

FDI trends and the Green Investment Opportunity

UNCTAD-KenInvest Workshop
Promoting FDI in the Solar Energy Sector

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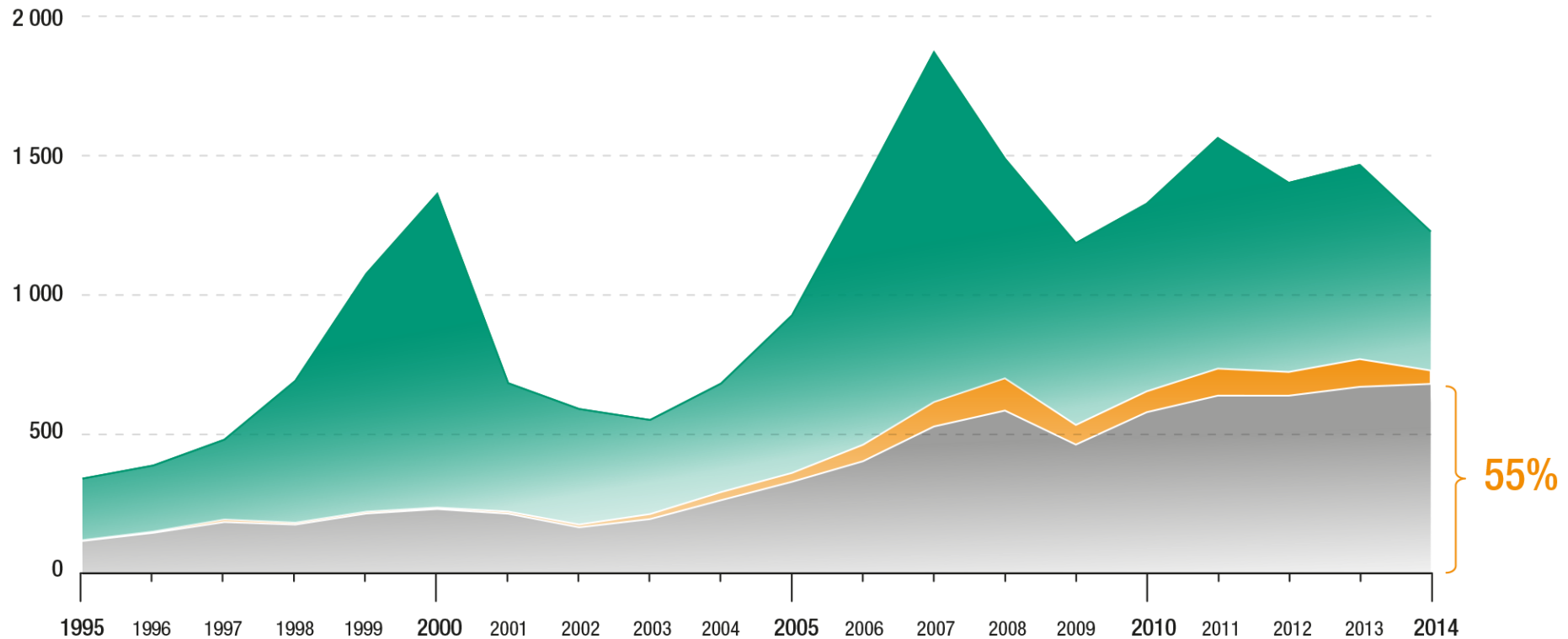
Chief, Investment Promotion Section

UNCTAD

Global FDI flows declined in 2014

FDI inflows, global and by group of economies, 1995–2014
(billions of US dollars)

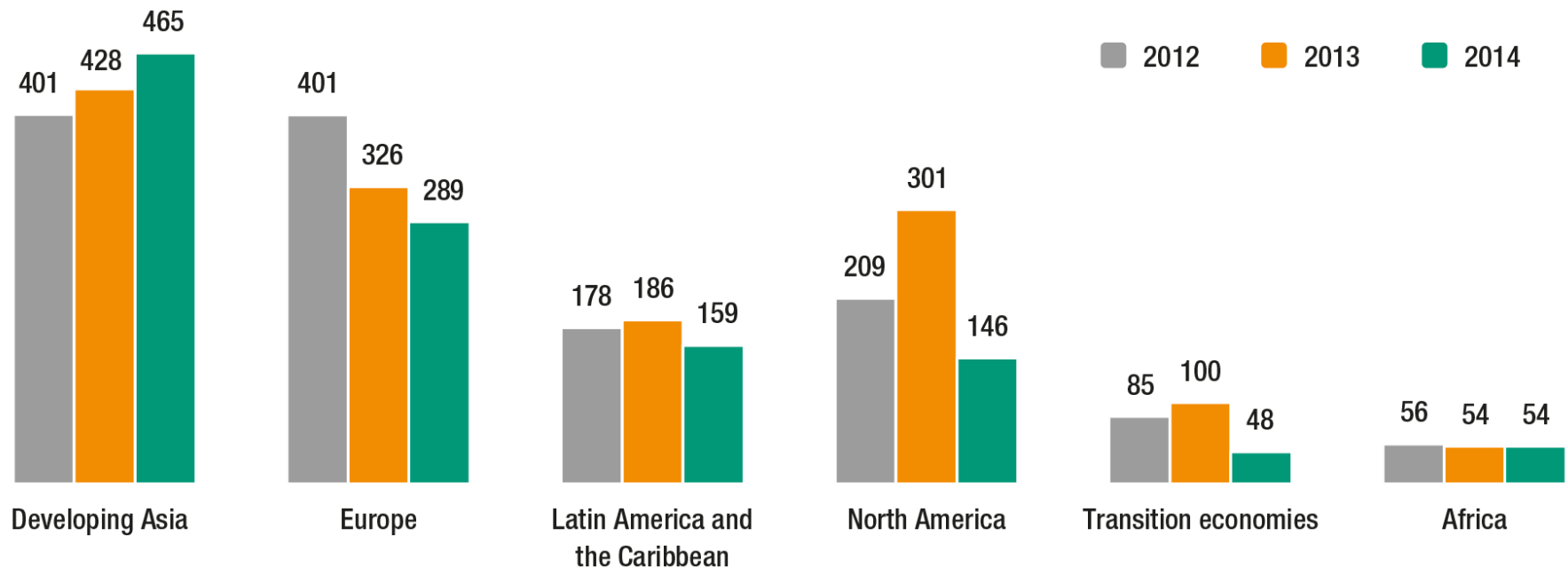
■ Developed economies ■ Transition economies ■ Developing economies — World total



