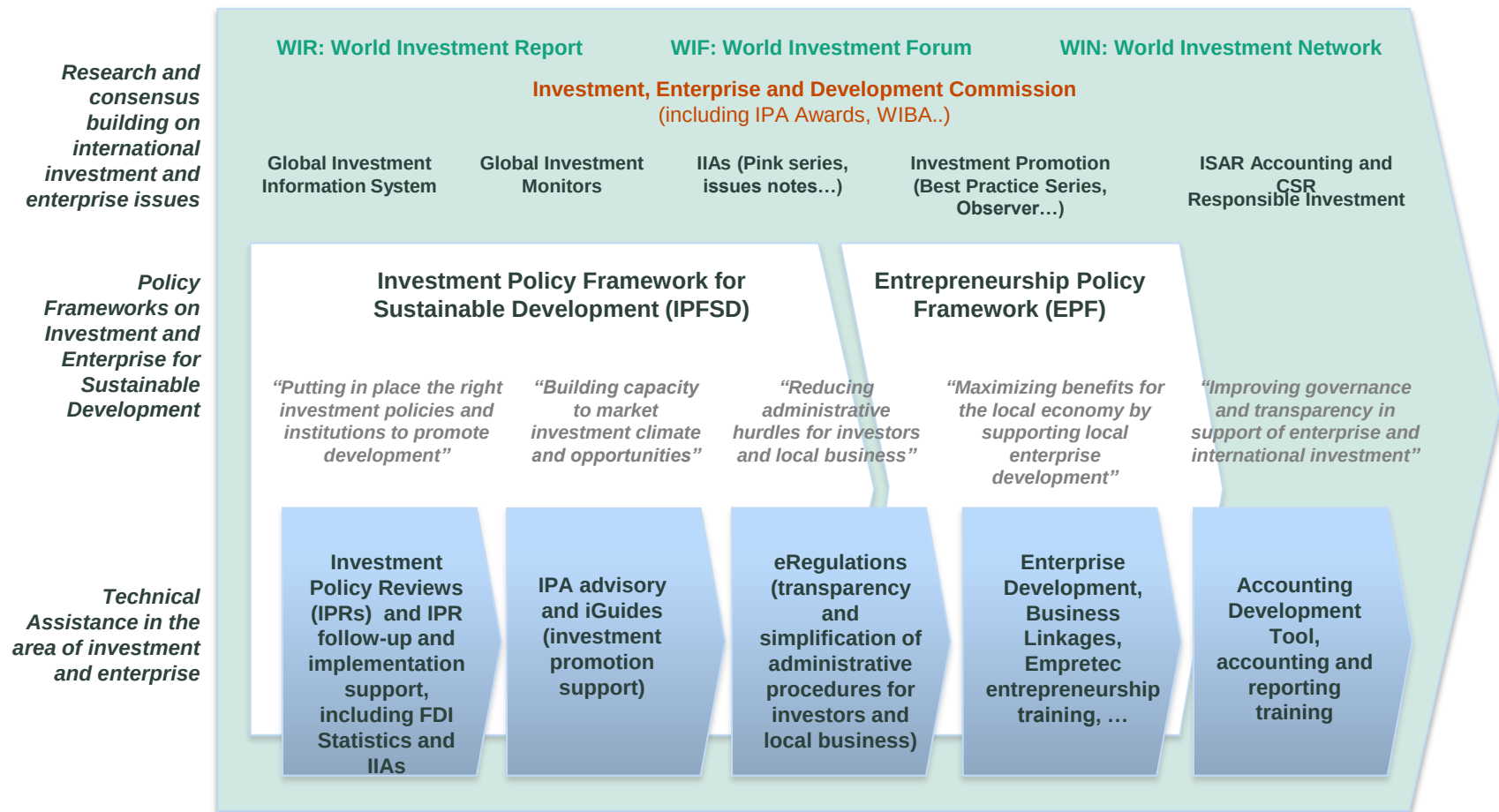


FDI Trends and the SDGs

Regional Seminar on the Promotion of Bankable SDG Projects
29–30 May 2017, Johannesburg

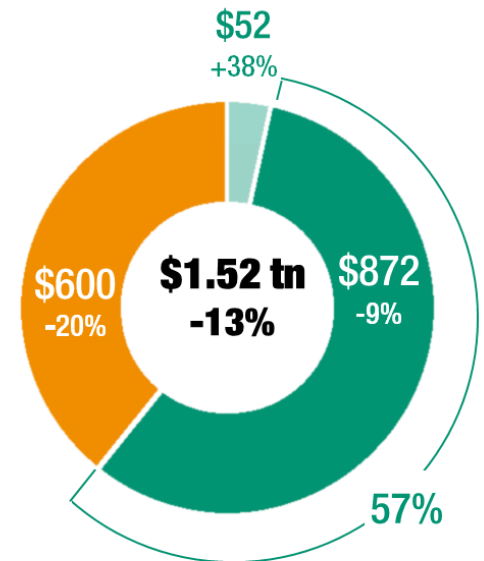
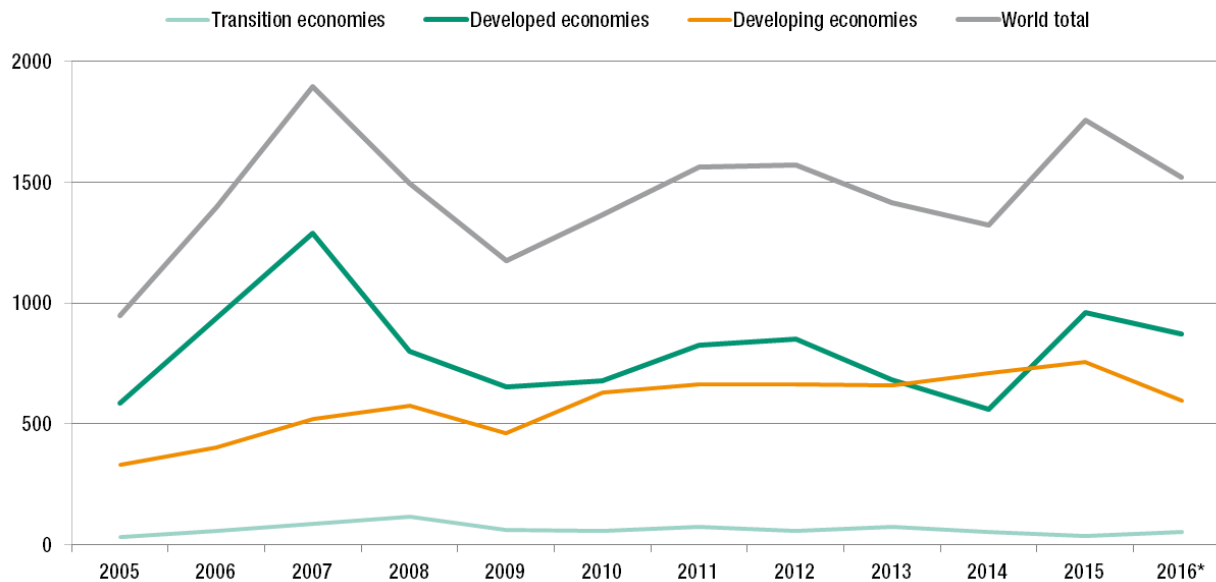
Paul Wessendorp
Chief, Investment Promotion Section
UNCTAD

