

Short courses for Permanent Missions in Geneva

Foreign direct investment trends and prospects and investment policies
and their impact on sustainable development

SESSION 1

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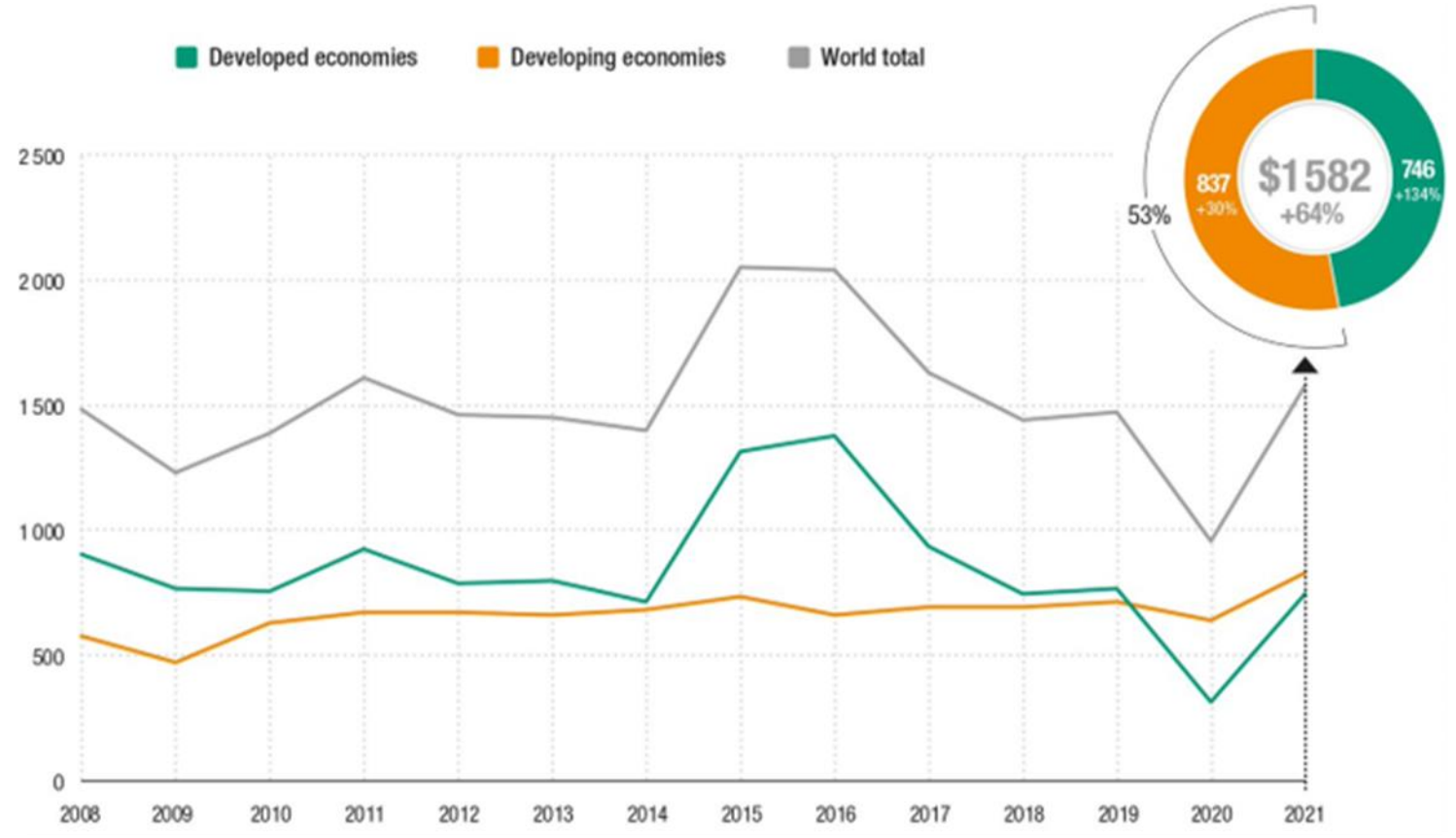
Geneva, 14 March 2023



RECENT INVESTMENT TRENDS

Global FDI flows in 2021 were \$1.6 trillion, up 64 per cent from the exceptionally low level in 2020

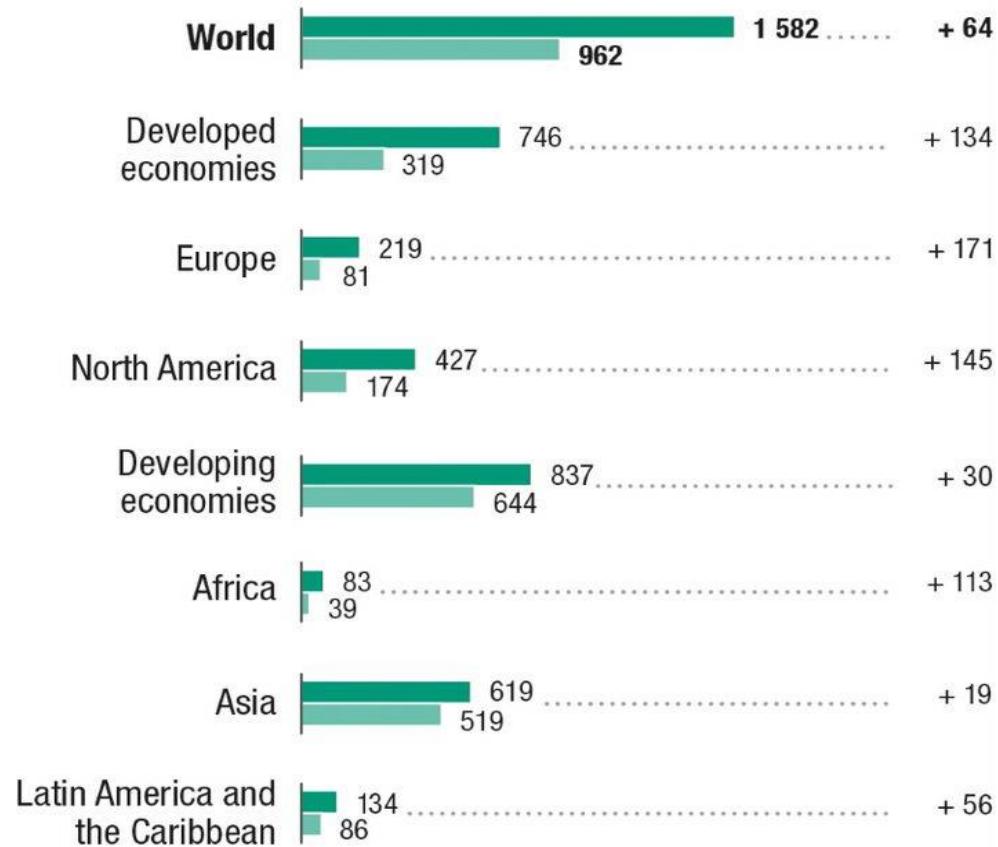
FDI inflows, global and by economic grouping, 2008–2021 (Billions of dollars and per cent)



Most of the growth was in developed countries

FDI inflows by region, 2020–2021
(Billions of dollars and per cent)