Source: UNCTAD 2015 *World Investment Report*

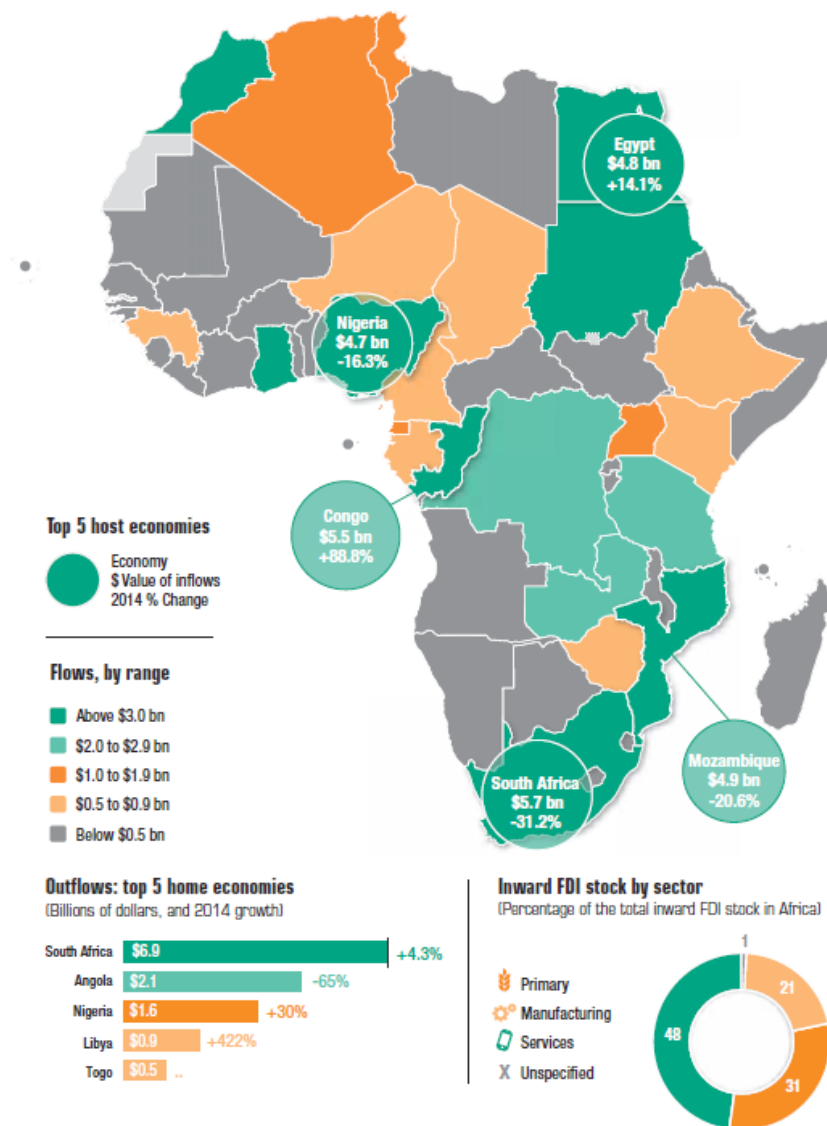
Asia drives the increasing developing-country share

FDI inflows, by region, 2012–2014
(billions of US dollars)



Source: UNCTAD 2015 *World Investment Report*

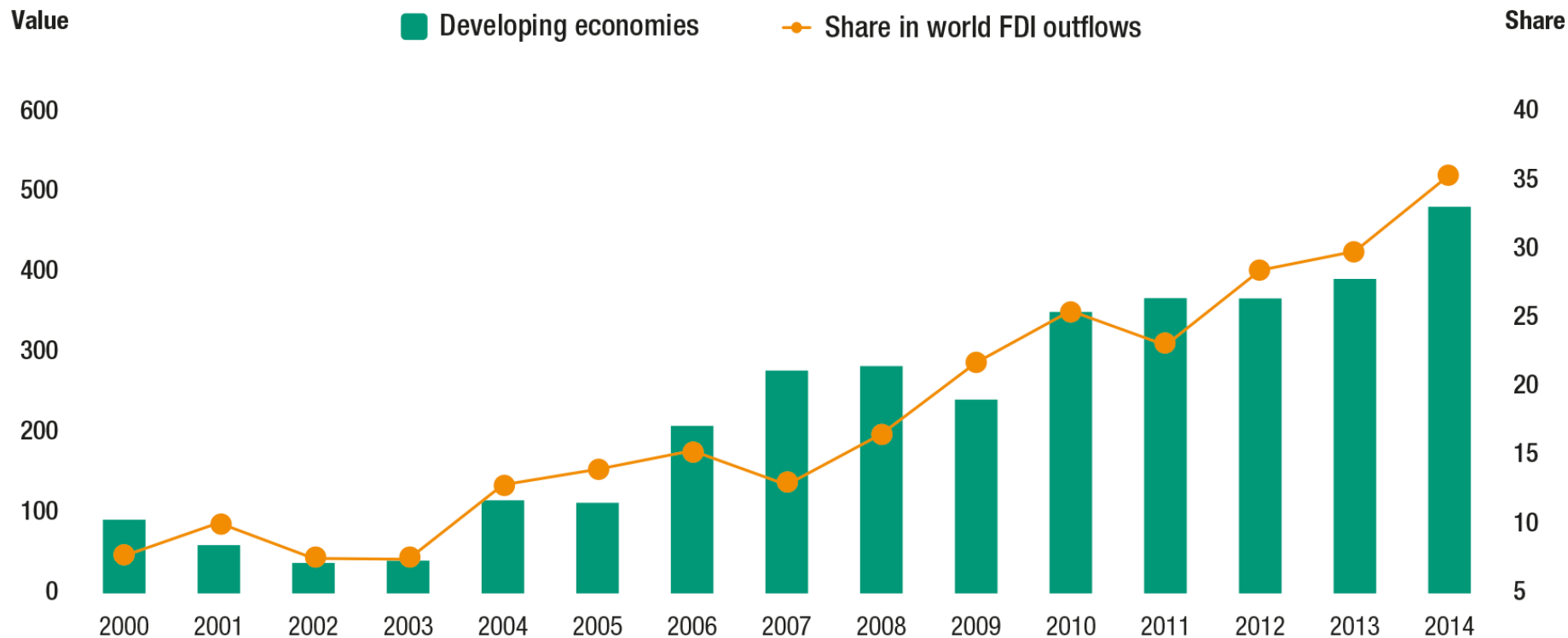
Top five host African economies for FDI in 2014