UNCTAD Division on Investment and Enterprise



Global FDI flows fell 13% in 2016

FDI inflows: global and by group of economies, 2005–2016
(Billions of US dollars)



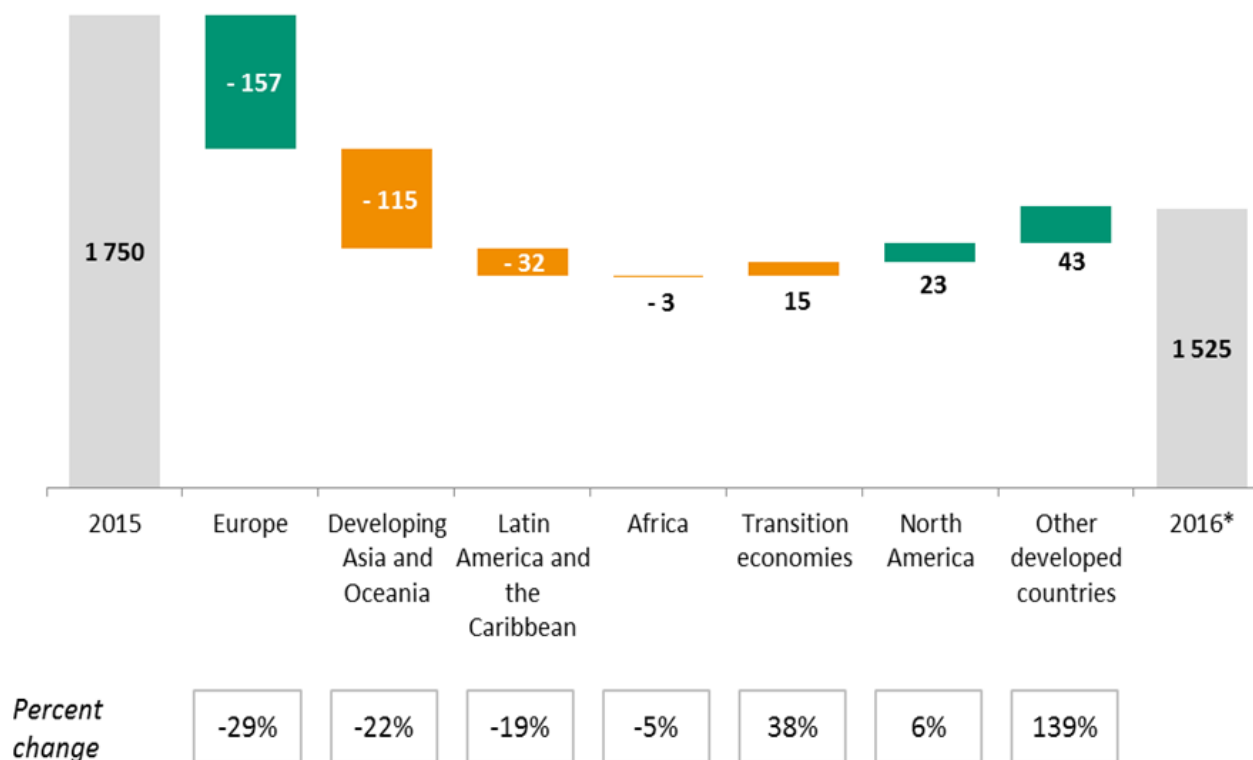
Source: UNCTAD.

*Estimates

Diverging FDI trends among the regions

Regional contribution to global FDI flows, 2015–2016

(Billions of US dollars)

