET systems: A European strength exported to LAC

TVET systems vary widely worldwide. Across OECD countries, 44% of learners in upper-secondary education are enrolled in vocational programmes (OECD, 2023[16]). In flexible employment systems like the United States and the United Kingdom, employers and the public sector provide limited training. By contrast, co-ordinated market economies, such as Germany and Austria, rely on close partnerships between firms, labour institutions and industry associations (Hall and Soskice, 2001[17]). In the European Union (EU), stronger employment protection and long-term job frameworks incentivise companies to invest in skills, supporting high-skill, high-wage economies (European Parliament, 2025[18]).

TVET is a well-established system in Europe. EU systems combine strong institutional frameworks with active employer involvement, easing school-to-work transitions and supporting inclusive growth. Dual systems pioneered in Germany, Austria and Switzerland integrate classroom learning with workplace training (European Commission, 2025[19]). These approaches reduce youth unemployment, strengthen social cohesion and create resilient labour markets (Cedefop, 2023[20]; Martin-Izquierdo and Torres Sánchez, 2022[21]).

Many LAC countries have adapted elements of the European model. Rather than replicating systems outright, vocational training institutions (VTIs) tailor approaches to local labour markets and institutions. Evidence from Europe shows TVET expands access to quality education and decent work (European Commission, 2013[22]), with each additional year raising wages by 7% for women and 10% for men (Cecchini, 2019[23]). However, effectiveness of TVET is limited where small and medium-sized enterprises (SMEs) dominate, since they often lack resources to support structured training (Flores-Lima et al., 2014[15]). Unlike traditional academic routes, TVET equips learners with industry-relevant skills, particularly benefiting women, youth at risk and people with disabilities (McGrath and Yamada, 2023[24]).

European firms in LAC play a distinct role. Compared to local companies, they typically invest more in training, offer higher wages (Figure 2.21) and employ more permanent workers (Figure 2.24) – reflecting both European institutional practices and their concentration in capital- and technology-intensive sectors. In 26 of 31 LAC countries, EU firms pay above-average wages and in 20 countries they provide more stable employment (Figure 2.21).

EU investment also strengthens local training systems. Between 2014 and 2024, EU investors accounted for 32% of all training and education investment in LAC (Figure 2.35). Beyond capital, they introduce training models, promote corporate social responsibility (CSR) and work with local partners to align TVET programmes with regional industry needs (EU-LAC Foundation, 2012[25]). Successful adaptation, however, requires sensitivity to local labour market, education systems and social conditions. Public-private partnerships at the level of VTIs have proven effective in making TVET accessible, relevant and sustainable, provided governments, educational institutions and firms closely collaborate.

5.6. Insights from four EU firms: The role in promoting and supporting TVET initiatives

TVET in LAC has partial European roots. Some studies show how European dual education models – particularly Germany's and Switzerland's – were introduced through firms familiar with on-the-job training (DHLA, 2018[26]). Institutions like Brazil's SENAI and Colombia's SENA drew inspiration from Switzerland's dual system in the 1960s. The creation of the International Labour Organization's Inter-American Centre for Knowledge Development in Vocational Training (ILO Cinterfor) in 1962 also established a lasting framework for regional horizontal collaboration and exchange of good practices among VTIs, supported through yearly technical commissions. Unlike in Africa, where European donors played a larger role, TVET

development in LAC has been primarily driven by regional institutions themselves, shaped by challenges such as youth unemployment, informality and skills mismatches as discussed in the previous section.

The EU's own transition priorities reinforce TVET's importance. As the EU advances its green and digital transitions, high-quality TVET is essential for equipping workers with future-ready skills (European Commission, 2022[27]). EU firms recognise this and actively support training initiatives in LAC (European Commission, 2025[19]).

Several leading European companies illustrate this engagement, particularly in information and communications, manufacturing, electricity and banking (see Chapter 3). Volkswagen and Siemens (manufacturing and energy), Santander (banking), and Telefónica (telecommunications) were selected for review based on sectoral relevance, regional footprint and the depth of their TVET programmes. They operate in areas aligned with EU-LAC Global Gateway priorities – digital connectivity, transport, sustainable energy and financial inclusion – and have demonstrated sustained investment, innovative training models or participation in public–private partnerships. It is important to note that the information provided below is based on self-reported data from companies collected by the OECD. These private-led efforts are presented as illustrative examples, alongside many other initiatives by European companies, NGOs or development agencies investing in TVET in LAC.

Table 5.1. Summary table: Case studies of EU firms investing in TVET in LAC

Major firms, their sector, main TVET initiatives executed in LAC and their impact.

Sector	Firm	Country	Key Programmes	Overall impact
Manufacturing and Electricity	Siemens	Brazil	STEM Network Latin America, Experimento, Open Educational Resources Centre	18 000 teachers trained; 1.45 million students reached in 8 countries in LAC
Automotive and Manufacturing	Volkswagen	Mexico	Volkswagen Group Academy Mexico, Dual Training Centre, New Auto; New Engineers – Innovation in Motion, partnerships with universities	Nearly 6 000 graduates integrated into the workforce; 23 000 people reached in 2024 for STEM education; 70 graduates from the manufacturing training programme in Mexico
Banking and Financial Services	Santander	Regional	Santander Open Academy, MetaRed, Campus Digital, Universia, Fundación Universia, Santander W50 Leadership Programme	EUR 20 million invested in education, employability and entrepreneurship; 1.5 million individuals supported; 700 university partnerships, 131 job portals in LAC
Telecommunications	Telefónica	Peru	Mujeres en Red, ProFuturo, Conecta Empleo, Skills Bank, Universitas, Digital Minds	88% of its employees engage in training across Spanish-speaking Latin American countries and 85% in Brazil; 400 women accessed technical telecommunications roles in Peru and 612 in Colombia

Note: The details above are company self-reported information.
Source: Author's own elaboration based on interviews with company representatives and information provided directly by the companies.

5.6.1. Siemens

Siemens is a German multinational technology company with over 130 years of presence in Latin America, specialising in industrial automation, energy and mobility. In Brazil, where this case study focuses, Siemens built the country's first long telegraph line in 1867, connecting Rio de Janeiro with the province of Rio Grande do Sul (Siemens, 2025[28]).

Siemens' investment in TVET in Latin America demonstrates a strategic commitment to fostering employability, social cohesion and local value creation. Through Siemens Stiftung, it develops and implements STEM-focused initiatives, such as *Experimento*, *STEM Education for Innovation*, and the *Open*

Educational Resources Centre, that empower educators and students with practical knowledge, digital skills and access to high-quality teaching resources. Partnerships with VTIs like SENAI in Brazil and regional networks like *STEM Network Latin America* foster collaboration across education, civil society and the private sector.

Siemens' TVET programmes help bridge socio-economic gaps by equipping youth with relevant skills, boosting their employability and preparing them for meaningful careers in emerging industries. By aligning education with social responsibility, Siemens supports innovation, sustainability and economic development in the region.