Source: UNCTAD World Investment Report 2015

Outward FDI from developing economies also at record

Developing economies: FDI outflows and their share in total world outflows, 2000–2014
(billions of US dollars and per cent)

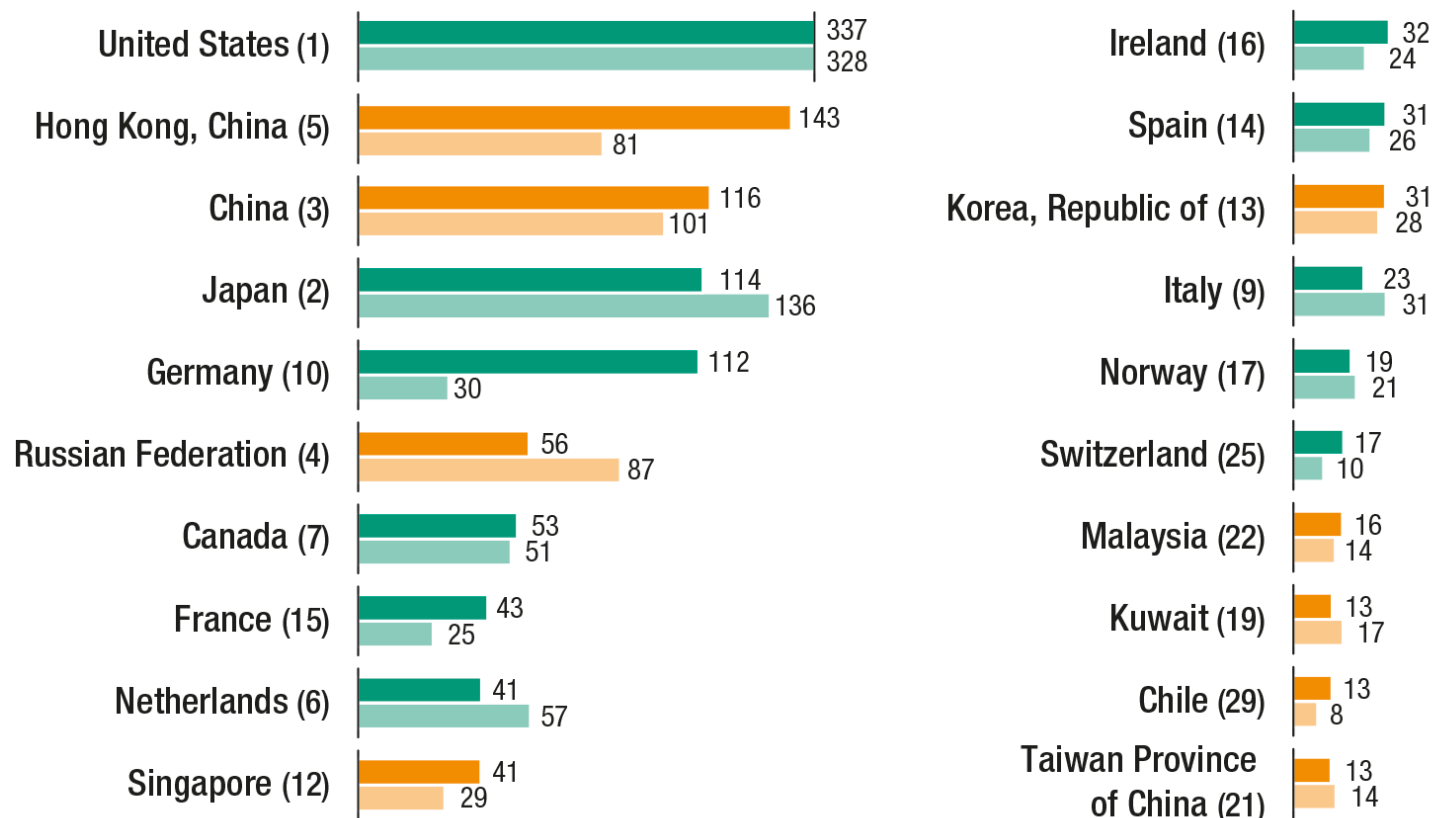


Source: UNCTAD 2015 *World Investment Report*

Developing/transition economies: 9 of the top 20 investors

FDI outflows: top 20 home economies, 2013 and 2014
(billions of US dollars)

(x) = 2013 ranking



Developed economies

■ 2014 ■ 2013

Developing and transition economies

■ 2014 ■ 2013

Source: UNCTAD 2015 World Investment Report

FDI recovery is in sight

Developed countries should see a large increase in flows in 2015
Flows to developing countries will remain high

Projections of FDI flows, by group of economies (Billions of dollars and per cent)

	Averages		2013	2014	Projections		
	2005–2007	2009–2011			2015	2016	2017
Global FDI flows	1 397	1 359	1 467	1 228	1 368	1 484	1 724
Developed economies	917	718	697	499	634	722	843
Developing economies	421	561	671	681	707	734	850
Transition economies	60	81	100	48	45	47	53
Memorandum	Average growth rates		Growth rates		Growth rate projections		
	2005–2007	2009–2011	2013	2014	2015	2016	2017
Global FDI flows	40.1	3.1	4.6	-16.3	11.4	8.4	16.2
Developed economies	48.2	3.0	2.7	-28.4	23.8	13.9	16.7
Developing economies	26.1	4.8	5.0	1.6	3.3	3.9	15.8
Transition economies	48.0	-1.1	17.0	-51.7	-2.3	5.3	12.3