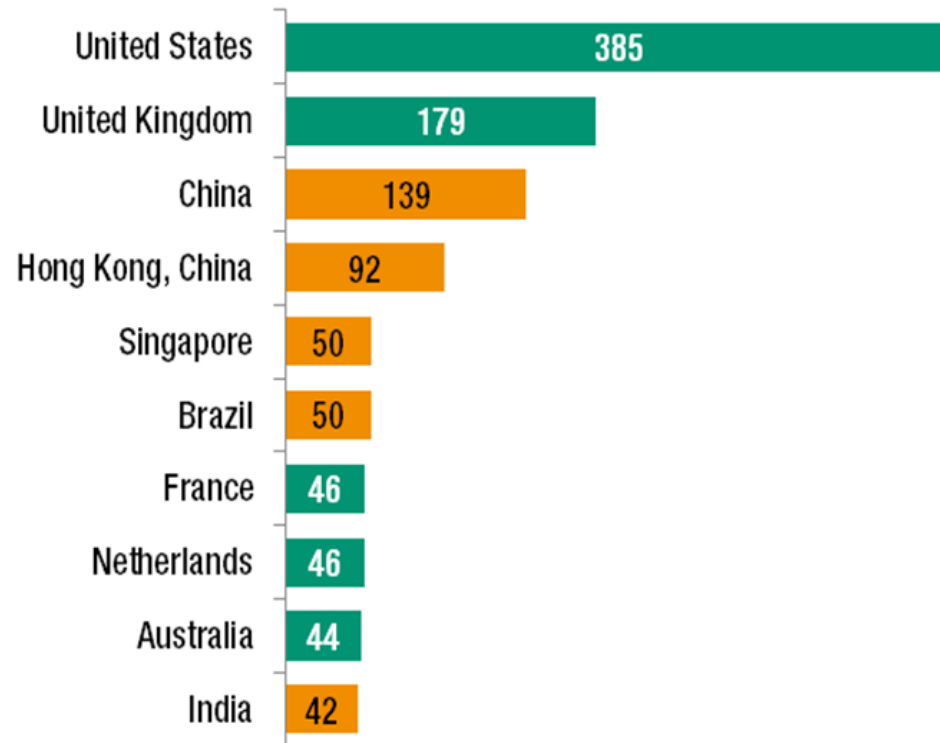


Source: UNCTAD.

*Estimates

Developing economies continue to comprise half of the top 10 host economies

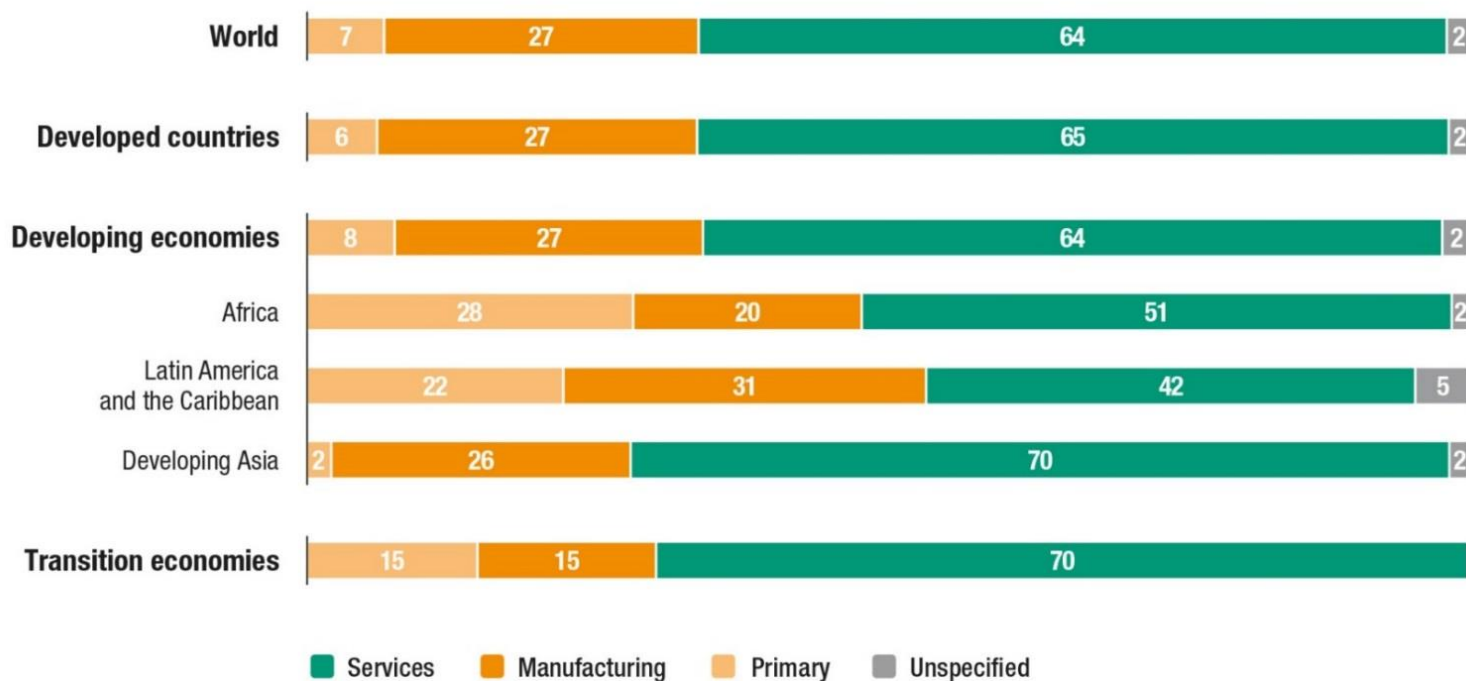
Estimated FDI inflows: top 10 host economies, 2016
(Billions of US dollars)



Source: UNCTAD.

The services sector accounts for almost two thirds of global FDI stock in both developed and developing economies

Global inward FDI stock, sectoral distribution by grouping and region, 2014
(Per cent)



Source: UNCTAD World Investment Report 2016.