5.6.2. Volkswagen

Volkswagen Group, a German multinational automotive manufacturer, has long considered Mexico and South America strategic markets. Its first plant outside Germany was established in São Paulo in 1953, and in 1964 it founded a subsidiary in Mexico – Volkswagen de México – to handle the manufacturing, sales and distribution of Volkswagen vehicles in Mexico and Latin America (Volkswagen, 2024[29])

Volkswagen de México's investment in TVET is central to building a skilled workforce and fostering local value creation. Its Dual Training Centre with the *Technological University of Puebla* has trained nearly 6 000 mechatronics graduates, many employed within Volkswagen or its supplier network. Partnerships with institutions like the *College of Scientific and Technological Studies of Guanajuato* has led to the graduation of over 70 students in automated manufacturing, directly linking graduates to jobs at the Silao engine plant.

The company also embeds diversity and inclusion in its workforce strategy. Initiatives such as *For the Love of Mexico* reached over 23 000 people in 2024, while dedicated efforts have increased women's participation in technical careers. Recognitions such as certification in Labour Equality and Non-Discrimination and its designation as a Top Employer 2025 highlight this commitment. By strengthening its local supply chain, investing in high-tech training and promoting inclusive employment, Volkswagen de México enhances competitiveness, while contributing to sustainable economic development and industrial resilience in Mexico.

5.6.3. Telefónica

Telefónica, a Spanish multinational telecommunications firm and one of the largest telephone operators and mobile network providers worldwide (Telefónica, 2025[30]), has operated in Latin America for over 35 years, beginning with Chile in 1989. Today, 8 of its 12 markets are in the region: Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela. In recent years, the company has been strategically divesting in many of its locations, with the notable exception of Brazil (Stone, 2025[31]).

Telefónica's TVET initiatives address structural challenges like unemployment, the digital divide and gender inequality. Programmes such as *ProFuturo*, *Conecta Empleo* and *Mujeres en Red* provide digital and technical skills to underserved communities, with the latter training over 400 women for careers in telecommunications. Many initiatives are delivered through national and international partnerships – for example, *Conecta Empleo* in Chile was delivered jointly with the Inter-American Development Bank, the Ministry of Labour and ChileValora – a public VTI that certifies workers' skills to improve employability.

Telefónica also advances digital inclusion through *Internet for All*, which expands connectivity, while integrating educational components. Internally, initiatives such as *Universitas* and *Digital Minds* promote upskilling and lifelong learning among employees. Together, these efforts strengthen employability, inclusion and workforce adaptability in a rapidly evolving labour market.

5.6.4. Santander

Santander is a Spanish multinational financial services company primarily focused on retail banking. Santander established a significant banking presence in Latin America beginning in 1963. It re-entered and acquired banks across the region in the mid-1990s, becoming a leading foreign bank in South America by 1998 (López-Morell and Bernabé Pérez, 2018[32]). By 2023, Brazil, Mexico and Chile were among its top markets by revenue, with Latin America being a key driver of its global growth (SIA, 2020[33]).

Santander's collaborative, digital-led TVET initiatives have expanded access to skills development, fostering equitable education-to-employment pathways and regional socio-economic progress. Through a suite of programmes – including *Santander Open Academy*, *Universia*, *MetaRed*, and *Campus Digital* – the bank has created a strong ecosystem that connects higher education institutions with labour markets and promotes lifelong learning. The company has built replicable and scalable initiatives, focused on digital skills, lifelong learning and targeted support to vulnerable populations. Working with around 700 universities, it has reached over 1.5 million people in Latin America in 2024. Santander's experience offers important insights for implementing large-scale training initiatives in diverse and complex regional contexts. Its approach, focused on flexible delivery, context-specific adaptation and inclusive outreach, highlights how large-scale skills training can be both scalable and socially transformative through strategic partnerships, digital innovation and robust impact measurement.

How EU firms drive skills development in LAC: Good practices from the private sector

The TVET initiatives of the selected companies show how leading EU firms increasingly view skills development as key to inclusive and sustainable growth in LAC. Despite operating in diverse sectors – telecommunications, manufacturing or banking – they share several common success factors: public-private partnerships, alignment with labour market needs, use of digital and flexible platforms, targeted support to vulnerable groups, promotion of technical careers, and robust monitoring and evaluation frameworks. These good practices provide valuable models for other European and international firms seeking to strengthen skills development in the region.

Effective public-private partnerships with VTIs are key to employment outcomes

The EU-LAC's Global Gateway Investment Agenda, presented at the EU-CELAC Summit in 2023, underscores the importance of private sector involvement in public projects for sustainable development (European Commission, 2025[34]). Yet, to ensure that these investments translate into inclusive growth, sustainable practices and decent work, it is essential to consider the enabling environment – particularly the role of active labour market policies (ALMPs). Increased public expenditure on ALMPs are associated with reductions in unemployment rates (European Commission, 2020[35]).

EU private firms have developed TVET initiatives to address employment challenges in LAC. Partnerships with VTIs, such as Telefónica's collaboration with national training institutes or Siemens' work with local VTIs, are particularly effective in supplying skilled workforces when these institutions are closely linked to enterprises, as seen in Brazil's S-system. At the regional level, the ILO Cinterfor network provides a platform for knowledge exchange and collaboration among VTIs in LAC, supporting alignment with enterprise needs and fostering best practices. Volkswagen's partnership with the public TVET institution in the State of Guanajuato has allowed for employment opportunities to university students before graduation (Box 5.1). Likewise, Siemens' partnership with Brazil's SENAI has been critical for the modernisation of technical education nationwide (Box 5.2).

Box 5.1. Volkswagen de México's public-private partnerships

Developing skills in Mechatronics: Dual Training Centre

Operated by Volkswagen Group Academy Mexico (VWGAM), the Dual Training Centre (CFD, its acronym in Spanish) has expanded through strategic academic partnerships. Officially recognised as a training centre by the Mexican-German Chamber of Commerce and Industry (CAMEXA) in 1971, the CFD partnered with the Technological University of Puebla in 2021 to offer a degree in mechatronics. Students can continue their studies toward a mechatronic engineering degree, while also earning a CAMEXA diploma, providing international certification. Nearly 6 000 CFD graduates have joined Volkswagen de México or its suppliers, primarily, as production specialists, with some advancing into management-level positions. This highlights the programme's effectiveness in enhancing employability and career development within the automotive sector.

As of April 2025, the CFD in Puebla trains 116 students across three cohorts in manufacturing, automation and sustainable mobility. These apprentices, aged 17-21, were selected through a competitive process and demonstrate values such as integrity, responsibility, teamwork and a strong alignment with the corporate culture. Upon graduation, they are equipped to analyse, design, construct and implement technological systems, with competencies in mechatronics, automation, robotics and machining – key to optimising production processes.

Strengthening manufacturing skills: CECyTE Guanajato

In 2019, Volkswagen de México's engine plant in Guanajuato partnered with the College of Scientific and Technological Studies of the State of Guanajuato (CECyTE) through VWGAM to promote student participation in automative manufacturing. This programme enables CECyTE students to receive dual training at Volkswagen's Silao engine plant. As of April 2025, more than 70 students have graduated from this programme, with many continuing employment at the plant. This partnership focuses on soft and technical skills, with a 24-month training period that includes active participation at the plant. As of April 2025, 52 students are enrolled, gaining professional experience closely aligned with their field of specialisation. It fosters the development of professional competencies, access to productive and well-compensated employment, and practical work experience prior to graduation.