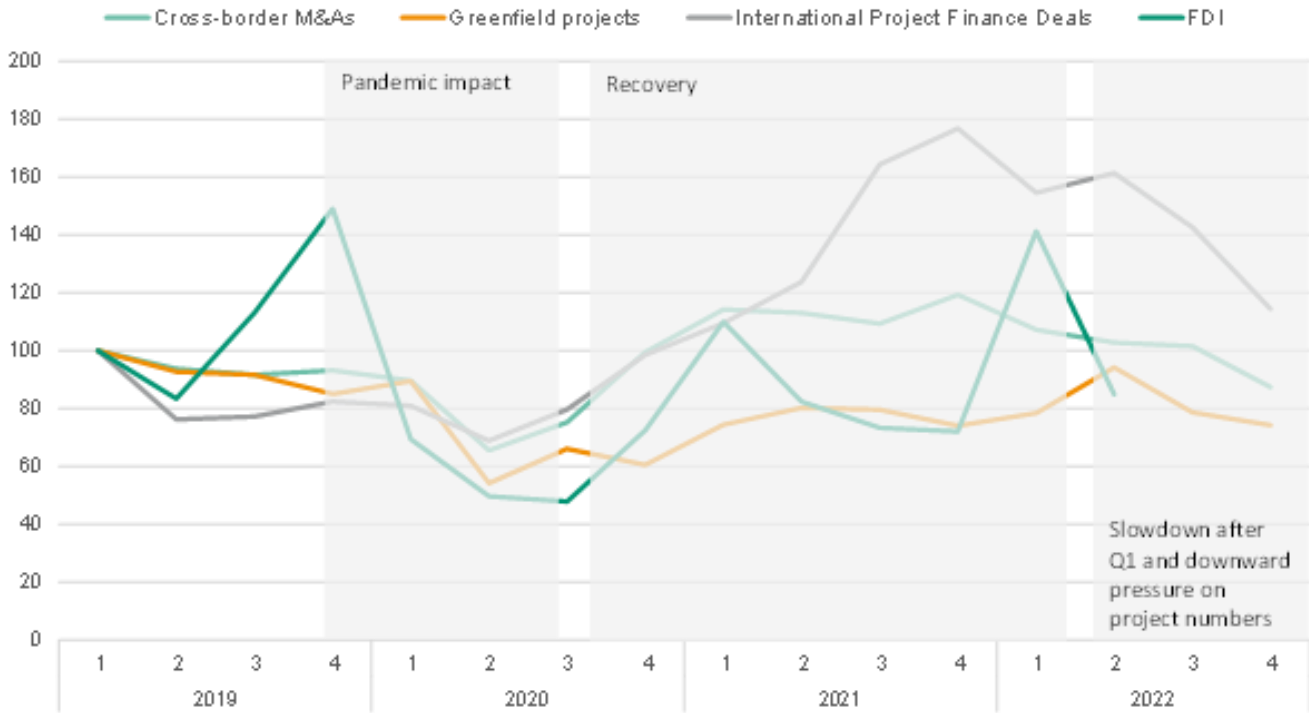
Per cent



■ 2021 ■ 2020

The multitude of crises on the global stage – the war in Ukraine, food and energy prices, financial turmoil and debt pressures – inevitably affected global foreign direct investment (FDI) in 2022.

Investment trends, 2019 – 2022 (Indexed, 2019: Q1=100)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics) for FDI, information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield projects and Refinitiv SA for international project finance.



Investment in the SDGs was up due to growth in renewables, but most SDG sectors remain below pre-pandemic levels

International private investment in the SDGs: 2021 project numbers compared to pre-pandemic levels (Per cent)

Infrastructure

Transport infrastructure, power generation and distribution (except renewables), telecommunication



-11

Renewable energy

Installations for renewable energy generation, all sources



+2

WASH

Provision of water and sanitation to industry and households



-9

Food and agriculture

Investment in agriculture, research, rural development



-35

Health

Investment in health infrastructure, e.g. new hospitals



-25

Education

Infrastructural investment, e.g. new schools



+17

The sectoral distribution of greenfield megaprojects announced in 2022 illustrates key trends in cross-border investment.

Largest greenfield projects announced in 2022






Host economy	Industry segment	Parent company	Home economy	Estimated capex (Millions of dollars)
United States	Semiconductors	Taiwan Semiconductor Manufacturing (TSMC)	Taiwan, Province of China	28 000
South Africa	Real estate	URB	United Arab Emirates	20 000
India	Semiconductors	Vedanta Resources	United Kingdom	19 500
Ireland	Semiconductors	Intel	United States	13 366
Egypt	Renewable energy	ACME Group (ACME Cleantech Solutions)	India	13 000
United Kingdom	Renewable energy (wind)	Marubeni	Japan	12 240
Egypt	Renewable energy	Globeleq Generation	United Kingdom	11 000
Egypt	Renewable energy (wind)	Mubadala Investment Company	United Arab Emirates	10 815
Morocco	Renewable energy	Eren Groupe	Luxembourg	10 280
Egypt	Renewable energy	Fortescue Metals Group	Australia	10 000

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

INVESTMENT AND CLIMATE CHANGE

Combating climate change requires scaling up investments in both mitigation and adaptation

Climate change investment categories

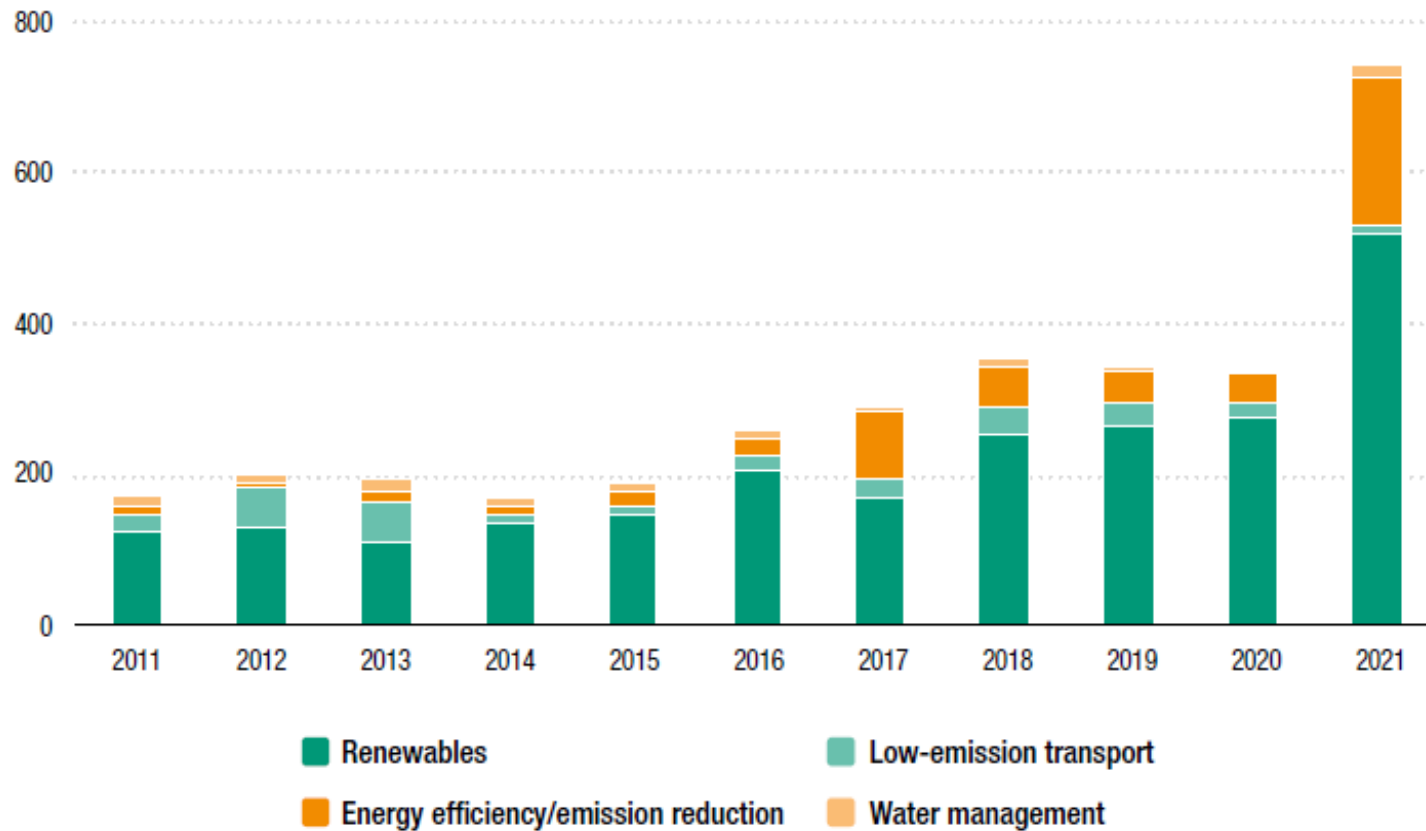
Sectors	Investment area
Climate change mitigation	
Renewable energy 	<ul style="list-style-type: none"> Power generation from: biomass, geothermal, hydroelectric, hydrogen, solar, tidal or wave, waste (excluding biomass), wind.
Energy efficiency/ emission reduction 	<ul style="list-style-type: none"> Energy provision efficiency transmission lines, battery storage, carbon capture. Other investments in energy efficient technology or products: electric vehicles, clean technologies.
Low-emission transport 	<ul style="list-style-type: none"> Mass transit systems: rail, public transport systems.
Climate change adaptation	
Water management 	<ul style="list-style-type: none"> Investments on climate related changes in the water cycle: water pipelines, water supply, district cooling (i.e. deep ocean or lake water cooling systems), desalination, water storage, disposal and treatment.
Other adaptation 	<ul style="list-style-type: none"> Investments to improve the climate resilience of existing infrastructure, and coastal protection. Climate resilient agriculture, such as flood / drought resistant crops.