Prospects: FDI flows are expected to increase by 10 % in 2017

- Accelerated global economic growth to 3.4%
- Rise in growth in some commodity exporting countries
- Expanded world trade volumes
- Significant uncertainties
- Continued deceleration in global employment growth
- Drop-off in announcements of manufacturing investment projects

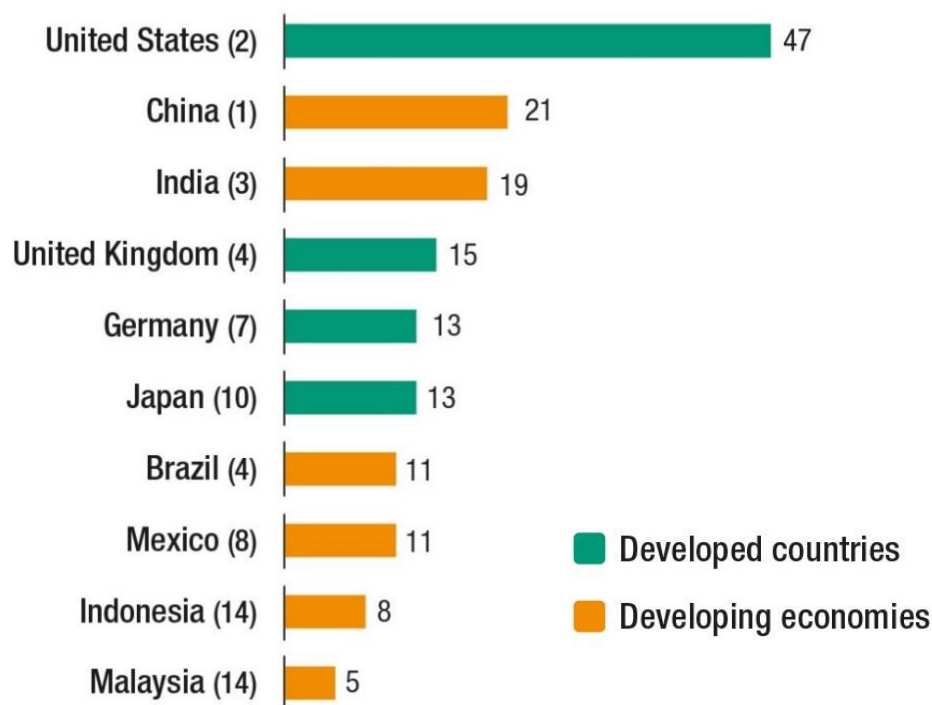
Source: UNCTAD.

The top prospective destinations remained unchanged

MNEs' top prospective host economies for 2016–2018

(Per cent of executives responding)

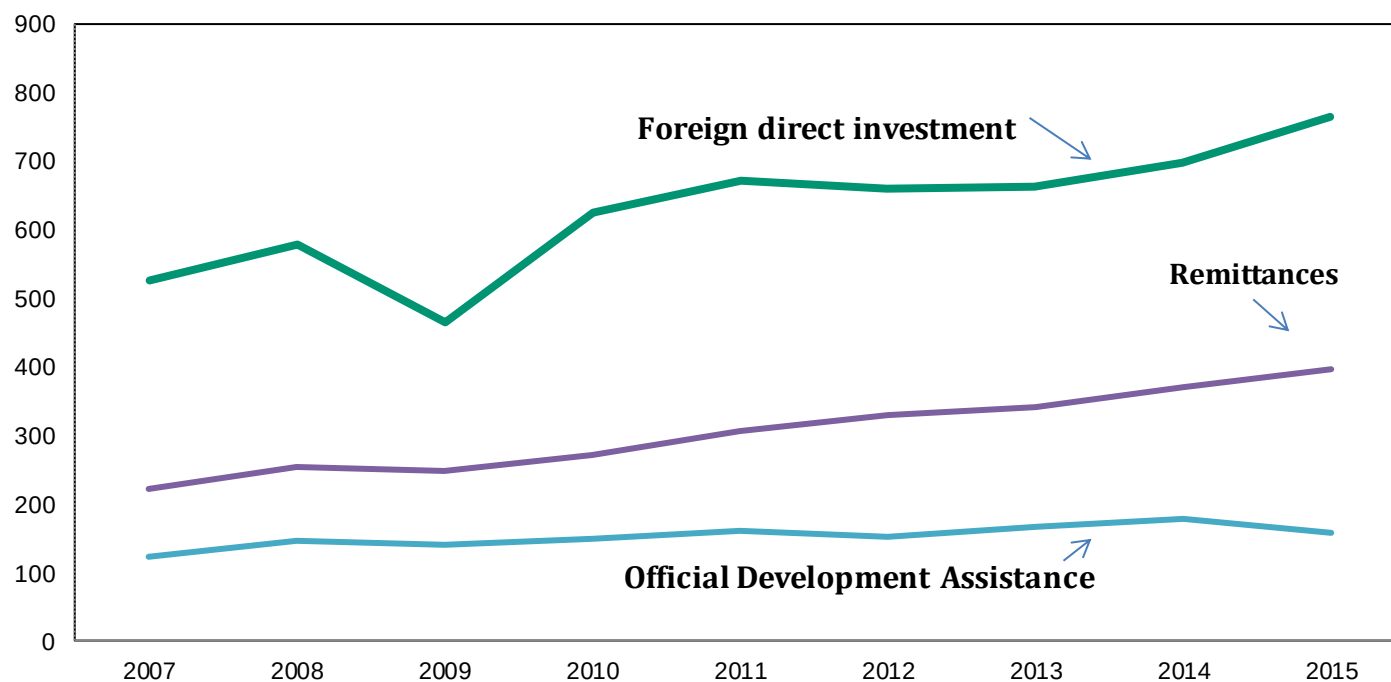
(x) = 2014 ranking



Source: UNCTAD World Investment Report 2016.

FDI is the largest source of development finance

FDI, remittances, and ODA to developing economies,^a 2007–2015 (billions of US dollars)



Source: UNCTAD, based on data from UNCTAD FDI/MNE database (FDI), OECD (ODA), and World Bank (remittances).

^a Excluding data from the Caribbean financial centers

Note: Data are shown in the standard balance-of-payments presentation, thus on a net basis.

What to promote and facilitate?