Note: Additional information regarding Volkswagen de México's TVET programmes is detailed in Annex 5.A.
Source: Self-reported from Volkswagen de México.

Box 5.2. Siemens and SENAI drive industrial innovation in Brazil

Building careers in the digital era

To support the future of industry and education in Brazil, Siemens has partnered with SENAI to provide young people with high-quality training and greater access to modern technology. Since 2022, this collaboration has strengthened technical education, promoted innovation and helped schools modernise their teaching methods.

Siemens and SENAI have developed hands-on learning experiences in nearly 600 schools across Brazil. In 2023, Siemens supported the country's largest project to improve classroom equipment in SENAI's industrial training centres. Students learn how modern industry works by exploring real-world scenarios – such as monitoring machines, improving workplace safety and increasing efficiency. These

training sessions help young people understand how technology can be used to solve challenges in factories and other workplaces. The success of this initiative has attracted interest from similar institutions outside Brazil, such as SENATI in Peru, which receives support from SENAI and other ILO Cinterfor members. Strengthening horizontal collaboration across vocational training institutions at all levels is a key objective of Cinterfor, facilitating the exchange of knowledge, best practices and technical support across the region.

By combining classroom instruction in technical disciplines – such as industrial mechatronics, automation and mechanical engineering – with hands-on training at Siemens' facilities, the TVET programme gives students real-world experience with cutting-edge technology. Siemens is also helping students discover how technology can make work more efficient, safe and sustainable through visits to its Digital Experience Centre – an interactive space that brings together the physical and digital worlds (Siemens, 2024[36]). The programme's focus on Industry 4.0 skills – including digital literacy, automation and robotics – reflects Siemens' commitment to preparing students for the rapidly evolving demands of modern industry. By incorporating Industry 4.0 content, Siemens addresses the increasing global shift towards digitalisation and automation, equipping Brazilian students with skills essential for future employment.

The programme's impact extends beyond individual employment; it also strengthens Brazil's technical and industrial labour force. This workforce development is essential in a country where skills mismatches and gaps have traditionally hindered productivity and growth (Cardin, 2024[37]).

Note: Additional information regarding Siemens' TVET programmes is detailed in Annex 5.A.
Source: Self-reported from Siemens.

EU firms and development agencies closely collaborate with VTIs to strengthen TVET initiatives. The EU's Team Europe Initiative for Inclusive and Equitable Societies, involving the EU and six member states, prioritises education and training for employability and social inclusion (EU, 2024[36]).

Complementing these efforts, ILO Cinterfor fosters horizontal collaboration among regional VTIs, facilitating the exchange of best practices, methodologies and experiences. This network extends beyond LAC, connecting with European VTIs such as Spain's National Employment Institute (INEM) and Portugal's Employment and Professional Training Institute (IEFP), enabling European companies to enhance capacity and extending the reach of their TVET initiatives. Other partners, including the World Bank, Inter-American Development Bank, UNESCO, GIZ and the Agence Française de Développement (AFD), also invest in TVET and capacity-building initiatives across LAC. This multi-regional collaboration enables firms to expand impact, strengthen local systems and generate both social and business benefits.

Aligning training with labour market demand secures stronger employment outcomes

A critical success factor is the focus on the alignment between training programmes and evolving labour market demands. All four companies have embedded employability as a core objective, focusing on skills that are in high demand – such as digital literacy, automation, programming and leadership. Volkswagen's dual training model is linked to the automotive industry's technical needs; Telefónica's *Conecta Empleo* and *Digital Minds* address digital transformation gaps; Santander integrates labour market insights into programme design via *Universia* and external partnerships; and Siemens promotes STEM education through their *STEM Network Latin America*. This alignment ensures that participants acquire practical, job-relevant skills, enhancing their employability upon graduation.

Box 5.3. Telefónica's efforts in promoting digital inclusion

Digital education initiatives: *ProFuturo, Technology with all Senses, Conecta Empleo* and *Digital Minds*

The Telefónica Foundation implements initiatives aimed at improving employability across all age groups, with a strong focus on digital inclusion. *ProFuturo*, a digital education initiative, seeks to reduce the global education gap by using technology to enhance digital skills among students and teachers in vulnerable communities (Telefónica/La Caixa, 2025[37]). Similarly, the programme *Technology with All Senses* raises awareness among children about safe, healthy and responsible technology use (Fundación Telefónica, 2025[38]). The *Programming Campuses* and *Conecta Empleo* programmes provide training and guidance in digital skills for young people and adults, helping them access employment opportunities (Fundación Telefónica, 2025[39]). Meanwhile, the *Reconectados* initiative supports older adults in acquiring the digital knowledge necessary to navigate today's world (Fundación Telefónica, 2025[40]). Programmes such as *Digital Minds* focus on upskilling the workforce in digital competencies and agile mindsets. Targeted reskilling initiatives support the development of specialised roles in data analysis, data science and process automation. Additional upskilling is provided in areas such as business-to-business (B2B) engineering, commercial excellence and B2B customer service.

Employees can also pursue technical certifications aligned with market demands, particularly in technology-related fields. The *Innovation Hub* nurtures a culture of problem-solving and innovation beyond traditional efficiency goals. The *Lean Six Sigma Programme* offers structured training across different levels of complexity, equipping employees to improve processes and enhance customer experience. Additionally, Telefónica promotes large-scale reskilling and upskilling programmes aimed at developing critical business competencies and enhancing the employability of professionals. This is facilitated through the *Workforce Skills Planning* process, which is implemented globally, including across its operations in Latin America. The process helps identify skills gaps and address the impact of technological change, digitalisation and automation on the workforce. Recognising the dynamic environment in which it operates, Telefónica invests in continuous TVET to ensure that employees can update their skills and remain essential in an evolving market (Telefónica, 2025[41]).

Due to these diverse TVET initiatives, Telefónica has made substantial progress in advancing employee learning and development across Latin America, especially in Brazil. Engagement in learning is high, with 85% of employees in Brazil and 88% in Hispanic America participating in skills development. On average, Brazilian employees spend 57 hours per year on learning, compared to 24 hours in other countries in Latin America.

Note: Additional information regarding Telefónica's TVET programmes is detailed in Annex 5.A.
Source: Self-reported from Telefónica.

Digital and hybrid models expand access and adaptability of TVET

The use of digital platforms and diversified delivery modes has greatly expanded the reach and adaptability of TVET programmes. *Santander's Open Academy* offering digital courses in high-demand fields like AI and cybersecurity, Telefónica's online training via *Digital Minds* and *Universitas*, Volkswagen's combination of classroom and on-the-job training in mechatronics, and Siemens' online open educational resources via the *STEM Education for Innovation* initiative illustrate the effectiveness of integrating digital and hybrid learning. These models have enabled learners from diverse geographies and socio-economic backgrounds to access opportunities and allowed programmes to adapt quickly to changing conditions, such as those posed by the COVID-19 pandemic.