Source: UNCTAD, World Investment Report (WIR22).



Climate change investment has increased over the past decade

International private investment in climate change adaptation and mitigation: project values (billions of dollars)

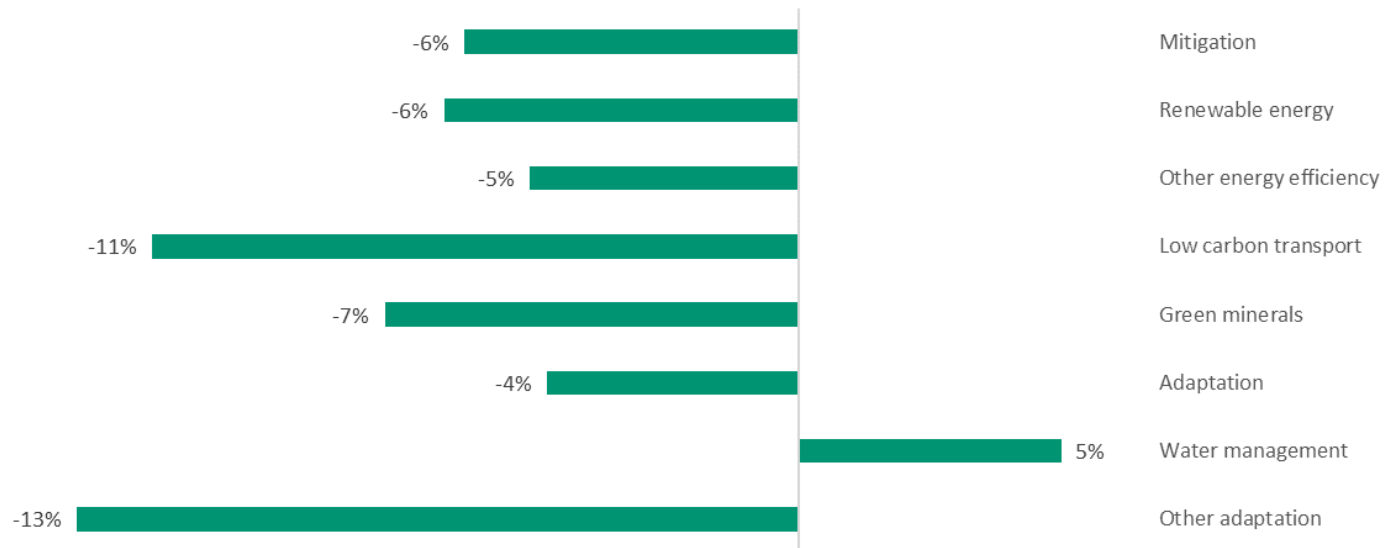


Source: UNCTAD, World Investment Report (WIR22).



While the higher number of greenfield mega projects in renewables is encouraging, international project finance in the sector – the bulk of climate change mitigation investment in recent years – is suffering

Climate change investment trend, 2022 vs 2021, greenfield project announcements and international project finance deals (project numbers)



Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield FDI projects and Refinitiv SA for international project finance deals.



International private investment in climate change sectors is directed almost exclusively to mitigation; adaptation projects mostly rely on public investment

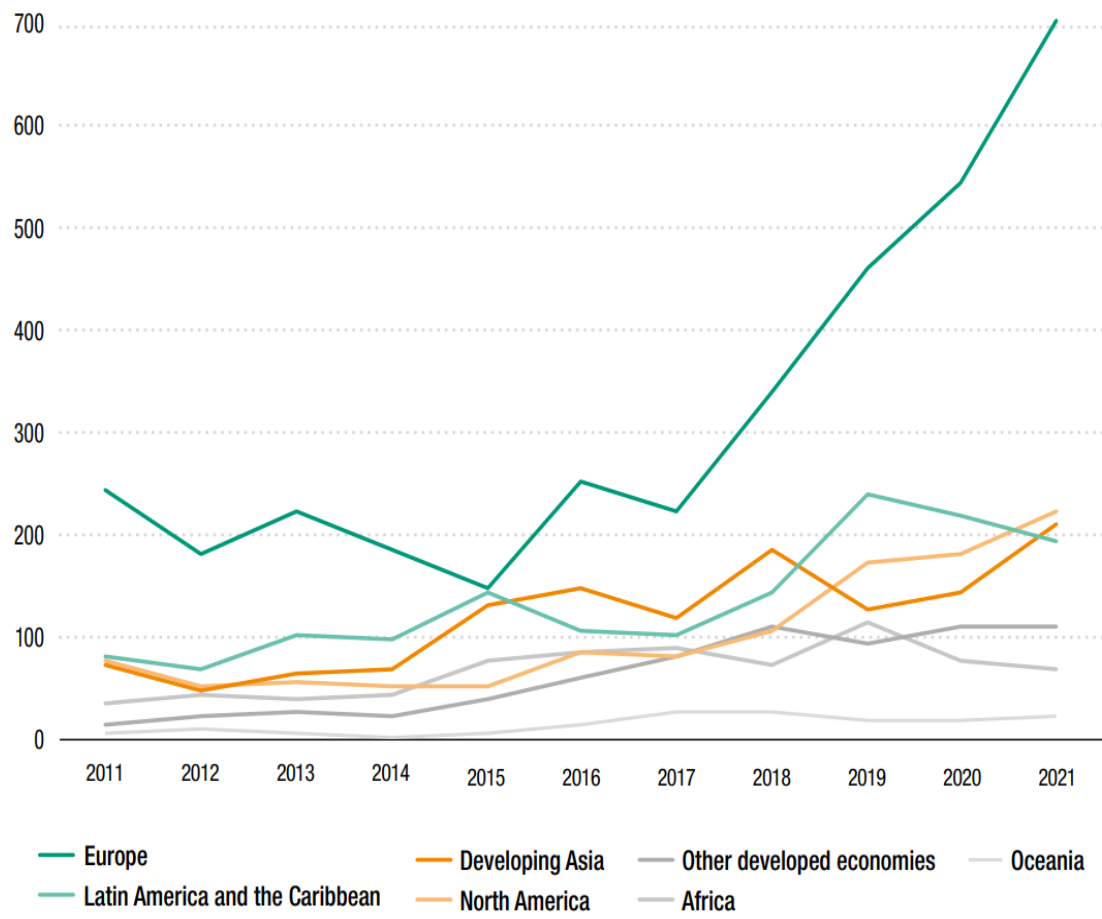
Adaptation and mitigation: the scope for private investment

Scope for private investment	Example projects
i. Projects that are pure public goods	Floodwalls, protection systems for dams, drainage systems, reforestation, mangrove protection, disaster prevention, early warning systems
ii. Projects that allow for PPP models or concessionary schemes (identifiable revenue stream)	Climate resilient infrastructure, green infrastructure, water management, public transportation
iii. Projects that can be privately financed but that may require incentives or subsidies to cover the additional cost of making them climate friendly or climate-change resilient	Agricultural investment in resistant crops, weather monitoring systems, clean technologies, carbon-neutral buildings, carbon capture
iv. Projects that can be purely privately financed	Renewable energy generation, electric vehicles, green minerals extraction

Source: UNCTAD, World Investment Report (WIR22).