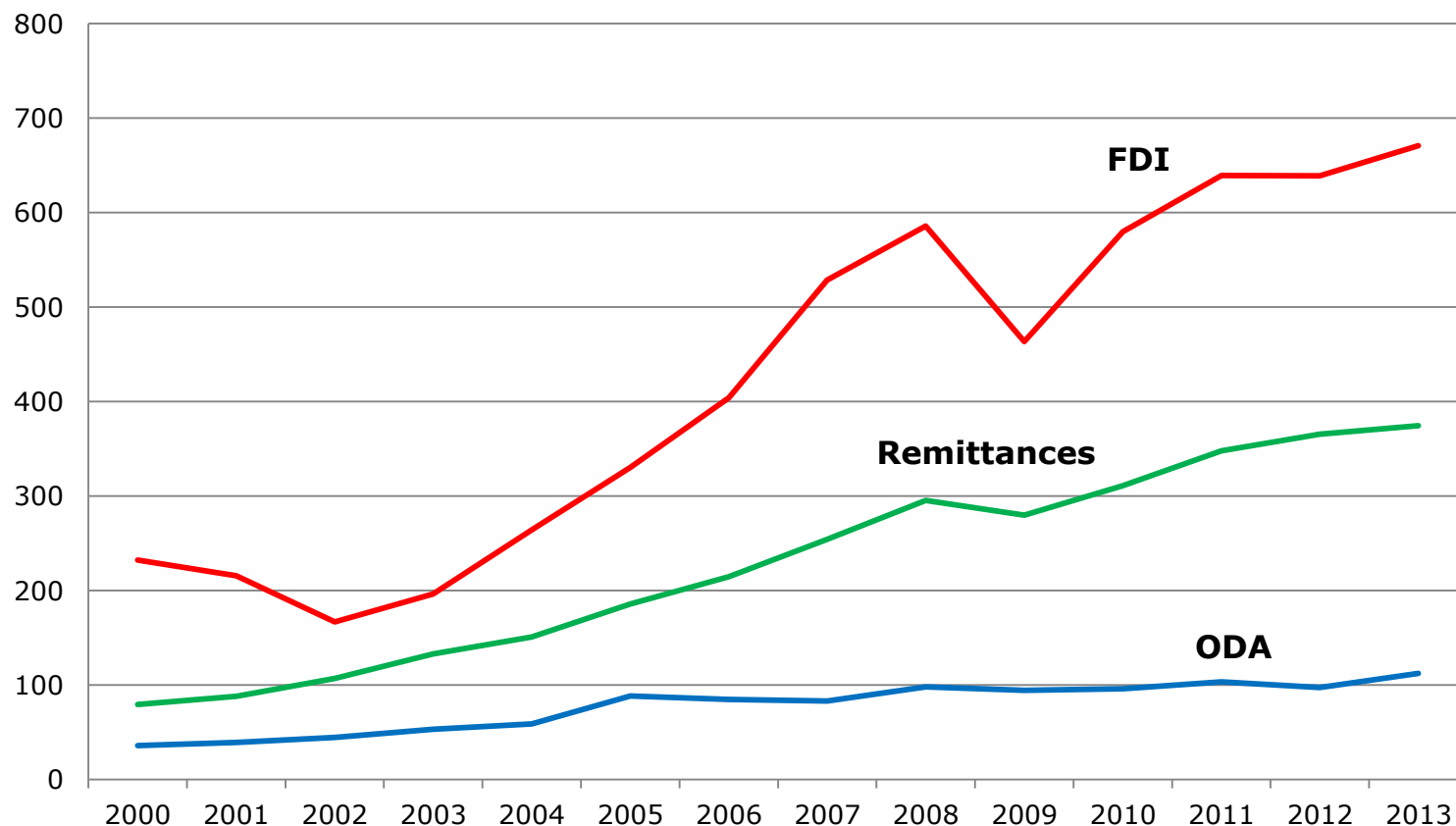
Source: UNCTAD.

Note: Excludes Caribbean offshore financial centres.

Source: UNCTAD 2015 World Investment Report

FDI is the largest source of development finance

FDI, remittances, and ODA to developing economies^a, 2000–2013
(billions of US dollars)



Source: UNCTAD (FDI and remittances) and OECD (ODA)

^a Excluding the Caribbean financial centres

UN Sustainable Development Goals (SDGs)

decided in September 2015

UN SDGs for 2030 focus efforts in fighting poverty and addressing global development and environmental challenges

Sustainable Development Goals

Goal 1. End poverty in all its forms everywhere

Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Goal 3. Ensure healthy lives and promote well-being for all at all ages

Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Goal 5. Achieve gender equality and empower all women and girls

Goal 6. Ensure availability and sustainable management of water and sanitation for all

Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all

Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Goal 10. Reduce inequality within and among countries

Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable

Goal 12. Ensure sustainable consumption and production patterns

Goal 13. Take urgent action to combat climate change and its impacts

Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development

Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

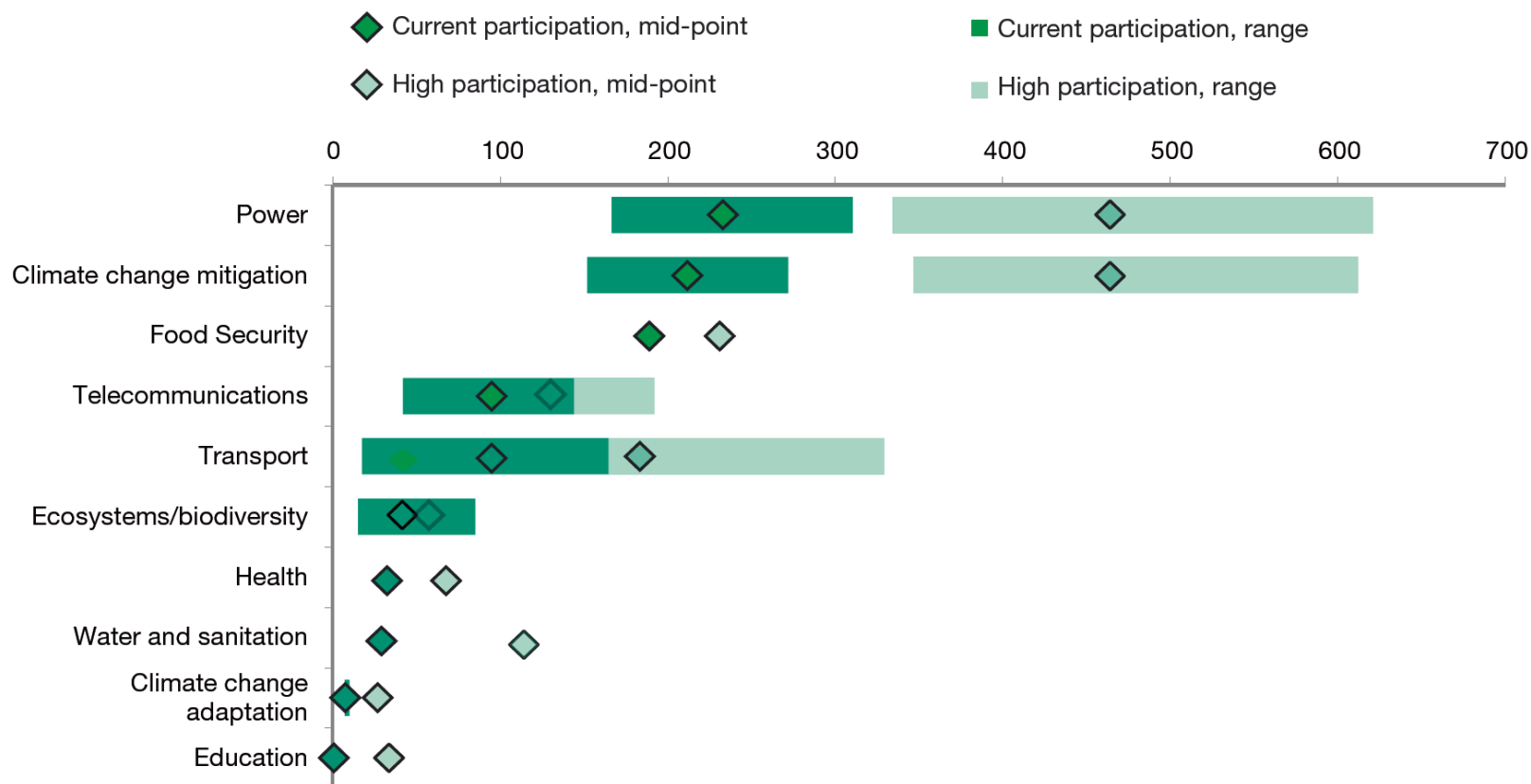
Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Goal 17. Strengthen the means of implementation and revitalize the global partnership for sustainable development

Source: United Nations

The potential for private sector investment is significant

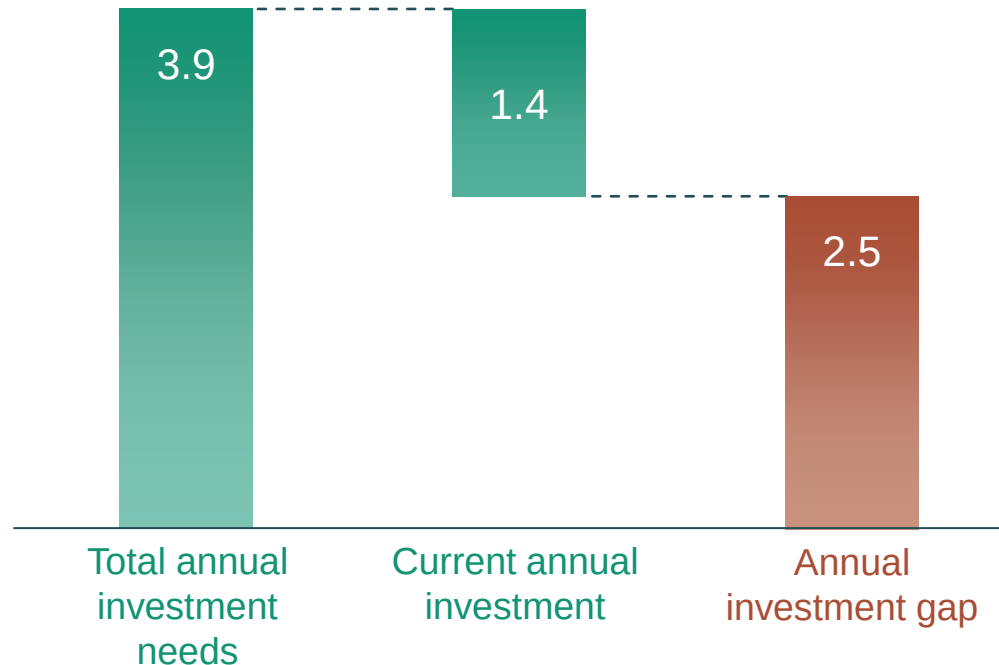
Potential private-sector contribution to investment gaps at current and high participation
(billions of US dollars)



Source: UNCTAD *World Investment Report* 2014

The SDGs will need to bridge a large investment gap

Estimated annual investment needs in key SDG sectors in developing countries,
2015–2030 (trillions of US dollars, annual average)



Source: UNCTAD *World Investment Report* 2014

Promoting SDG projects

New targets – new approaches - new challenges for IPAs

Broaden IPA's network of in-country partnerships

Develop pipelines of bankable SDG projects, *incl. green projects*

Broaden contacts with potential investors

Regional cooperation between governments and their IPAs

Develop in-house expertise

Build partnerships with outward investment agencies (OIAs)

Targeting

low-carbon investment

Types of low-carbon investment

Investment in production processes with a reduced GHG impact

- Implementation of energy-saving processes
- Introduction of processes and equipment that reduces GHG emissions
- Use of green construction techniques in building