Box 5.4. Santander's digital platforms and scholarships boost youth employability

Santander Open Academy: Scaling employability through digital learning

Santander Open Academy leverages digital platforms to deliver flexible, scalable formal education programmes and free courses in digital skills, languages, leadership and other disciplines aligned with labour market demands (Santander, 2025[42]). Providing over 1 000 scholarships annually, these programmes help participants build soft and technical skills essential for lifelong employability.

Santander has established partnerships with 1 181 universities and institutions worldwide, nearly 700 of which are in Latin America. These collaborations support scholarships for undergraduate and postgraduate studies, living stipends, international mobility and research opportunities. Additionally, the bank fosters adult education through open-access lifelong learning programmes.

The bank provides flexible delivery models – online, hybrid, and in-person – to maximise accessibility. Initiatives such as *MetaRed* and *Campus Digital* promote digital transformation, sustainability, entrepreneurship and academic innovation in higher education institutions (MetaRed, 2025[43]; Universia, 2025[44]). Employability is further enhanced through *Universia*, a platform that connects young talent with universities and companies through job portals, virtual job fairs and internship opportunities (Universia, 2025[45]). In 2024, *Universia* featured over 100 800 job postings from approximately 3 800 companies across Latin America and Europe.

Note: Additional information regarding Santander's TVET programmes is detailed in Annex 5.A.
Source: Self-reported from Santander bank/foundation.

Equity-focused TVET models advance gender equality and disability inclusion

A shared commitment to inclusion – particularly gender equality and support for vulnerable populations – has been central to the success of these initiatives. Telefónica's *Mujeres en Red* has overcome gender stereotypes by integrating women into technical roles in telecommunications, while Santander's *Fundación Universia* (in the process of expanding into Latin America) and women-focused leadership programmes aim to improve outcomes for people with disabilities and at-risk populations. These targeted efforts ensure that TVET benefits extend to underrepresented groups, contributing to social cohesion and equity.

Box 5.5. Telefónica's efforts to address women's underrepresentation in telecommunications

Fostering gender equality in telecommunications: *Mujeres en Red*

Telefónica's *Mujeres en Red* (Women Networking) initiative addresses gender disparities in technical roles by training women for careers in telecommunications. Launched in Peru in 2020 and expanded to Colombia, the programme partners with contractors and NGOs to recruit and train women in telecommunications, offering both technical and emotional support. Since its launch, *Mujeres en Red* has grown from just 12 participants to over 400 women now working in the telecommunications sector in roles such as customer service, infrastructure maintenance, logistics and B2B operations.

By May 2025, the programme was operating in 12 regions of Peru, contributing to local value creation. It supports digital empowerment by involving women in the expansion of fibre-optic networks, thereby increasing connectivity in underserved communities. In addition, more than 2 900 people – including technicians and administrative staff – have received gender equity training covering topics such as

women's empowerment and unconscious bias. These efforts help build a more inclusive industry, where both women and men have equal access to development opportunities.

Scaling the programme to reach more regions across Peru has been a key challenge, requiring stronger partnerships with local stakeholders to encourage broader participation and bring more women into the *Mujeres en Red* initiative. The launch was supported by the Ministry of Women and Vulnerable Populations in Peru, which provided social and emotional training for participants and helped include women from vulnerable backgrounds. In 2024, Telefónica also formed a strategic alliance with the NGO CESAL and the Spanish Chamber of Commerce in Peru to further expand the initiative. Additionally, *Mujeres en Red* has extended beyond Peru. Since 2021, it has also been implemented in Colombia, where it has integrated 614 women into the technical workforce of Telefónica's contractors.

Mujeres en Red have demonstrated that gender equity is not only a matter of social justice, but also a driver of innovation and business performance. In 2024, women technicians achieved customer satisfaction and productivity levels equal to those of their male peers. These outcomes confirm that increasing women's participation in the sector helps close gender gaps, while maintaining high standards of service quality and customer experience.

Note: Additional information regarding Telefónica's TVET programmes is detailed in Annex 5.A.
Source: Self-reported from Telefónica.

Beyond gender, some initiatives also focus on people with disabilities and broader inclusion. Santander, for example, has several programmes: Enable Network, which tackles bias and stereotypes; DiverTechies, which promotes employability and Open Your Senses, which helps employees experience challenges faced by people with disabilities. As a result, Santander employs 4 700 people with disabilities (Santander, 2024[46]). Similarly, Siemens raises awareness about disabilities, engages with global advocacy organisations, promotes workplace accessibility and has an Inclusion Agreement in Germany to reinforce its commitment (Siemens, 2025[47]).

Telefónica has multiple programmes and policies related to disability inclusion. In 2023, the company employed 2 700 people with disabilities and set a goal to double that number by the end of 2024 (Telefónica, 2023[48]). Accessibility is integrated as a cross-cutting element across products, services, facilities and channels (Telefónica, 2023[49]). Telefónica also strengthened its commitment by signing the "Principles for Driving the Digital Inclusion of People with Disabilities", aimed at closing the digital divide. To promote workforce inclusion internally, the company published a "Disability at Work" guide to support interaction and inclusion (Telefónica, 2023[50]).

Other organisations, such as Spain's National Organisation for the Blind (ONCE, its acronym in Spanish), collaborate with private sector partners to provide training and employment opportunities for persons with disabilities. This demonstrates how multi-stakeholder partnerships can enhance the inclusiveness of TVET programmes. Taken together, these efforts underscore the potential for companies and public institutions to scale impact and foster equitable access to skills development (ONCE, 2025[51]).

Attracting youth to technical careers and investing in teachers drives TVET success

Recognising the need to attract more youth to technical vocations, all four companies have implemented awareness-raising campaigns and school-based outreach. Volkswagen has promoted technical education in regions near its production facilities; Telefónica leverages youth engagement in digital careers through the *Technology with All Senses* initiative; Santander uses its *Universia* platform to connect young talent with job opportunities and skill-building resources; and Siemens provides educational content in STEM through *Experimento*.

Investment in instructor training has underpinned programme effectiveness. Volkswagen's dual education approach includes rigorous industry-aligned training for teachers. Telefónica's partnerships with educational institutions help modernise pedagogy and Santander works with global leaders like the London School of Economics, Google and Harvard University to ensure the excellence of its training offerings. Siemens also offers professional development for educators through their Open Educational Resources Centre.

Box 5.6. Siemens' promotion of STEM education

Expanding STEM education through hands-on learning: *Experimento*

Experimento is Siemens Stiftung's international education programme, designed to promote quality STEM learning through hands-on, learning by doing. Designed to align with national curricula, it supports institutions with the *STEM Network Latin America* by providing accessible, high-quality educational content, resources and teaching formats for all levels of education (Siemens Stiftung, 2023[52]).

The programme started in Latin America in 2011, with Chile as the first country to adopt it. Since then, *Experimento* has steadily expanded its reach. As of 2023, the programme is present in 6 000 educational institutions across eight countries in Latin America – Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Peru and Uruguay (Siemens, 2025[53]). It has trained more than 18 000 teachers and reached an estimated 1.45 million preschool and primary school students. This estimate is based on an assumed multiplier effect, where each trained teacher transfers their knowledge to multiple classes or groups (Siemens Stiftung, 2023[52]).