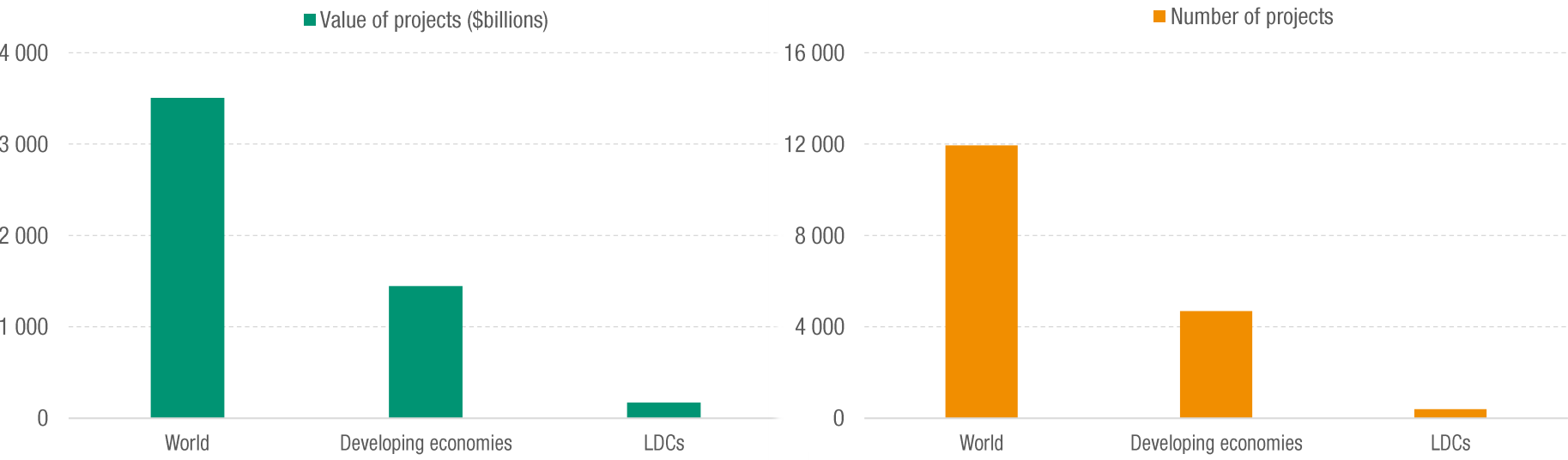
Europe alone accounted for almost half of renewable energy projects

International investments in renewables, by region, 2011–2021 (Number of projects)



International investments in climate change in developing countries and LDCs are still a minority

International investment in climate change mitigation and adaptation, cumulative 2015-2022 (Billions of dollars and number)



Source: UNCTAD, GITM.



However, investment in renewables in LDCs is growing

LDCs: International investment in Climate Change Industries and Fossil fuel energy: 2021-2022 project numbers compared to 2015-2016 (Per cent)

Climate Change Mitigation

Renewable energy, Energy efficiency and low-emission transport



+ 14%

Renewable energy

Installations for renewable energy generation, all sources



+ 9%

Climate Change Adaptation

Water management, other adaptation



+ 300%

Fossil fuel energy + extraction

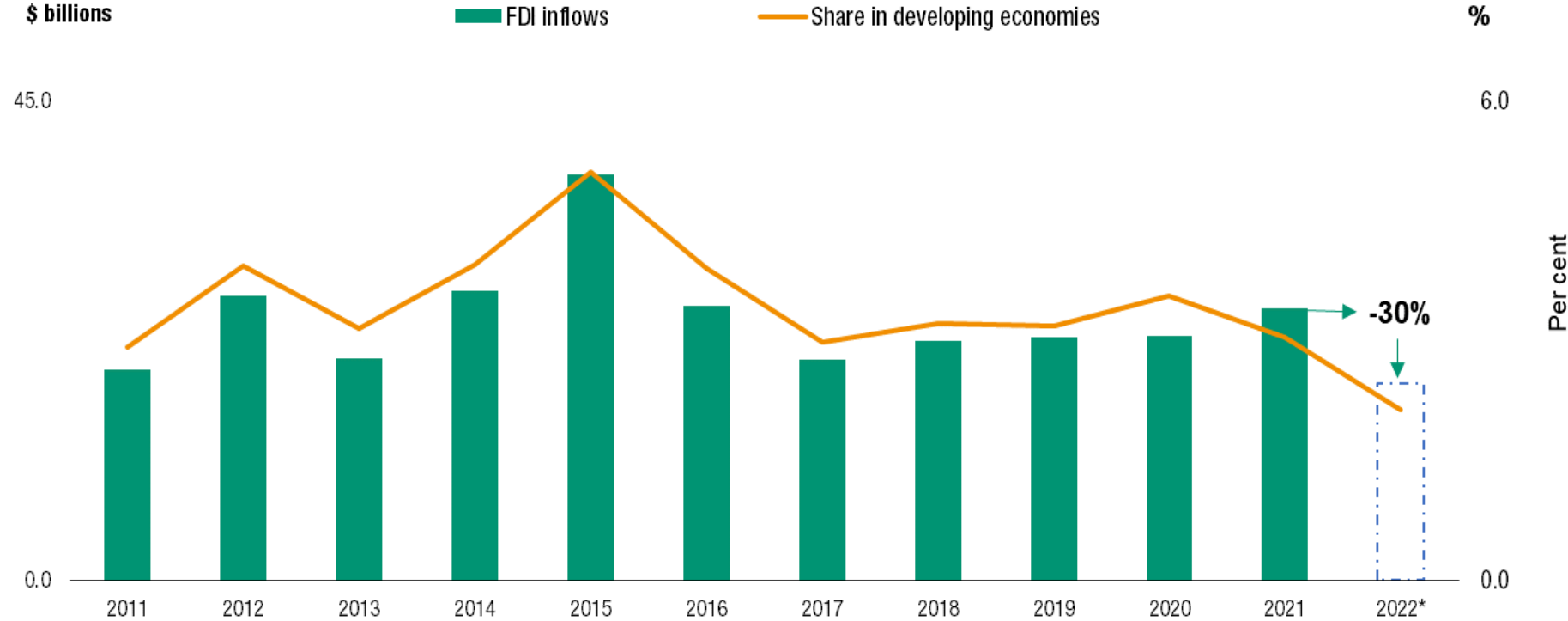


- 63%

Source: UNCTAD, GITM45.