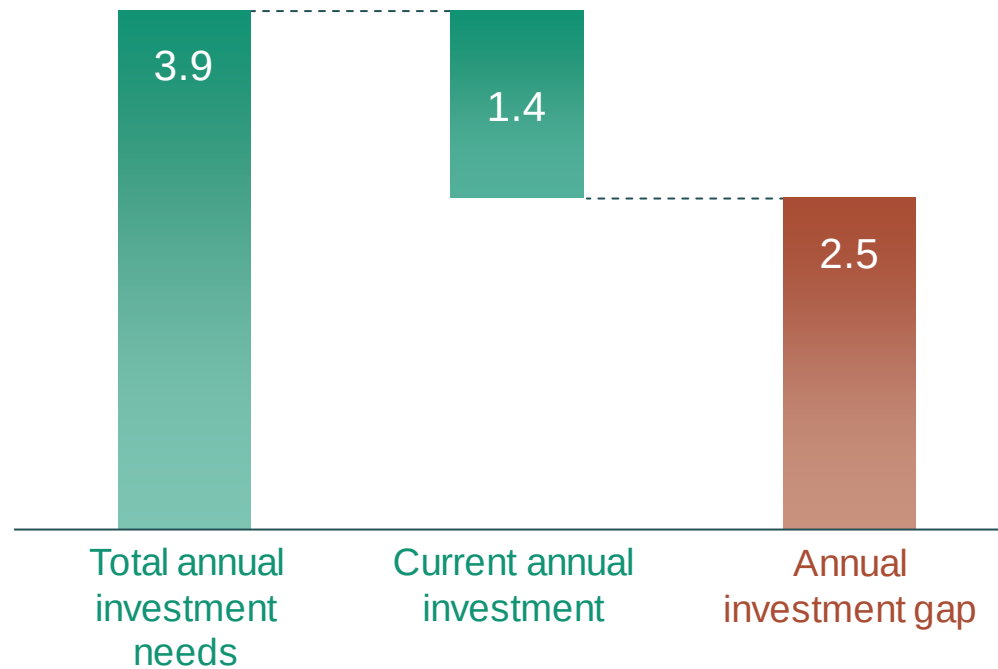
UN SDGs for 2030 focus efforts on fighting poverty and addressing global development and environmental challenges



Source: United Nations.

SDG 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.

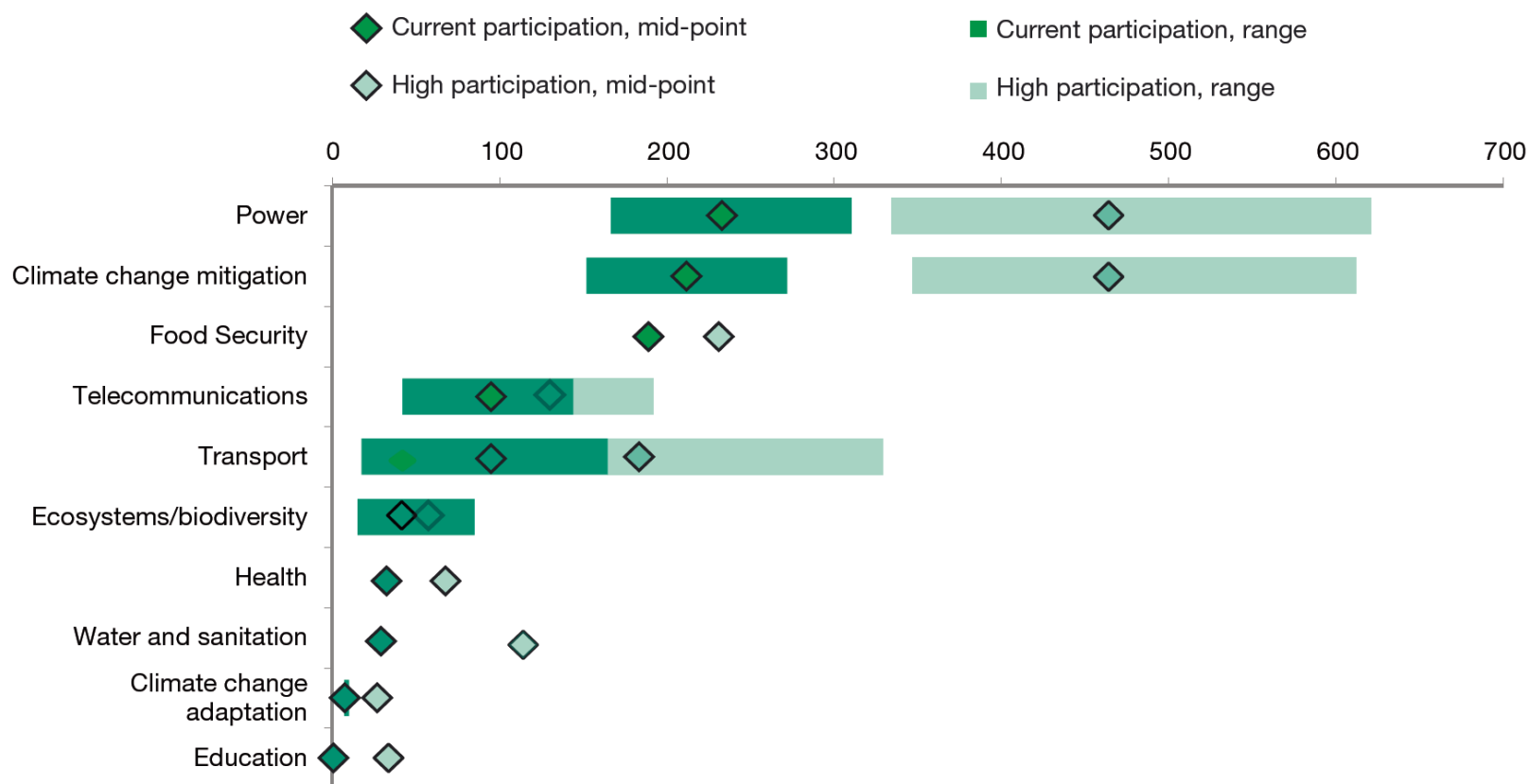
Key SDG sectors

Sector	Description
Power	Investment in generation, transmission, and distribution of electricity
Transport	Investment in roads, airports, ports and rail
Telecommunications	Investment in infrastructure (fixed lines, mobile and internet)
Water and sanitation	Provision of water and sanitation to industry and households
Food security and agriculture	Investment in agriculture, research, rural development, safety nets, etc.
Climate change mitigation	Investment in relevant infrastructure, renewable energy generation, research and deployment of climate-friendly technologies, etc.
Climate change adaptation	Investment to cope with impact of climate change in agriculture, infrastructure, water management, coastal zones, etc.
Eco-systems/ biodiversity	Investment in conservation and safeguarding ecosystems, marine resource management, sustainable forestry, etc.
Health	Infrastructural investment, e.g. new hospitals
Education	Infrastructural investment, e.g. new schools

Source: UNCTAD World Investment Report 2014.