The programme offers free professional development for educators in STEM, along with high-quality teaching and learning materials. These materials are provided in both online and blended formats, ensuring access regardless of local levels of connectivity. Importantly, *Experimento* is classified as an open educational resource, which means the content can be freely used, adapted and enriched by local educators to align with national curricula and respond to specific educational needs. *Experimento* is grounded in an interdisciplinary approach, covering subjects such as science, technology, sustainability and climate change. A key feature of the programme is its integration of academic learning with social responsibility. This connection helps foster more engaged, thoughtful and empathetic learners.

Adapting the German dual learning system, the programme emphasises active learning, encouraging students to explore, ask questions and investigate real-world challenges. This pedagogical approach transforms learners into active participants in their own educational journey, while also equipping teachers with tools and strategies to inspire a new generation of STEM thinkers and problem-solvers. Through *Experimento*, Siemens Stiftung contributes to expanding access to high-quality education, supporting educational equity and strengthening local capacities to innovate in STEM teaching and learning throughout Latin America (Siemens Stiftung, 2023[52]).

Note: Additional information regarding Siemens' TVET programmes is detailed in Annex 5. A.
Source: Self-reported from Siemens.

Data-driven monitoring and evaluation strengthen quality and employability outcomes

Private sector actors have strong incentives to translate their initiatives into value for their stakeholders and maintain the good reputation of their foundations and initiatives. Each of the companies studied has integrated impact tracking mechanisms to measure programme effectiveness and guide refinement. Santander collects comprehensive data on course participation, completion and user satisfaction, while

Telefónica tracks skills acquisition and employability outcomes. Volkswagen evaluates its programmes through feedback loops with educational institutions and monitors employment outcomes.

Box 5.7. Santander's data-driven approach to skills development

Monitoring and evaluation frameworks link training to employability gains

Santander has established a comprehensive monitoring and evaluation framework to assess the effectiveness of its TVET and skills development initiatives. The bank systematically collects data on course participation rates, completion levels, user satisfaction and institutional engagement to guide continuous programme refinement and ensure alignment with labour market needs.

Through platforms like *Universia*, Santander tracks user engagement metrics and gathers feedback that informs ongoing improvements. Employability is a central focus: in 2024 alone, over 100 800 job vacancies were posted on *Universia*, with 131 job portals active across Latin American, Spanish and Portuguese universities. Connecting universities, junior talent and local industries, Santander helps align education with labour market needs and support young people in securing decent employment. Survey data collected from participants reveal an average self-reported employability increase of 8.5 out of 10 after programme completion, demonstrating tangible impact. Santander also monitors outcomes from targeted initiatives, such as programmes for people with disabilities, in which over 1 100 individuals enrolled in 2024, with more than 650 receiving scholarships and training in Spain, and planned expansion in Latin America in 2025. Participants reported acquiring in-demand skills in fields such as data science, AI, programming, digital marketing, cybersecurity, leadership and language proficiency, enhancing their job readiness.

Santander's education and skills development initiatives in Latin America are delivered primarily through strategic collaborations with higher education institutions. These formal agreements with universities enable the delivery of programmes tailored to specific national and regional priorities. Much of these efforts are channelled through the *Santander Open Academy*, which facilitates access to global and country-specific calls for scholarships and training programmes.

To ensure quality, Santander partners with renowned institutions, such as the British Council, Google, Harvard Business Publishing Education, the London School of Economics (LSE), Udemy and the Cambridge Judge Business School. Many programmes incorporate mentoring, tutoring and networking components to support participants' professional development. For example, the *Santander W50 Leadership Programme*, developed with LSE, offers tailored leadership training for women executives.

The impact of Santander's education and training programmes has been far-reaching. In 2024, Santander supported 2.2 million individuals and businesses globally, including 1.5 million in Latin America. Internationally, its 1 181 university partnerships and initiatives like *MetaRed* have engaged over 10 000 participants from higher education institutions across 18 countries.

Note: Additional information regarding Santander's TVET programmes is detailed in Annex 5.A.
Source: Self-reported from Santander.

5.7. Strengthening adult learning systems in LAC: Insights and policy implications

Strengthening adult learning systems in LAC is essential to expand access to high-quality training and employment opportunities, and support sustainable economic development. The four firm case studies

presented in this chapter provide valuable lessons not only for other EU and international companies investing in the region, but also for LAC governments and VTIs. Their findings align closely with OECD recommendations and priority action areas for enhancing adult learning systems:

1. **Align training with labour market needs**
   a) **Develop digital literacy and skills.** Several countries, including Uruguay, Peru and Argentina, have implemented National Digital Literacy or Inclusion Plans. Initiatives like Digital Talent for Chile focus on training vulnerable groups in digital skills for quality jobs (OECD, 2021[2]).
   b) **Provide training for in-demand jobs and target adults whose skills are most at risk of becoming redundant.** This is crucial given the high rate of skills mismatch in Latin America compared to OECD countries and the large share of the population lacking basic skills (OECD, 2021[2]).
2. **Promote gender equity in TVET and STEM careers**
   a) **Expand scholarships and support for girls,** particularly in rural and disadvantaged areas, to encourage their participation in STEM (OECD, 2025[3]).
   b) **Promote STEM participation through mentorship initiatives and awareness campaigns.** Showcasing female STEM professionals and providing mentorship, as demonstrated in Peru, can positively influence girls' aspirations (OECD, 2025[3]).
3. **Increase participation and inclusion in adult learning**
   a) **Offer an integrated approach to training, particularly for vulnerable groups.** This is essential as those who need upskilling and reskilling the most, such as low-skilled adults, older adults, women, informal workers and employees of SMEs, are often the least likely to participate in training (OECD, 2021[2]).
   b) **Address financial and time barriers to participation.** High costs are a significant barrier, with approximately 24% of adults in Latin American countries who wanted training not participating due to expense compared to 16% in OECD countries (OECD, 2020[1]).
4. **Leverage technology for learning and training**
   a) **Boost connectivity and Internet adoption** as first step. Digital divides, influenced by socio-economic background, gender, age and territory, are big obstacles (OECD, 2020[1]).
   b) **Ensure the quality of digital tools and ICT infrastructure.** Investments should balance expanding access with enhancing the quality and relevance of digital technologies, aligning them with teaching and learning needs (OECD, 2020[1]).

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Annex 5.A. Detailed firm case studies

Volkswagen: Strengthening mechatronics education and industrial development

The German multinational car manufacturer Volkswagen established its Mexican subsidiary, Volkswagen de México, in 1964 to manage manufacturing, sales and distribution across Mexico and Latin America. Based in Puebla, this subsidiary has made TVET a strategic pillar of its business model and industrial growth. A pioneer in the automotive industry in implementing the German dual training model, Volkswagen de México has trained specialists for production and engineering roles since 1966, helping build a highly qualified workforce. Volkswagen de México has invested in multiple TVET initiatives to boost employability in Mexico. Key programmes include:

- **Dual Training Centre (CFD**): A flagship of dual training in the Mexican automotive industry, with nearly 60 years of continuous operation. It currently offers a mechatronics programme in Puebla in partnership with the Technological University of Puebla (UTP).
- **New Auto; New Engineers – Innovation in Motion**: An initiative targeting students and teachers from middle and high schools near the Puebla and Silao plants.
- **Alliance with the College of Scientific and Technological Studies of the State of Guanajuato (CECyTE)** (via the Volkswagen Group Academy Mexico – VWGAM): Promotes dual training for students in Guanajuato, enabling them to work at the Silao engine plant.
- **Alliance with IBERO Puebla University** (via VWGAM): Supports a dual degree programme in Industrial Mechanical Engineering.
- ***For the Love of Mexico* Programme**: A CSR initiative promoting science, technology, engineering and mathematics (STEM) education. Over 1 175 students participated in workshops between 2023 and 2024.