Investment in clean energy generation

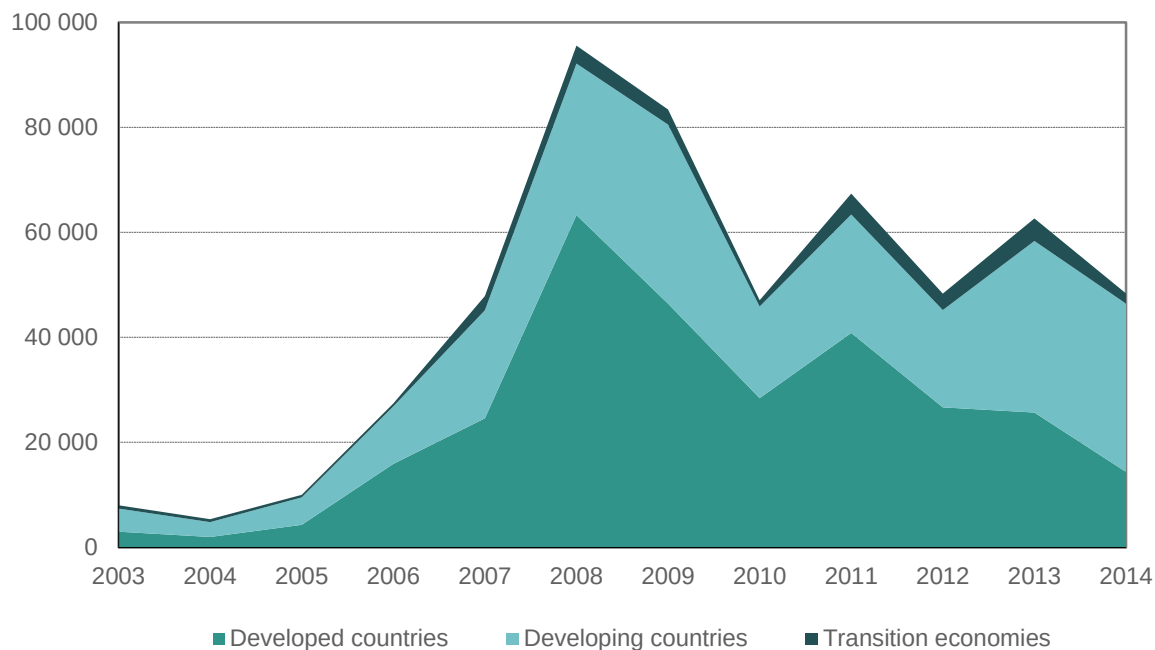
- Solar energy
- Windmill parks
- Hydropower generation
- Geothermal energy facilities

Investment in research and production facilities to manufacture GHG-reducing products and provide related services

- Research in energy efficiency and recycling
- Production of solar panels, windmills
- Production of energy-efficient products (electric cars, light bulbs, etc.)
- Technology services
- Waste management services

Inward greenfield projects in low-carbon sectors decreased globally but their share in developing countries increased

Greenfield projects in selected low-carbon business areas, by group of host economies, 2003-2014 (millions of US dollars)



Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com)

Outward greenfield projects in selected low-carbon sectors back to 2012 levels

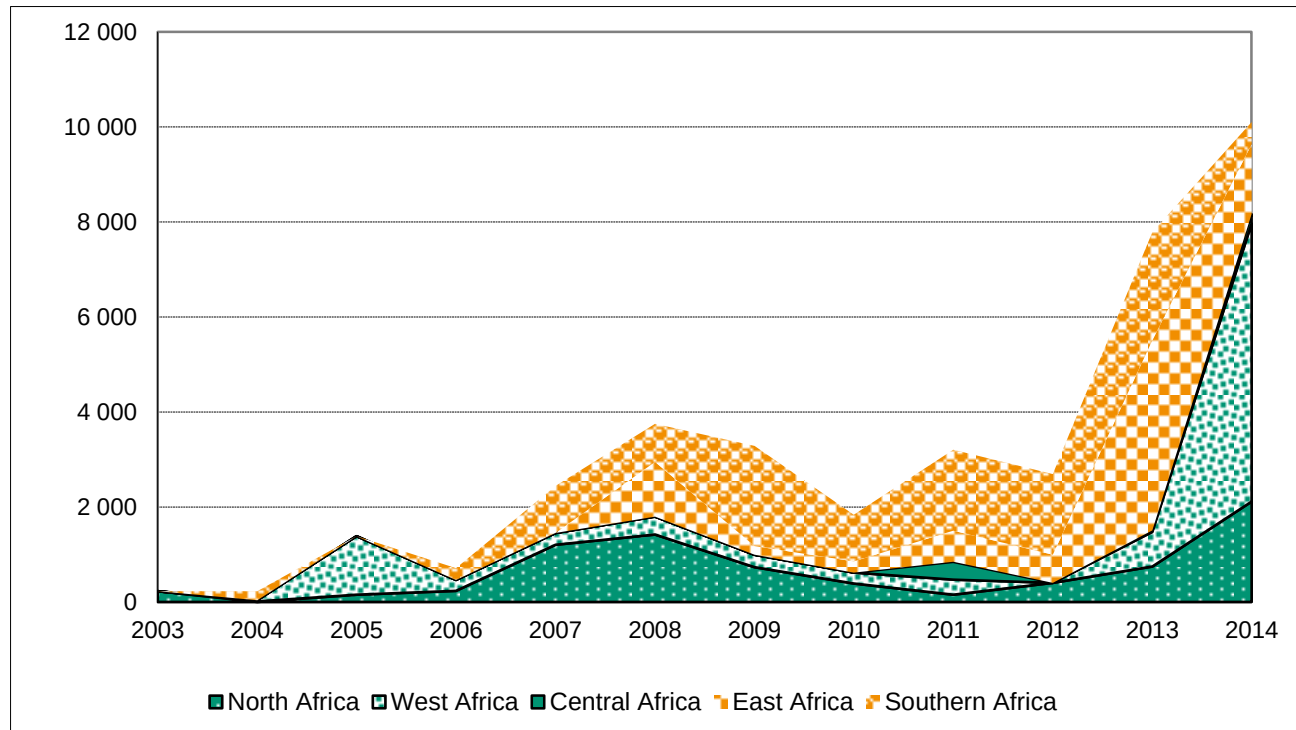
Greenfield projects in selected low-carbon business areas, by group of home economies, 2003-2014 (millions of US dollars)



Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com)