RECENT TRENDS IN LDC AND THE IMPACT OF CRISES

Investment flows to least developed countries affected disproportionately by global crises

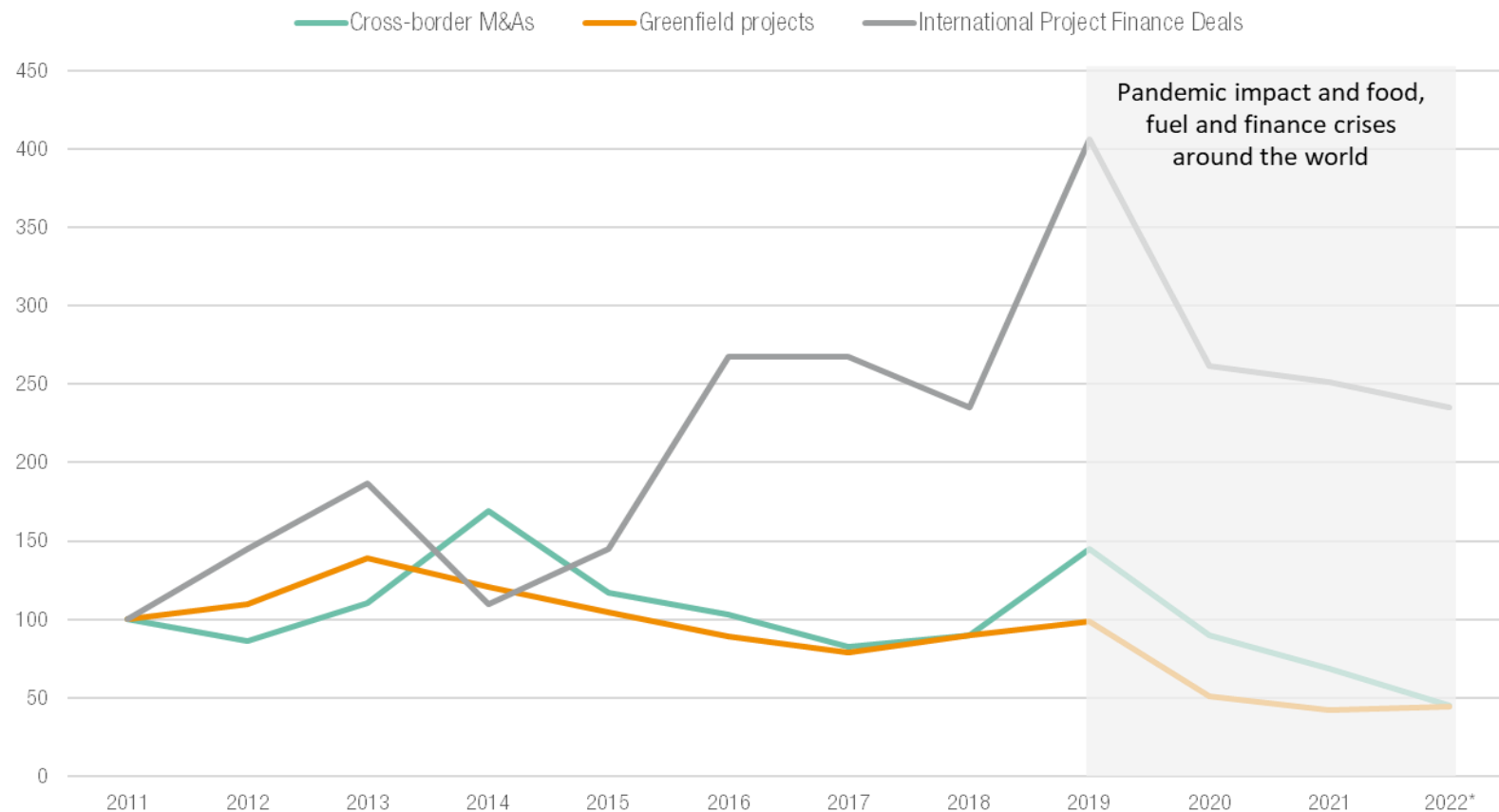


Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).



The impact of the multi-dimensional crises is evident across all types of investment flows

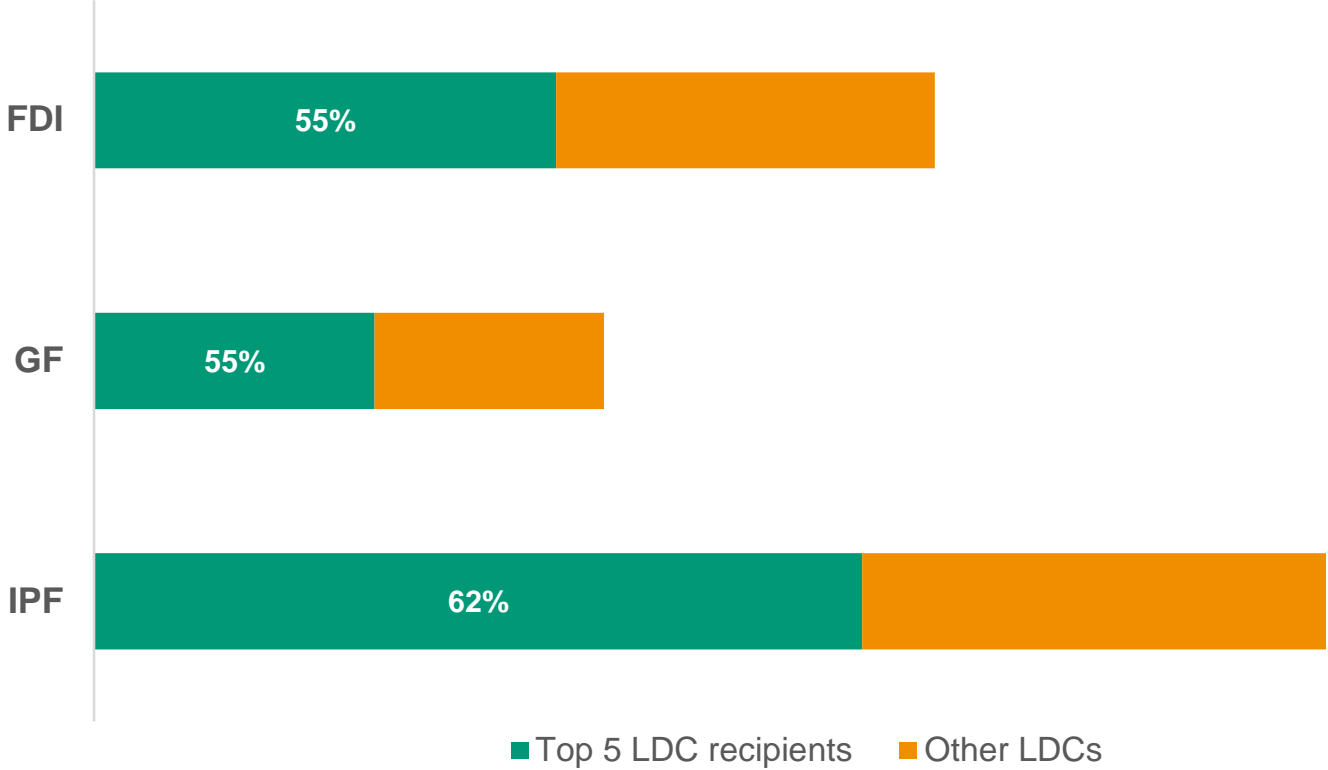
Investment trends in LDCs, 2011-2022 (indexed 2011=100)



Source: UNCTAD based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield projects, Refinitiv SA for international project finance and cross-border M&A database (<https://unctad.org/fdistatistics>) for M&As

Not only FDI flows to LDCs are shrinking, but they also remain highly concentrated

LDCs: Concentration of international investment values, 2020-2022 (Per cent)