These initiatives reinforce technical education, stimulate early vocational interests and improve local employability in high-value sectors. Volkswagen de México promotes a diverse, inclusive and growth-oriented workplace. As of May 2025, the company employs nearly 13 000 people across its two production centres: the vehicle plant in Puebla and the engine plant in Silao, Guanajuato. Its organisational structure ensures efficiency, qualit and innovation, backed by a highly skilled workforce aligned with Volkswagen Group's international standards.

Volkswagen de México engages in strong public-private partnerships, including higher education institutions, NGOs, and foundations. Notable partners include UTP, Fundación Juconi México A.C., Fondo Unido IAP, Fundación Merced, the Meritorious Autonomous University of Puebla, the Ibero-American University (IBERO), and the CECyTE Guanajuato. These alliances have supported the growth of the CFD, science, technology, engineering and mathematics (STEM) workshops, and other social impact projects.

Through its *For the Love of Mexico* CSR programme, Volkswagen de México reached more than 23 000 people in 2024, focusing on STEM education. A standout initiative, *Accelerate Change*, was implemented with Fundación Merced to fund selected STEM projects which up to MXN 400 000. In the same year, STEM-focused workshops were launched for middle and high school students near its production sites in Cuautlancingo, Puebla and Silao, Guanajuato as part of the *New Auto; New Engineers – Innovation in Motion* programme, a forward-looking initiative that underscores the company’s commitment to inclusive, equitable and quality education.

Additional training programmes and implementation processes

Innovation in Engineering: New Auto; New Engineers – Innovation in Motion

This initiative delivers practical workshops in areas such as automotive engineering, sustainable mobility, decarbonisation, safety, resource conservation, renewable energy and energy storage. The programme targets students and teachers throughout the academic year and culminates in an engineering fair where students present their projects, promoting real-world application of acquired knowledge. Volkswagen de México assesses the programme's impact using surveys, focus groups and interviews for feedback, allowing for the continuous improvement and effectiveness of the programme.

Bridging Academia and Industry: IBERO Puebla Alliance

Volkswagen de México and IBERO formalised a collaboration agreement in 2022 to promote education, research and talent development. In 2024, VWGAM and IBERO launched a university-industry dual bachelor's degree in Industrial Mechanical Engineering, which currently enrols 15 students – 5 from the first cohort and 10 from the second. Graduates acquire in-demand skills in mechanical design, sustainable manufacturing, production techniques, metal-mechanical processes and materials science. Students split their time between academic studies and practical training at the CFD, ensuring real-world industrial application of theoretical knowledge.

Challenges and lessons learned

Attracting young people to technical disciplines has required awareness campaigns and complementary social investment. STEM careers – often called the "skills of the future" – are expected to account for 7 out of 10 job opportunities in the coming decades, according to Volkswagen de México. Considering this, the firm is addressing the challenge of fostering interest in these fields among primary and secondary school students, and their parents.

A major challenge has been adapting the German Dual Education Model to the Mexican education system. Differences in academic calendars, teaching methods, local regulations and the availability of highly qualified instructors have required continuous adjustments and open dialogue among stakeholders.

Volkswagen de México has addressed these barriers through strategic partnerships, particularly with technical universities, business organisations and bi-national chambers such as CAMEXA. This has enabled the development of a hybrid model tailored to Mexico's context, while maintaining international technical standards. The implementation of dual TVET programmes has revealed several important lessons:

- Cultural and educational adaptation requires active listening and close collaboration with local institutions
- The need to promote technical vocations from an early age, especially in communities located near industrial hubs
- Continuous evaluation and inter-institutional dialogue allow improving the relevance and effectiveness of educational programmes
- Investing in teacher training and providing adequate practice facilities is vital to maintain high-quality instruction and support advanced learning outcomes

These insights form the foundation for sustaining and scaling technical education initiatives.

Results

Volkswagen de México's educational and social initiatives have had a transformative impact on both the organisation and local communities. It has built a specialised technical talent ecosystem, supporting its

role as a world-class industrial hub. Graduates not only contribute to the company's internal workforce, but also enhance the capabilities and quality standards of the local supply chain.

Internally, it has fostered a corporate culture of learning, inclusion and innovation, contributing to long-term sustainability and equity in the production environment. Key milestones include:

- nearly 6 000 CFD graduates in mechatronics
- over 70 graduates from the Silao engine plant-CECyTE dual programme
- CSR outreach to more than 23 000 individuals in 2024
- recognition as a Top Employer 2025 and inclusion in the 2024 Merco ESG Responsibility Ranking
- certification under the Mexican Standard NMX-R-025-SCFI-2015 for Labour Equality and Non-Discrimination.

These efforts have increased youth employability, reduced employee turnover and raised technical standards, boosting productivity and product quality. Local sourcing contributes to logistical efficiency, cost competitiveness, regulatory compliance and regional development. By actively investing in TVET programmes and reinforcing the local supply chain, the company re-affirms its long-term commitment to economic growth, job creation and manufacturing excellence in Mexico.

Telefónica: Promoting digital inclusion and gender equality

Telefónica is a Spanish multinational telecommunications firm and one of the largest telephone operators and mobile network providers in the world (Telefónica, 2025[30]). The company has operated in Latin America for over 35 years, beginning its international expansion in Chile in 1989. Today, 8 of the 11 countries in which it operates are in Latin America: Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela.

Through its foundation, Telefónica promotes digital inclusion across four key pillars: reducing the education gap, improving employability, fostering social and digital integration, and promoting art, culture and critical thinking. In anticipation of the opportunities and challenges brought by digitalisation, the company offers free training programmes to support people throughout their lives. These include educating children on digital skills and responsible technology use, training young people and adults for careers in the digital economy and helping older adults keep pace with technological advancements. Telefónica advocates for the responsible use of technology and is committed to an ethical approach to artificial intelligence (AI) that creates opportunities for all, always placing people at the centre. AI plays a central role in many of the Foundation's initiatives, underpinning projects in education, art and culture, social action, volunteering and employment-focused training.

As part of its strategy, Fundación Telefónica leverages public-private partnerships to expand the reach and sustainability of its projects. Operating in 30 countries with a transformative mission, the Foundation addresses individual needs, while contributing to the economic, social and cultural development of communities. Its social impact – defined by the number of people who directly or indirectly benefit from its TVET initiatives – has reached 16.2 million.

A key example of Telefónica's commitment to lifelong learning is *Skills Bank*, which focuses on identifying and developing AI-related capabilities within the organisation (UNESCO, 2024[54]). The company has updated its learning model to personalise and tailor training offerings to the preferences and existing skills of each professional. Another flagship initiative is *Universitas*, Telefónica's corporate university, which offers both in-person and online courses in digital and human skills (Fundación Telefónica, 2022[55]). This unique platform provides customised training for all employees and includes specialised courses for executives and managers to strengthen leadership capabilities.