Inward greenfield projects in selected low-carbon sectors in Africa

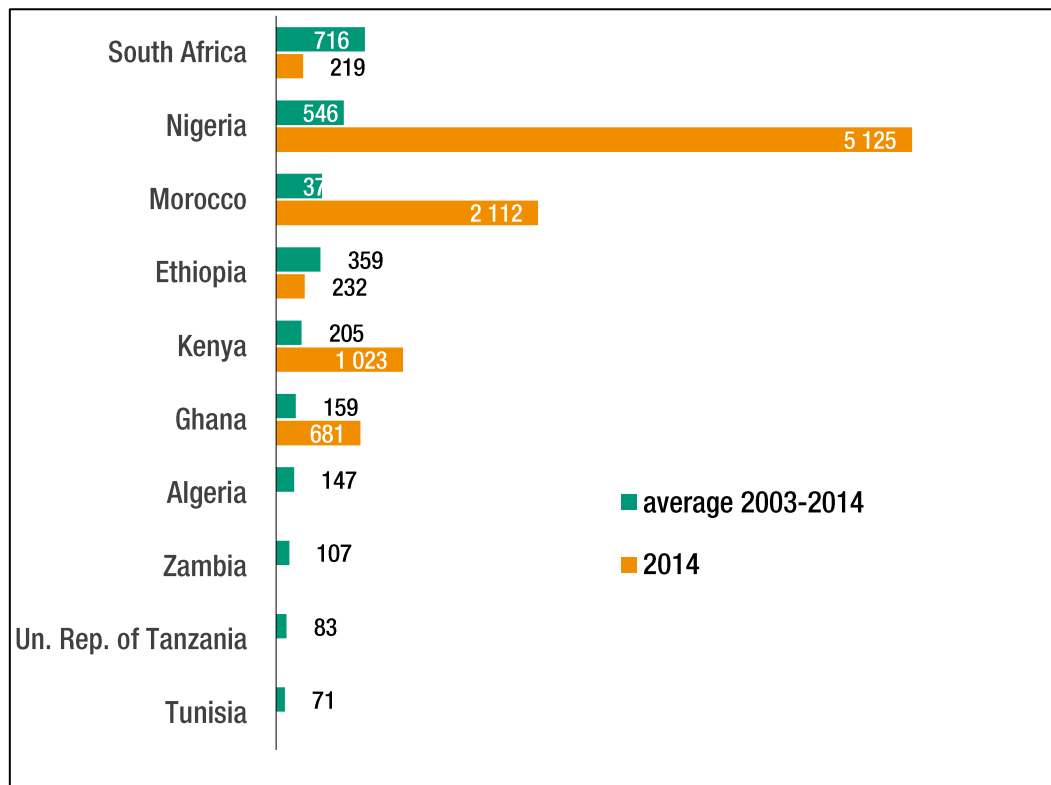
Greenfield projects in selected low-carbon business areas, by group of host economies 2003-2014 (millions of US dollars)



Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com)

South Africa and Nigeria were the top recipients of low-carbon greenfield projects in Africa, 2003-2014

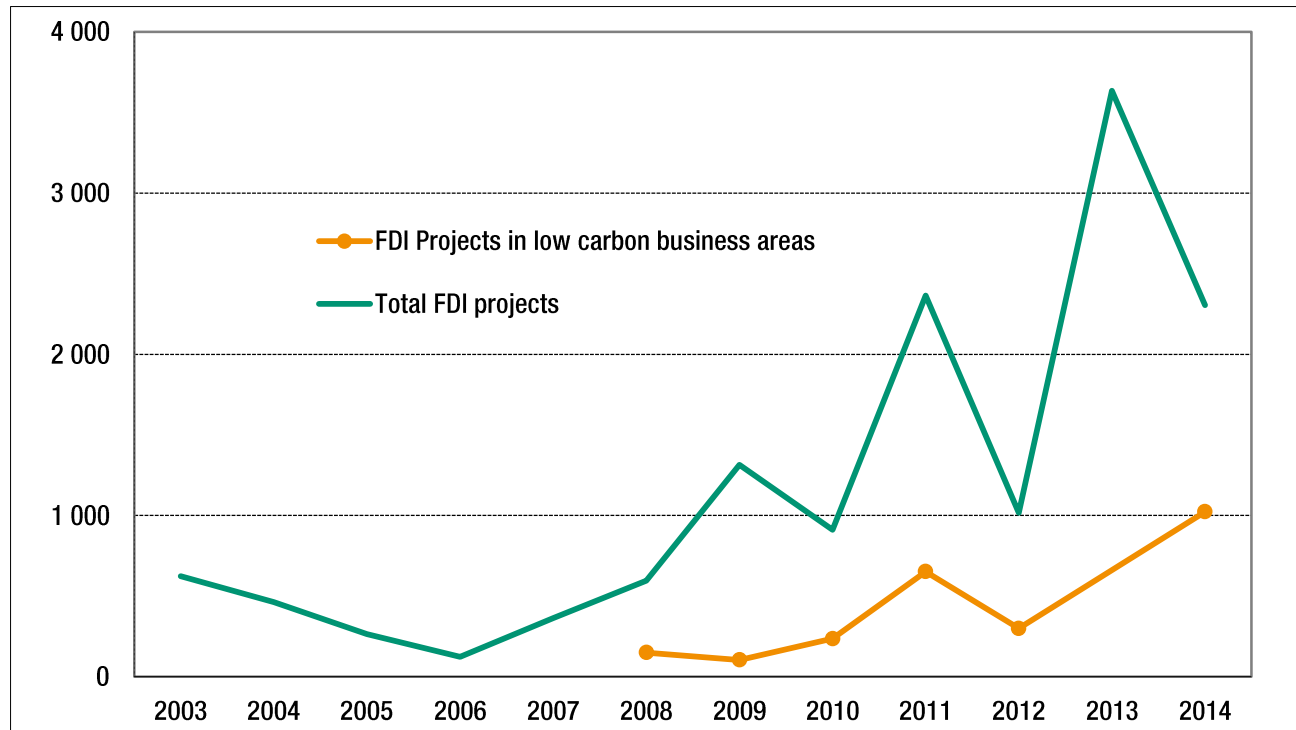
Top 10 greenfield FDI host economies in Africa in selected low-carbon business areas between 2003-2014 (millions of US dollars)



Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com)

Total greenfield FDI projects and projects in selected low-carbon business areas in Kenya, 2003-2014

(millions of US dollars)



Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com)

Why do MNEs engage in low-carbon foreign investment?

Home market
and trade
conditions

Home
government
policies

Costs of
production

Business
conditions

Drivers

- Home-country policies, public opinion and shareholder pressure increasingly drive MNEs to invest into low-carbon activities abroad.