The potential for private sector investment is significant

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



Source: UNCTAD World Investment Report 2014.

Investments in the SDGs require a new generation of investment promotion policies

1. First generation: Liberalization of FDI regimes
2. Second generation: Marketing of countries and locations
3. Third generation: Investor targeting
4. New generation: Focus on SDG sectors and projects

First generation: Liberalization of FDI regimes

- ✓ Reduction of barriers to FDI
- ✓ Strengthening of standards of treatment for foreign investors
- ✓ Enhancing the functioning of the market

Second generation: Marketing of countries and locations

- ✓ Investment promotion perceived as a necessary public function
- ✓ Fast growing numbers of national, sub-national and local IPAs
- ✓ Establishment of the World Association of Investment Promotion Agencies (WAIPA)

Third generation: Investor targeting

- ✓ Governments follow national strategies to attract FDI in specific sectors and activities to further development objectives
- ✓ Development of clusters and locational brand names
- ✓ Use by IPAs of investor targeting strategies and techniques

New generation: Focus on SDG sectors and projects

- ✓ Investment promotion strategies focusing on SDG sectors
- ✓ Development and marketing of pipelines of bankable SDG projects
- ✓ Creation of new partnerships with public and private institutions, including outward investment agencies

A Big Push for private investment in the SDGs: Action Packages (1/2)

1

New generation of investment promotion strategies and institutions

- At national level:
 - New investment promotion strategies focusing on SDG sectors
 - New investment promotion institutions: SDG investment development agencies developing and marketing pipelines of bankable projects
- New generation of IIAs:
 - Pro-active SDG investment promotion and facilitation
 - Safeguarding policy space for sustainable development

2

Reorientation of investment incentives

- SDG-oriented investment incentives
 - Targeting SDG sectors
 - Conditional on sustainability contributions
- SDG investment guarantees and insurance schemes

3

Regional SDG Investment Compacts

- Regional/South-South economic cooperation focusing on:
 - Regional cross-border SDG infrastructure development
 - Regional SDG industrial clusters, including development of regional value chains
 - Regional industrial collaboration agreements

Source: UNCTAD *World Investment Report* 2014.

A Big Push for private investment in the SDGs: Action Packages (2/2)

4

New forms of partnerships for SDG investment

- Partnerships between outward investment agencies in home countries and IPAs in host countries
- Online pools of bankable SDG projects
- SDG-oriented linkages programmes
- Multi-agency technical assistance consortia
- SVE-TNC-MDG partnerships

5

Enabling innovative financing and a reorientation of financial markets

- New SDG financing vehicles
- SDG investment impact indicators
- Investors' SDG contribution rating
- Integrated reporting and multi-stakeholder monitoring
- Sustainable Stock Exchanges (SSEs)