In Brazil, for instance, Telefónica (operating as Vivo) delivers comprehensive training and development programmes to foster innovation and employee growth. *Vivo Explore*, a dedicated development centre, offers resources on both soft and technical skills, structured around four pillars: human skills, leadership, creativity and technology. The *Track Future Professional* programme aligns with key competencies identified by the World Economic Forum. Meanwhile, *Explore+* and *Explore+ Leadership* provide educational subsidies, enabling employees to pursue undergraduate and postgraduate degrees, certifications, language courses and more – with up to 100% of tuition reimbursed. Through *Galena Educational Partnerships*, employees can access free learning content and receive discounts of up to 80% on courses from partner institutions. *Tech Mind* delivers leadership training in emerging technologies, such as AI, Big Data, Internet of Things and Cloud computing. The *Women's Leadership Programme* is tailored for women in executive roles, while *Xponetial Business Administration* provides executive education with a focus on innovation and future technologies.

Telefónica also supports TVET pathways for incoming talent. The *Trainee Programme* identifies and accelerates top future talent in strategic areas, with a strong emphasis on leadership and inclusion. It offers MBA opportunities, job rotations, mentoring, shadowing and project pitching. The *Internship Programme* helps university students develop technical and behavioural skills, with a focus on supporting women of colour. The *Young Apprentice Programme* promotes social inclusion by developing young talent and supporting functional quota compliance, contributing to long-term business sustainability.

Telefónica also views diversity as a key driver of talent and is committed to creating inclusive, accessible environments where everyone can thrive. Targeted initiatives include specialised training and recruitment programmes for people with disabilities, mentorship for women and minority groups, and support measures for LGTBQ+ and older employees. By expanding access to leadership and fostering the development of underrepresented groups, Telefónica contributes to more inclusive labour markets and helps reduce inequalities.

To strengthen gender diversity, Telefónica actively promotes internal TVET initiatives that support the development and leadership of women across the organisation. It links 5% of employees' variable compensation to the proportion of women in executive roles. Core actions include ensuring pay equity, increasing women's participation in science, technology, engineering, arts and mathematics (STEAM) and digital fields, promoting work-life balance and advancing women into leadership positions. In 2025, women hold 34% of executive roles globally, with a target of 37% by 2027. In Latin America, women represent 33.6% of executives in Brazil and 35.5% in Hispanic America. Telefónica also offers mentoring programmes and support networks to facilitate women's career advancement.

In Brazil, initiatives such as *Women in Leadership*, *Leadership Academy* and *Women in Technical Fields* are central to these efforts – 284 women in STEAM fields have participated in the *Leadership Academy* alone. In Hispanic America, programmes like *Futura* and *Womentech* provide certified leadership training to equip women with the tools and confidence to advance professionally. To achieve these objectives, Telefónica leverages a strong network of strategic partnerships. In Brazil, for example, it is part of *Movimento Mulher*, a business coalition advocating for racial and gender equality, and the prevention of violence against women and girls.

Training plays a key role in fostering inclusion. Telefónica addresses topics like valuing differences, unconscious bias and inclusive leadership through workshops and online courses. Specialised training is also provided to key staff to embed inclusive practices throughout the organisation. Telefónica's internal training efforts extend to other companies in its value chain. One notable example is the *Mujeres en Red* (Women in Network) programme, launched in Peru in 2020 to tackle the underrepresentation of women in technical telecommunications roles – an area historically dominated by men (Telefónica, 2023[56]).

Mujeres en Red: Implementation process

Launched in 2020 in partnership with contractor companies, *Mujeres en Red* aims to improve the employability of women in technical telecommunications roles and challenge gender stereotypes in the sector. This training programme reflects Telefónica's commitment to ''making the world more human by connecting people's lives,'' a vision that depends on diverse talent at every level of the organisation. As part of Telefónica's broader sustainability strategy, the initiative prioritises gender equity and is closely aligned with its core business objectives.

The programme is structured around five core pillars:

1. **Recruitment and selection:** Partner companies oversee recruitment and hiring of female technicians, supported by allied organisations and targeted outreach via social media.
2. **Training:** Women receive technical, practical and emotional training, with emotional support also extended to male colleagues to encourage workplace allies for gender equity.
3. **Safety:** Telefónica audits its contractors to ensure compliance with safety standards and labour regulations, particularly those affecting gender equity.
4. **Indicators:** The programme tracks key performance indicators, such as customer satisfaction and productivity, with continuous improvement plans informed by the data.
5. **Communication and positioning:** Success stories are promoted across various channels to inspire more women to enter the field.

Challenges and lessons learned

Mujeres en Red was not modelled on European education systems and its implementation in Peru has been tailored to local realities in the telecommunications sector. One of the main challenges has been overcoming the stereotype that technical roles are exclusively for men. *Mujeres en Red* has demonstrated that women can – and should – thrive in technical roles, breaking long-standing barriers and expanding their career horizons.

Strategic partnerships have been essential to the programme's success. Collaborations with contractor companies are critical for the recruitment, training and professional development of participants, while partnerships with educational institutions help identify and promote female talent in technical fields.

Santander: Leveraging university alliances to boost youth employability

Banco Santander, one of Spain's largest financial institutions and a leading banking group in Europe and Latin America, is widely recognised not only for its financial services, but also for its long-standing commitment to social responsibility and inclusive development. For nearly 30 years, Santander has embedded skills development and employability into its social investment strategy, focusing on three key pillars: education, employability and entrepreneurship. In 2024 alone, the bank allocated EUR 104 million to these areas, with approximately EUR 20 million directed specifically to Latin America – including Mexico, Brazil, Chile, Argentina and Uruguay – underscoring the region's strategic importance in Santander's global social investment agenda.

Santander also promotes social inclusion through *Fundación Universia*, which offers tailored scholarships and training for individuals with disabilities and those at risk of social exclusion (Fundación Universia, 2025[57]). While currently active only in Spain, the foundation is expanding to Latin American countries in 2025. All other aforementioned initiatives – *Santander Open Academy*, *Universia*, *MetaRed* and *Campus Digital* – are already fully operational and scaled across the region.

Challenges and lessons learned

Despite the programme's reach, several challenges persist. **The digital divide remains a barrier** as disparities in Internet access and technology infrastructure hinder the delivery of digital training across some parts of the region. Adapting content and delivery methods to diverse local contexts, socio-economic realities and regulatory environments also requires considerable flexibility.

Ensuring social inclusion – that programmes effectively reach vulnerable populations and individuals with disabilities – demands sustained outreach and tailored programme design. Additionally, measuring long-term impact, such as employability and initiative sustainability, proves complex and often necessitates multi-stakeholder co-ordination.

To address these challenges, Santander emphasises co-creation with local stakeholders, including universities, public authorities and private partners to ensure alignment with required skills. Collaborative platforms like *MetaRed* facilitate the exchange of best practices, and support digital transformation and institutional innovation. Another key lesson learned is the value of flexible delivery models – online, hybrid, and in-person – to maximise accessibility. The bank also continues to expand initiatives for vulnerable groups, recognising the potential for high-impact, inclusive outcomes.