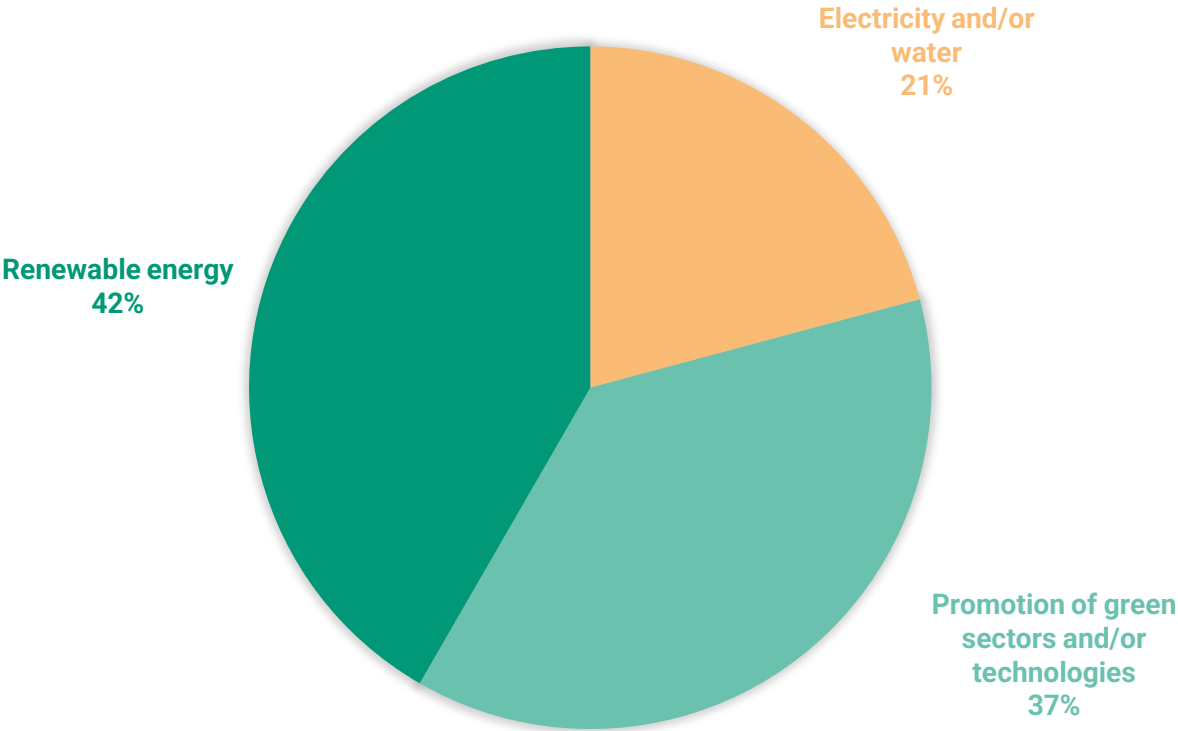
Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics) for FDI, information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield projects and Refinitiv SA for international project finance.



POLICY DEVELOPMENTS: NATIONAL AND INTERNATIONAL

Policy initiatives to promote climate change through FDI focus primarily on the renewable energy

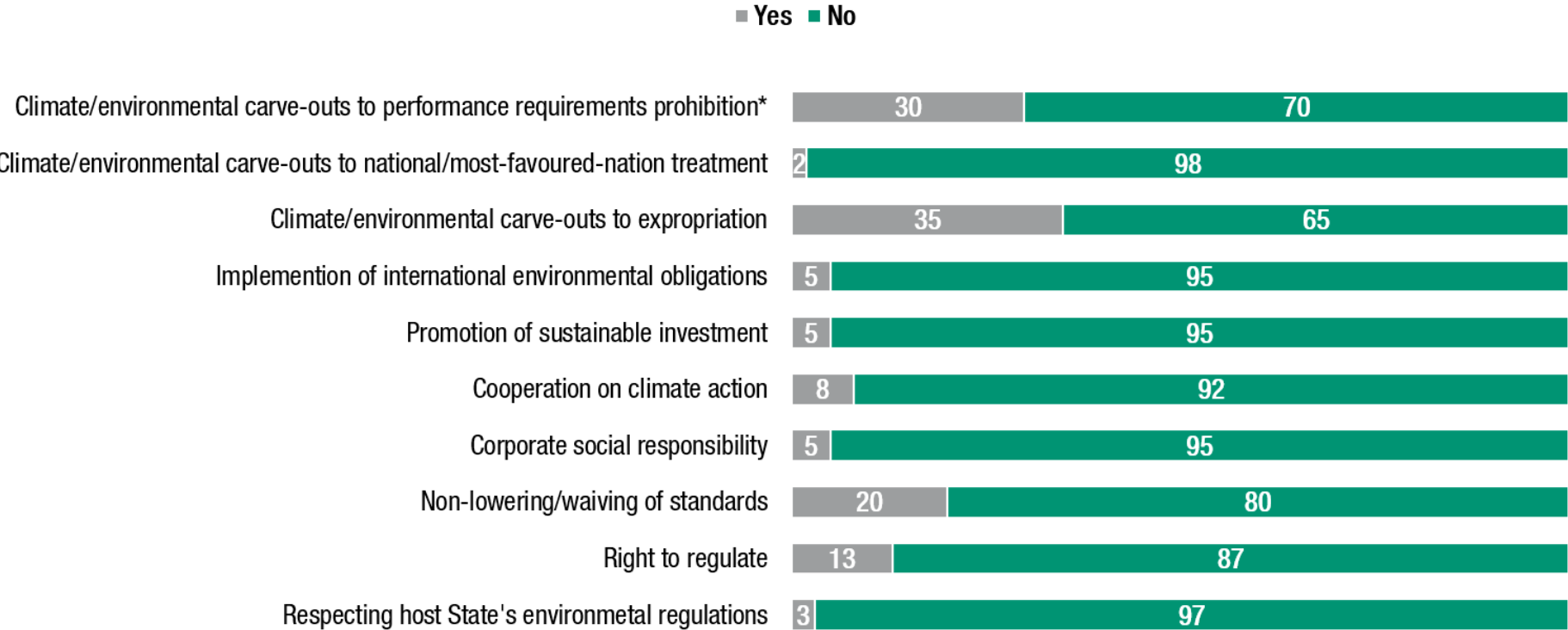
Developing countries: Investment incentives and promotion measures by sector, 2010-2022 (Percentage)



Source: UNCTAD, [Investment Policy Monitor](#)

Most International Investment Agreements lack detailed provisions for promoting and facilitating investments in Climate Change - sectors

Selected provisions relevant to climate action in IIAs concluded between 2010–2021 (Per cent)

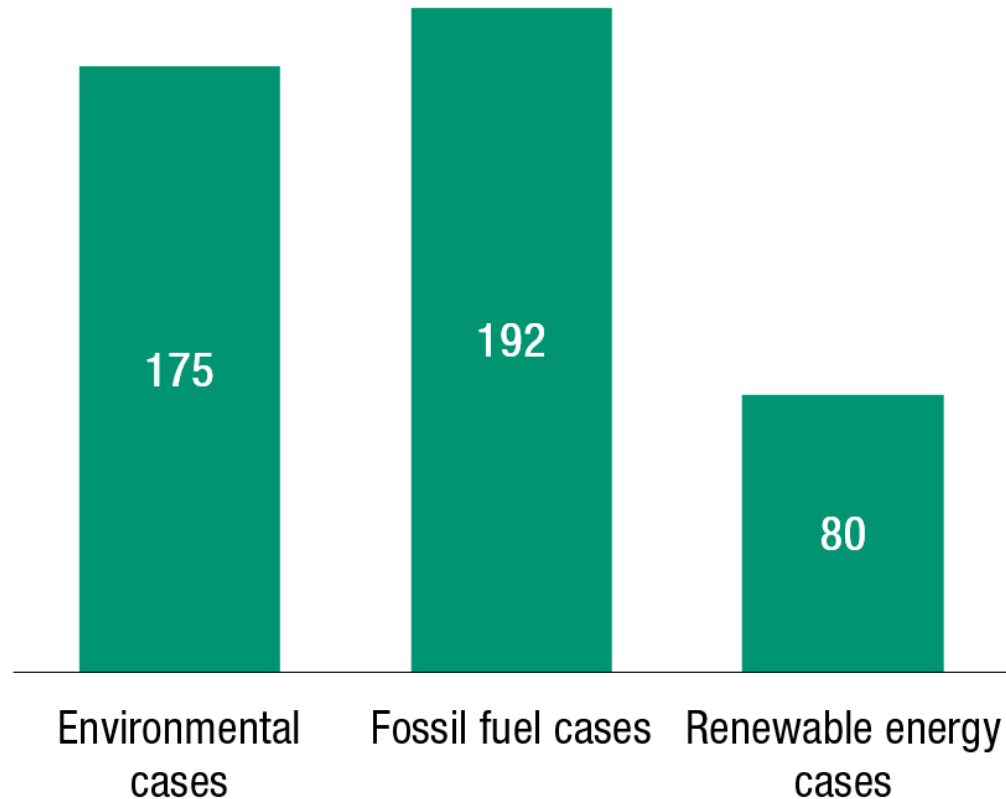


Source: UNCTAD IIA Issue Note No. 3, September 2022.