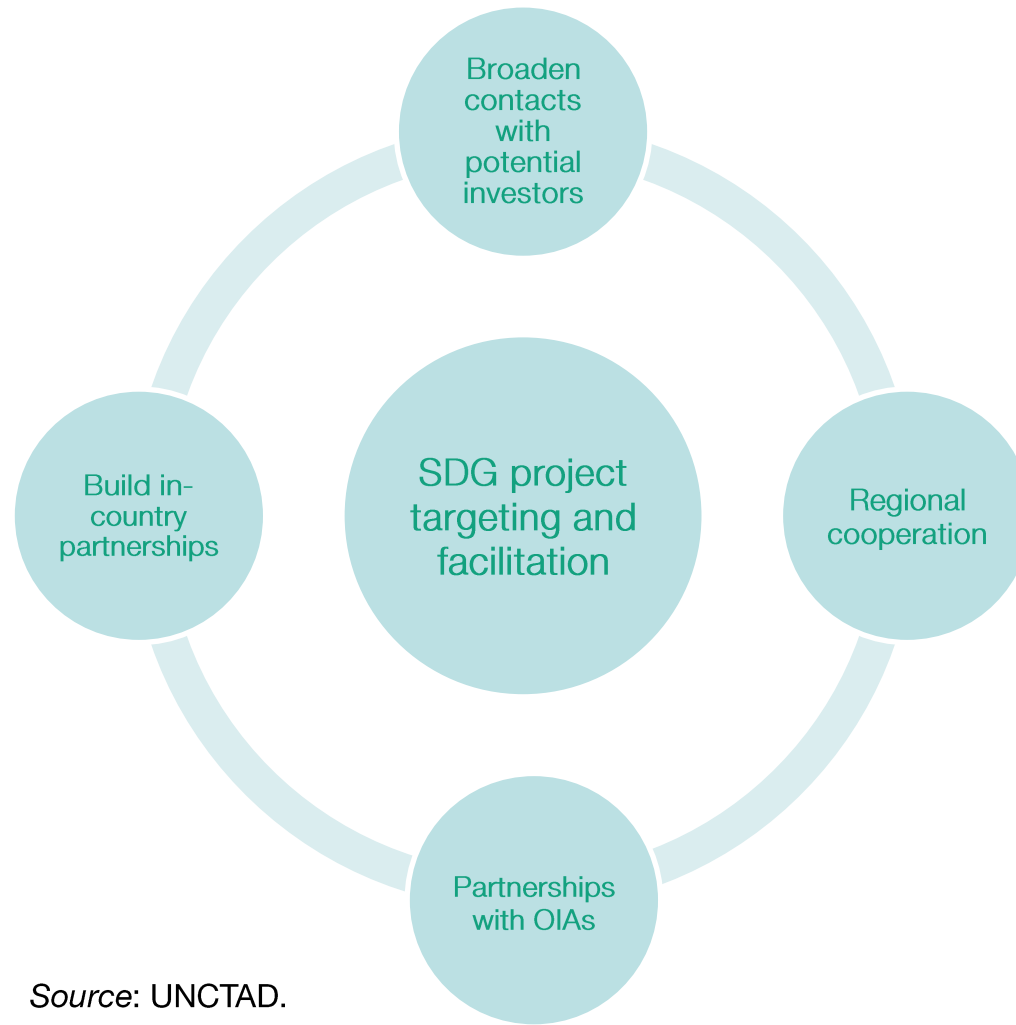
6

Changing the global business mindset

- Global Impact MBAs
- Training programmes for SDG investment (e.g. fund management/financial market certifications)
- Entrepreneurship programmes in schools

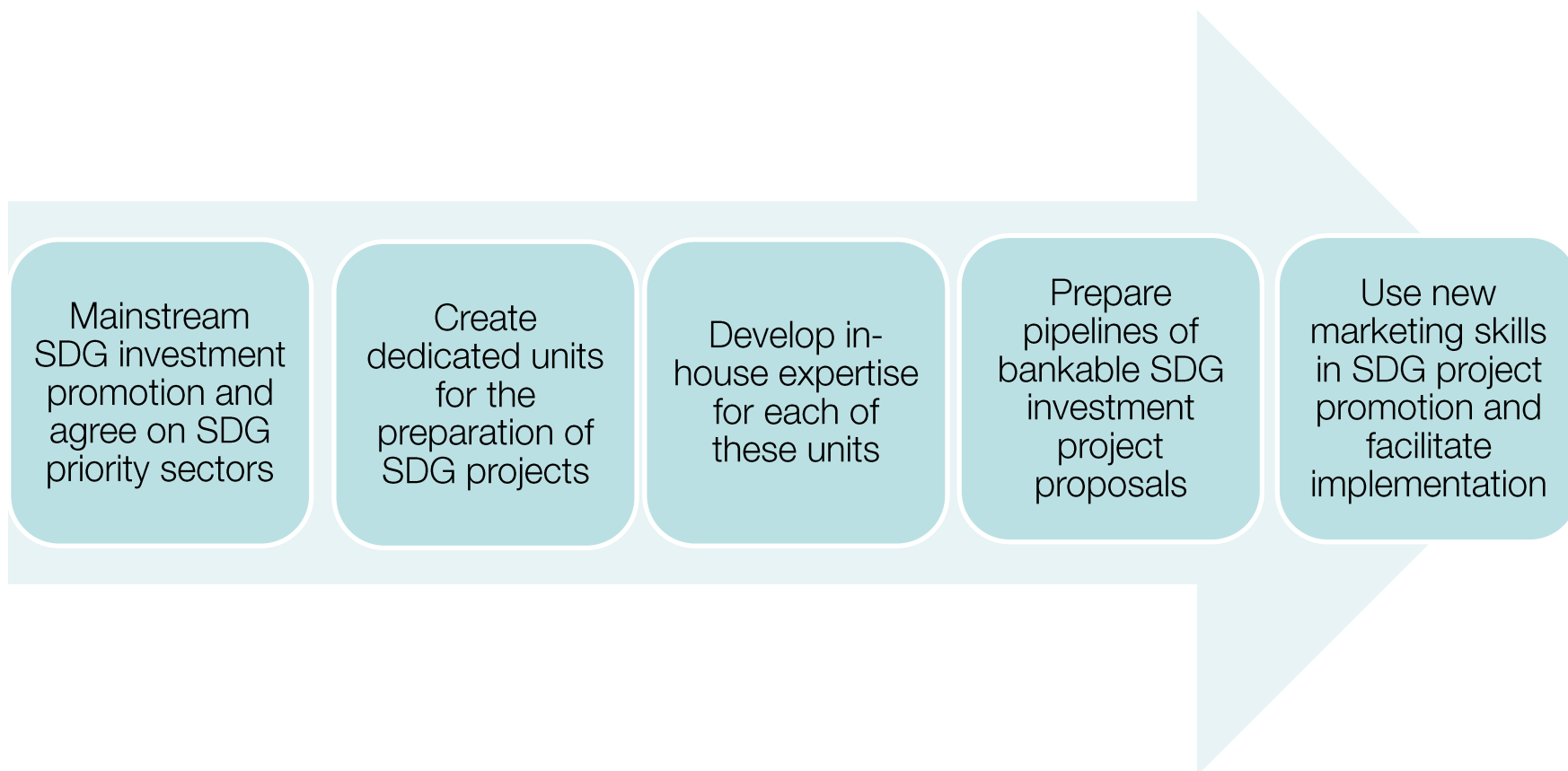
Source: UNCTAD *World Investment Report* 2014.

How to promote and facilitate SDG projects?