Results

Santander's efforts have also contributed to reducing educational dropouts due to hardship through financial aid and increased equitable access to higher education and international mobility. This has thus contributed to reducing inequality and bridging the skills gap in Latin America. The bank also promotes gender inclusion through programmes like the *Santander W50 Leadership Programme*, which supports the advancement of women into leadership positions. Finally, the availability of training in technological skills has helped reduce the digital divide, facilitating broader participation in the knowledge economy and contributing to more inclusive socio-economic development across the region.

By embedding skills development into its social investment strategy and strengthening ties between universities, students and industries, Santander reinforces its commitment to inclusive growth, talent development and sustainable value creation in Latin America.

Siemens: Enhancing STEM education

Siemens is a German multinational technology company, with a focus on infrastructure, healthcare, transport and industry fields. The firm believes that, in times of technological development, TVET in science and technology is not only a cornerstone of the firm's future success, but also s key factor for creating jobs and ensuring prosperity (Siemens Stiftung, 2018[58]). Primarily through its independent foundation Siemens Stiftung, Siemens has been implementing international initiatives that contribute to social development (UNESCO, 2025[59]). In 2020, 10,400 young professionals – among which 70% in Germany – were enrolled in dual training at Siemens (Siemens, 2020[60]). These programmes provide training across commercial and technical disciplines, introducing key digitalization topics – such as data analytics, software development, and cybersecurity – into the curricula for all apprenticeships and dual training programmes. A key priority of these TVET programmes is fostering the responsible use of digital technologies, which are profoundly reshaping both the workplace and society (Siemens, 2020[60]).

In LAC, Siemens Stiftung promotes sustainable social development by advancing STEM education and supporting the development of social innovation and education ecosystems (Siemens Stiftung, 2024[61]). Through strategic collaborations in the fields of education, social entrepreneurship, and arts and culture, Siemens Stiftung concentrates its efforts on three key thematic areas: Access to Essential Services, Connected Societies, and Climate and Sustainability (UNESCO, 2025[59]).

Additional training programmes and implementation processes

STEM regional education initiatives

Siemens Stiftung is prioritizing STEM education to enhance social development in the region (Siemens Stiftung, 2018[58]).The German firm believes that a successful education – one that achieves real impact and meaningful change – must be the result of open and dynamic collaboration (Siemens Stiftung, 2025[62]). Consequently, Siemens Stiftung initiated the *STEM Network Latin America*: a regional network comprising over 200 institutions from 14 countries, including universities, NGOs, and international organizations like UNESCO (Siemens Stiftung, 2023[63]). On January 29th, 2023, the Declaration of Monterrey was signed by 115 representatives from 63 institutions from 12 countries aiming to ''shape committed, responsible, and empathetic citizens who actively contribute to building sustainable communities and territories'' (Siemens, 2023[64]). Siemens and its partners pursue this goal by promoting STEM education as a transformative and innovative approach to holistic learning (Siemens, 2023[65]).

The Network collaborates to provide and refine quality STEM educational content, training programmes, and to advocate for STEM education among policymakers and educators. It is structured around eight thematic working groups: sustainable development and climate change, design thinking, technical education, gender, computational thinking, health, financial education, and early childhood (Siemens Stiftung, 2023[66]).

In support of its mission, the Network advances five strategic objectives:

1. fostering inclusive dialogue and collaborative action to promote quality education that supports equity and social transformation in Latin America
2. promoting pedagogical innovation to generate relevant and meaningful learning experiences
3. strengthening local and regional capacities for educational innovation grounded in the STEM approach
4. advancing the open education movement to expand access to knowledge and resources
5. producing and disseminating evidence-based knowledge to inform educational transformation through research and systematization (Siemens Stiftung, 2023[63]).

The Network also organizes annual meetings (e.g., IV Encuentro in Cali) to set regional priorities and promote inclusivity, digitalization, and sustainability in education. These gatherings facilitate the exchange of best practices in public policy, educational management, and pedagogy, while also providing an intersectoral platform for sharing and amplifying STEM education initiatives (Siemens Stiftung, 2025[62]). In collaboration with these partners, Siemens implements education projects with a focus on STEM+ – a holistic approach that, in addition to science and mathematics, integrates communication and collaboration skills, creative and critical thinking, and intercultural understanding. This comprehensive framework equips children and young people with the tools they need to navigate the future (Siemens Stiftung, 2024[61]). Four education and training initiatives stand out: *STEM Education for Innovation*, *Open Educational Resources Centre for STEM teaching, Experimento,* and *Experimento Blended.*

STEM Education for Innovation

In response to the COVID-19 pandemic, which evidenced the need for digital teaching, Siemens launched the *STEM Education for Innovation* initiative (Siemens, 2022[67]). This initiative aims to address the current global challenges – such as climate change, digitalization and health –, by providing online open educational resources for students and teachers on STEM subjects. Operating in seven countries in LAC (Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, and Peru), this programme supports 14 projects in digital transformation (Siemens, 2022[67]), leading to the following achievements:

- Creation of the *Open Educational Resources Centre* (CREA): over 400 open-license digital teaching materials for all education levels to foster accessible STEM education. These materials provide suggestions for STEM teaching and elements to stimulate students' learning in STEM.
- Establishment of *Redecanedu*, a collaborative network connecting deans of 44 universities in 13 countries.
- Formation of virtual learning communities for teachers in six countries.
- Certified learning programmes and regional workshops for teachers on STEM subjects, climate change, health, and sustainability.
- In 2021, more than 300 000 teachers participated in web-based seminars on innovative STEM content and methods, impacting hundreds of thousands of students in seven LAC countries.

Additionally, in collaboration with Siemens Foundation Argentina, the *Solid Edge for Social Impact* project – part of the *STEM Education for Innovation* initiative – enhances technical education in secondary schools by emphasising digital skills development and offering international certifications in technical and digital competencies (Siemens Stiftung, 2024[68]).

Open Educational Resources Centre

Additionally, one of Siemens Stiftung's key objectives is to ensure that an increasing number of people have free access to quality STEM education. Consequently, Siemens launched CREA, which provides free public access to over 1,800 STEM teaching materials and training courses, including climate change education, robotics, and computational thinking (Siemens Stiftung, 2025[62]; 2025[69]). The platform is a central hub for distributing STEM resources developed by Siemens Stiftung and its partners, supporting both teachers and students throughout Latin America (Siemens Stiftung, 2025[69]). By continuously investing in the development and dissemination of open educational resources, Siemens is helping expand access to quality education and promote equal opportunities for all (Siemens Stiftung, 2023[70]).

Assessing the Socio-economic Impact of Foreign Direct Investment in Latin America and the Caribbean

A Focus on EU Investments

The report assesses the contribution of foreign direct investment (FDI) to sustainable development in Latin America and the Caribbean (LAC) over two decades (2003-2023), with a focus on investment coming from the EU. It analyses the socio-economic impact of FDI, as well as the characteristics of sectors receiving EU investment, complemented by national and thematic case studies. The report draws on interviews with EU businesses operating in LAC.

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