The risk of investor–State dispute settlement (ISDS) being used to challenge climate policies is a major concern.

IIA-based ISDS cases related to sectors or measures relevant to climate action, 1987–2021 (Cumulative number of cases)



Source: UNCTAD, IIA Issue Note No. 4, September 2022.

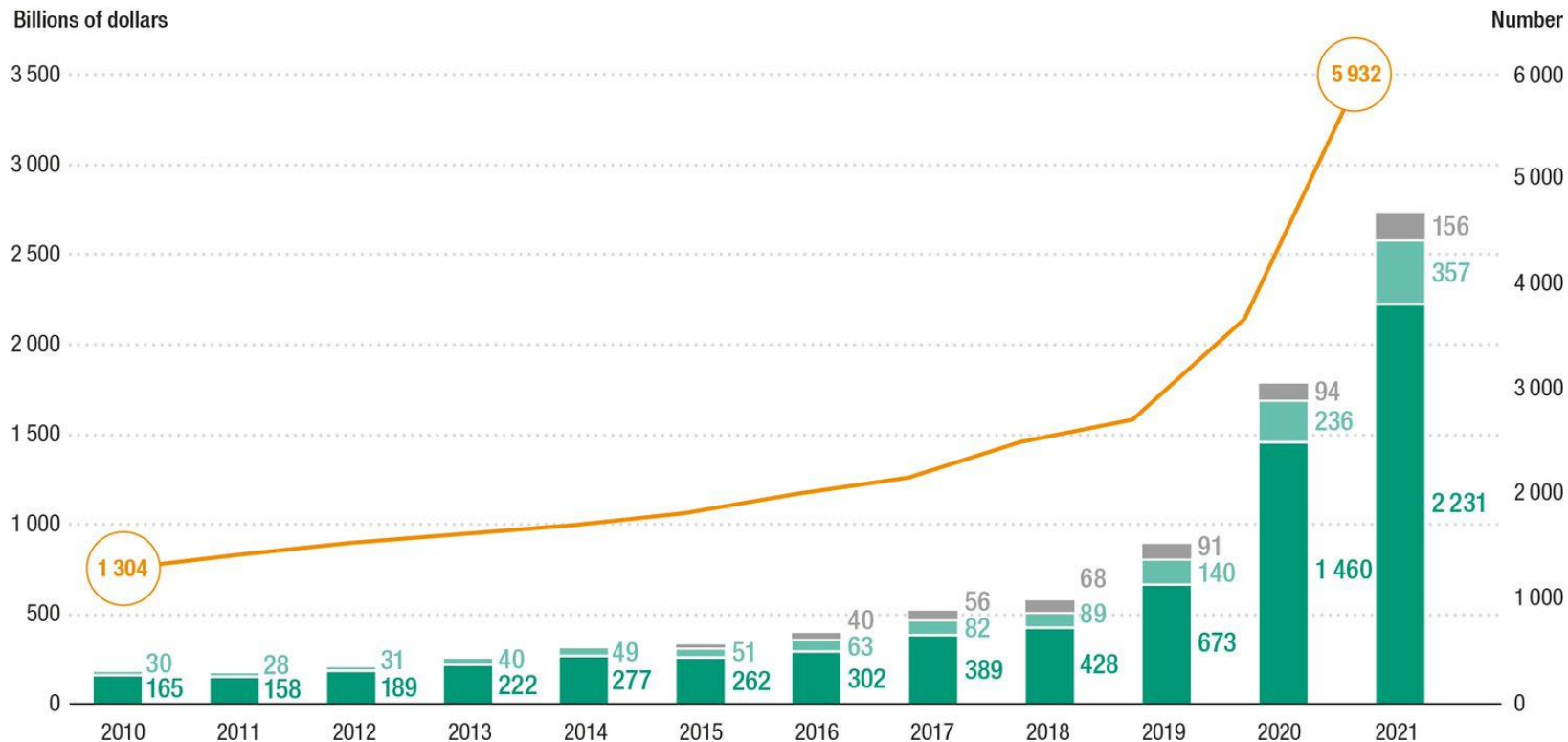
CAPITAL MARKETS AND SUSTAINABLE FINANCE

Sustainable finance is growing exponentially

Sustainable funds and assets under management, 2010–2021

(Billions of dollars and number)