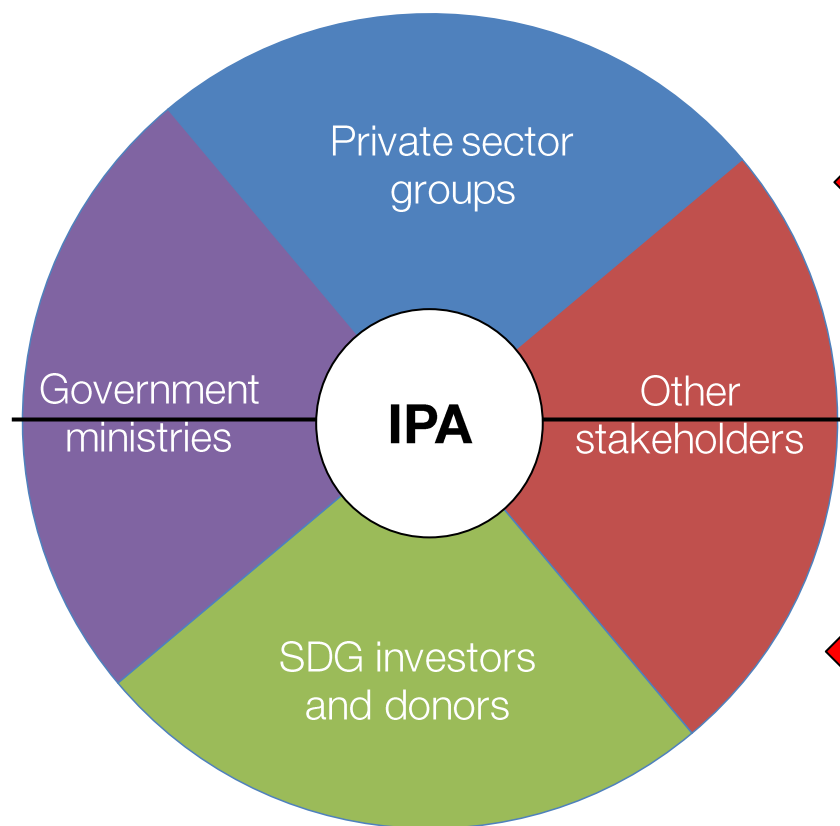
Source: UNCTAD.

Investment promotion: targeting SDG projects



Source: UNCTAD.

Building in-country multi-stakeholder partnerships



Traditional Partners

- ☐ Ministries of Industry, Trade, and Investment, Foreign Affairs, Prime Minister's office
- ☐ TPOs, EDAs, industrial zones, SEZs
- ☐ Chambers of commerce, manufacturing associations

SDGs Support Partners

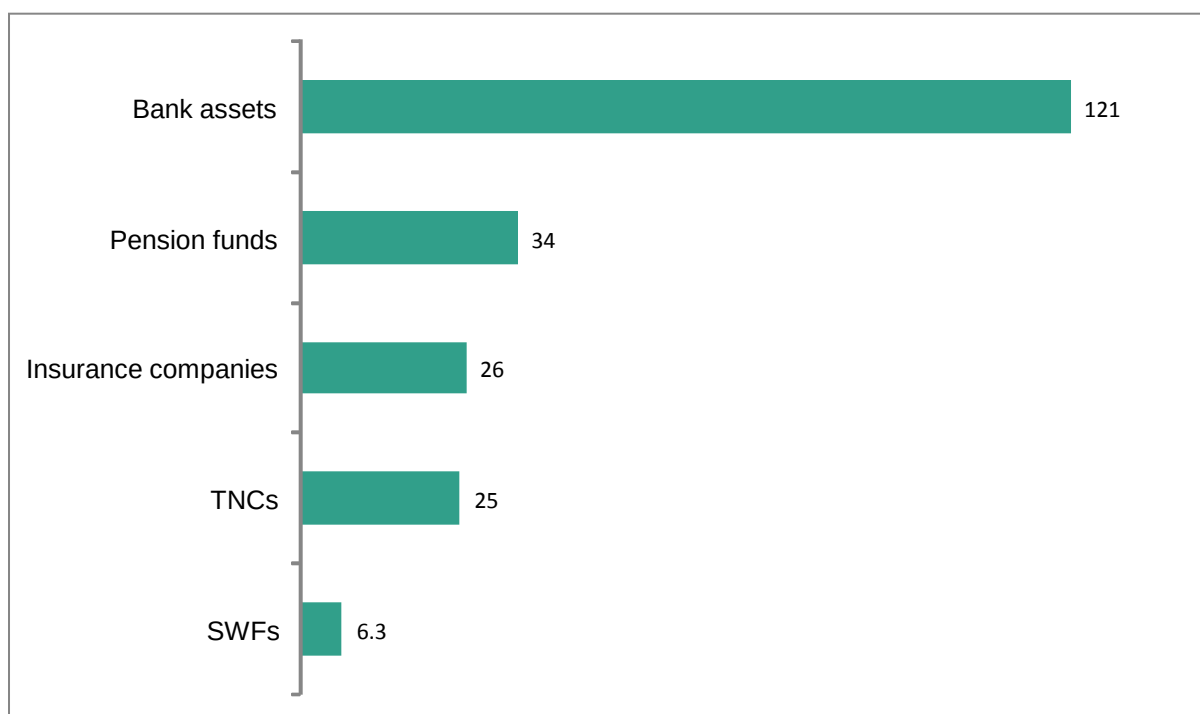
- ☐ Ministries of Energy, Health, Education, Agriculture, Labour, Local Government
- ☐ NGOs, local governments, informal sector representatives
- ☐ OIAs and donor agencies.

Source: UNCTAD.

Broaden contact with potential investors

Relative sizes of selected potential sources of investment, 2012

(value of assets, stocks and loans in trillions of US dollars)



Source: UNCTAD World Investment Report 2014.

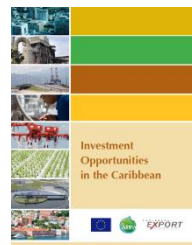
Regional cooperation between governments and their IPAs



**Caribbean Association of
Investment Promotion Agencies**



East Africa Community



Partnerships with outward investment agencies

Information sharing

Technical cooperation

Investment opportunities
marketing

Outward investment agencies
(OIAs)



Foreign enterprise



Inward investment promotion
agencies (IPAs)



GreenFDI.org, a tool for promoting green investment



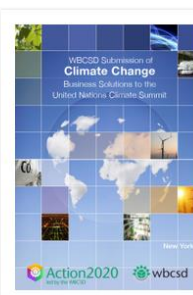
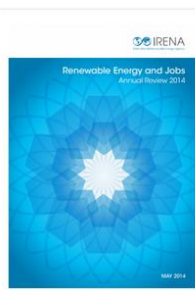
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Thank you!

Paul Wessendorp

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