Locational determinants

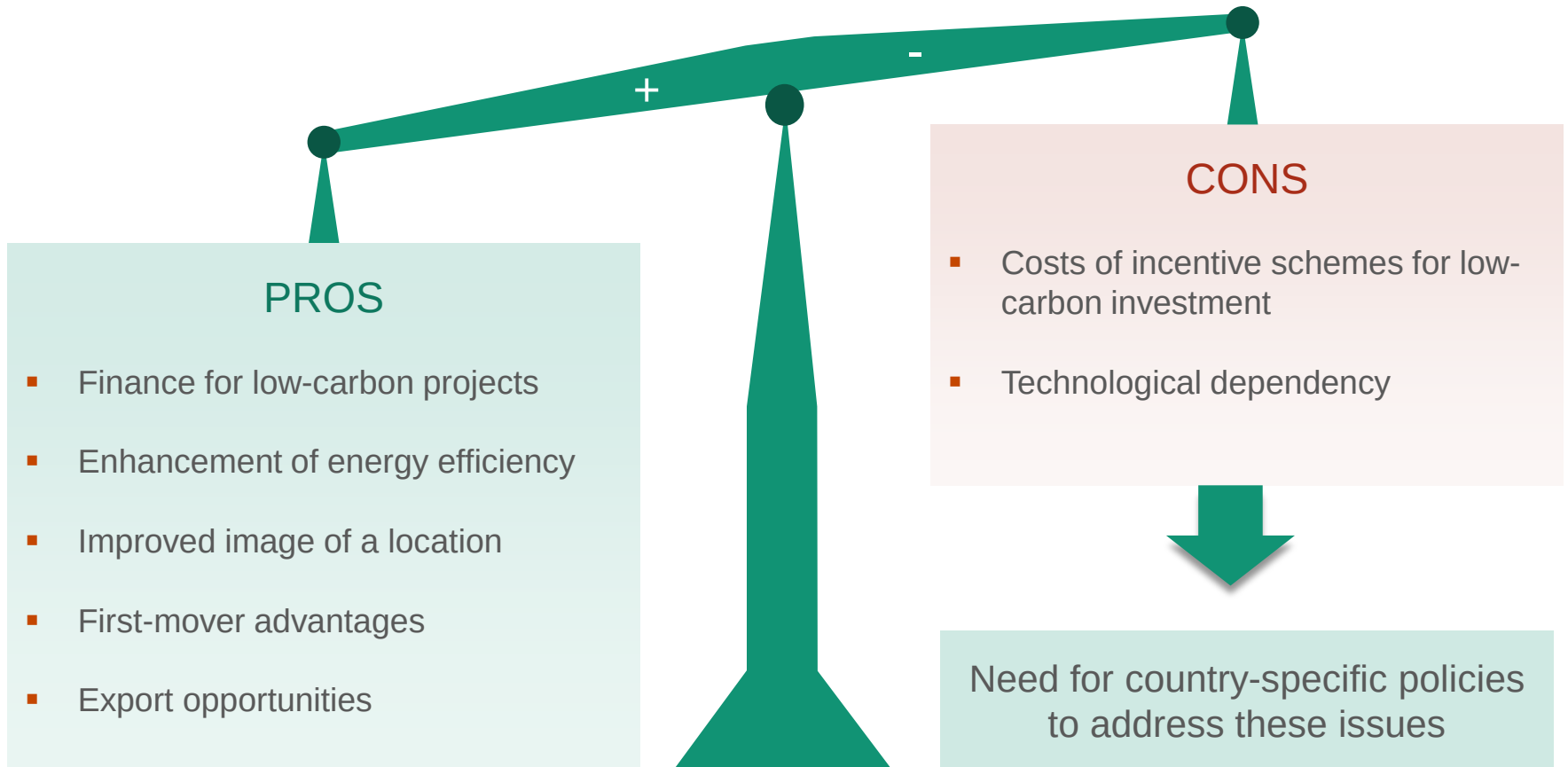
- Tailored policy frameworks and business facilitation are important.
- General factors dominate the economic determinants, but low-carbon investment has some unique aspects.

General policy
framework

Economic
determinants

Business facilitation

Weighing the pros and cons of low-carbon foreign investment



Promotion of low-carbon investment

IPA practices

Targeted promotion

IPAs select and target low-carbon subsectors that match the country's development objectives and for which the location is competitive, e.g., attracting FDI in the manufacturing of solar panels for a fast expanding local market.

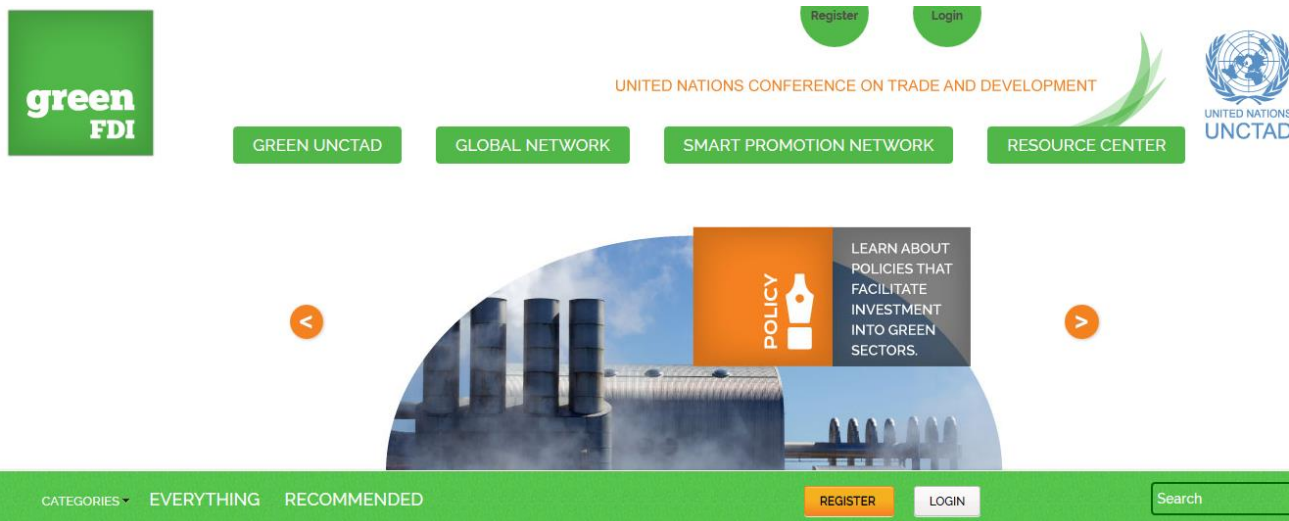
Facilitation and aftercare

Specific focus on networking, matchmaking and the forging of partnerships between low-carbon development stakeholders, including international and domestic companies, local authorities and research institutions, e.g., support in the development of cleantech clusters.

Policy advocacy

Promotion of low-carbon friendly policies and measures for target sectors, e.g., encourage the use of feed-in tariffs mechanisms for renewable energies.

GreenFDI.org, a tool for promoting green investment





UNITED NATIONS
UNCTAD

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