■ Europe ■ United States ■ Rest of the world



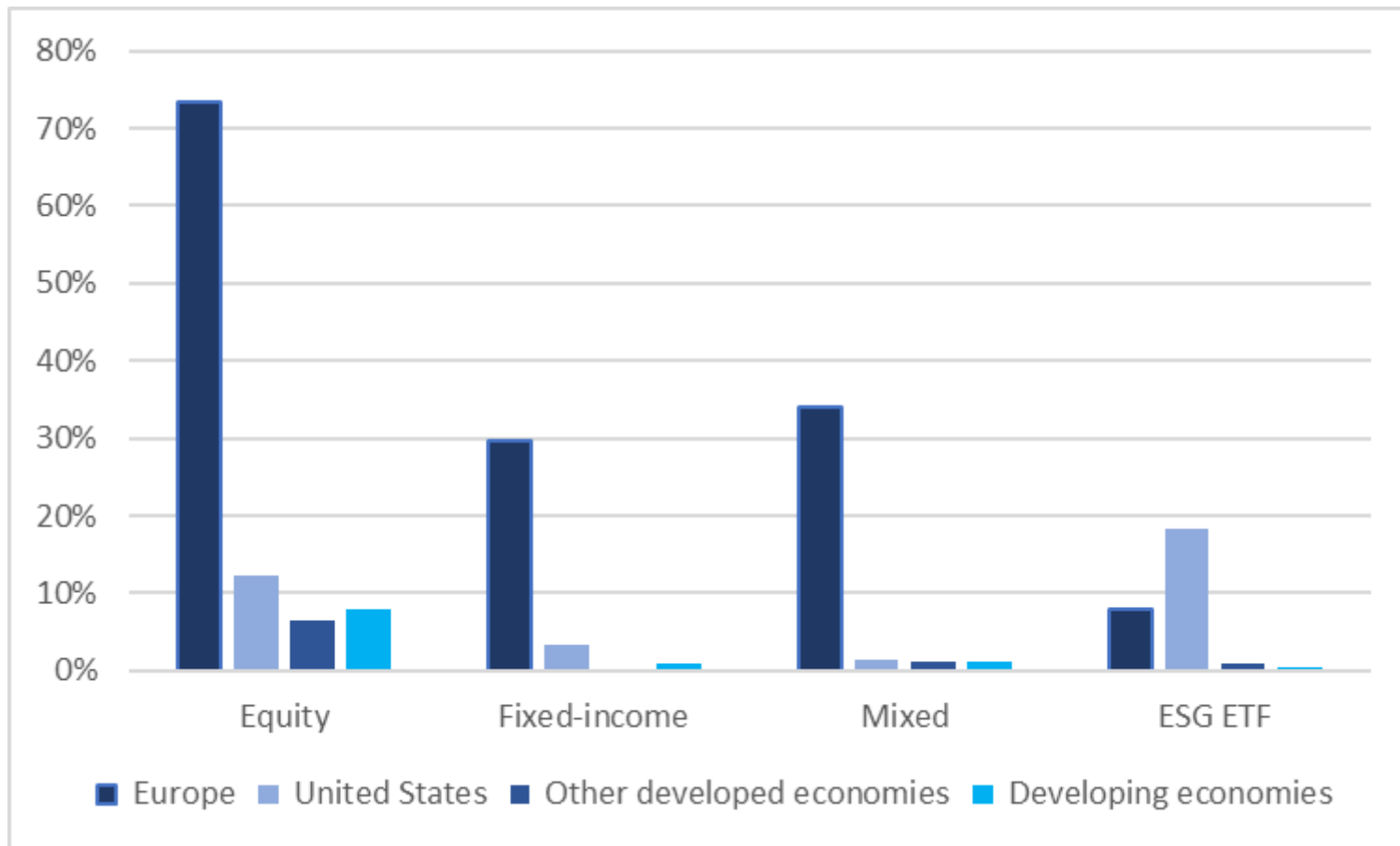
Source: UNCTAD WIR 22



Sustainable finance is growing exponentially

Sustainable funds and assets under management, 2010–2021

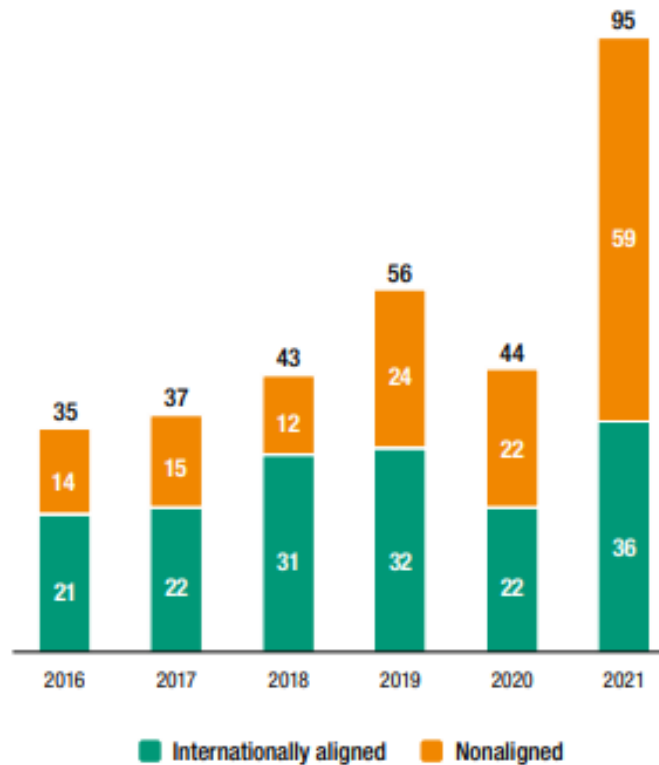
(Billions of dollars and number)



Source: UNCTAD WIR 22



Figure IV.8. China: green bond issuance, 2016–2021 (Billions of dollars)



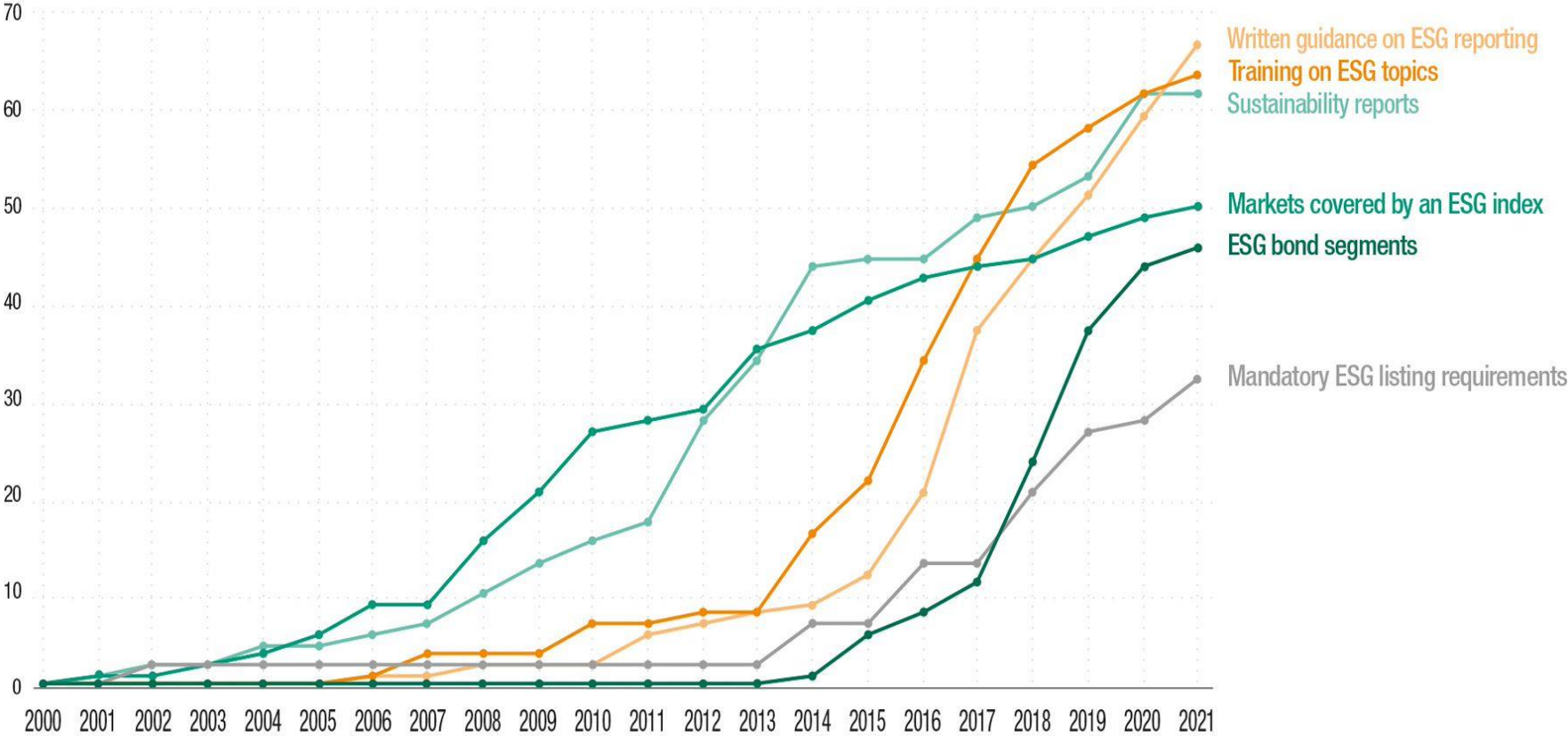
Source: UNCTAD, based on information from Environmental Finance.

Note: Volume includes bonds aligned with international standards and bonds aligned with only local standards. Internationally aligned green bonds are limited to those where at least 95 per cent of proceeds are designated for green projects aligned with the Climate Bonds Taxonomy, produced by the Climate Bonds Initiative.

Source: UNCTAD WIR 22

Stock exchanges are playing a major role in promoting responsible investment

Stock exchange sustainability trends, 2000–2021 (Number of exchanges)



Source: UNCTAD WIR 22



Investing in Sustainable Recovery: a Policy Framework

Level	Objectives	Actions	Tools (illustrative)	
Strategic approach/ industrial policy	Increasing economic and social resilience	<ul style="list-style-type: none"> • Inducing firms to invest in more resilient supply chains • Promoting and facilitating investment in strategic growth industries 	<ul style="list-style-type: none"> • Strategic investment promotion, facilitation and regulation 	IPFSD*
	Balancing industrial and infrastructure investment			
Implementation of recovery investment plans (Addressing recovery-specific international project finance challenges)	Mobilizing funds	<ul style="list-style-type: none"> • Refinancing to safeguard existing projects and maximizing additionality 	<ul style="list-style-type: none"> • Innovative SDG financing approaches and financial instruments 	Action Plan for Investment in the SDGs*
	Channeling funds towards sustainable development	<ul style="list-style-type: none"> • Orienting recovery funds towards high-impact projects and supporting developing countries 	<ul style="list-style-type: none"> • Instruments to leverage public sector finance to mobilize private funds 	
	Maximizing positive impact	<ul style="list-style-type: none"> • Countering upward cost pressures on projects in developing countries • Increasing absorptive and implementation capacity • Ensuring good governance to maintain high ESG standards 	<ul style="list-style-type: none"> • ODA-leveraged and blended financing • Home-host country IPA networks • SDG-oriented investment incentives • Regional SDG investment compacts • IPA–SDG investment development agencies • SDG zones, clusters and incubators to increase absorptive capacity • SDG impact indicators 	

Thank you!

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For further information on the work on foreign direct investment
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