

FDI Trends & Promoting Investment in the SDGs

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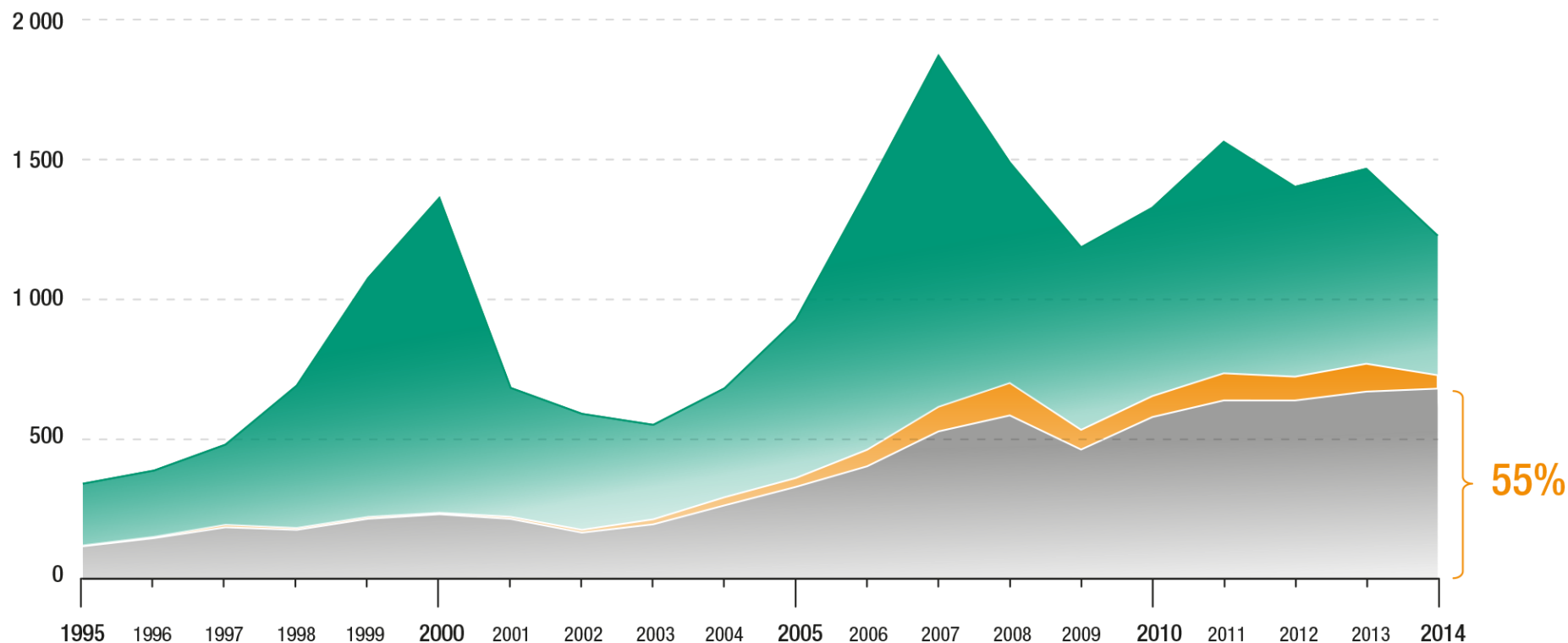
UNCTAD

8 December 2015, Geneva

Global FDI flows declined in 2014

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

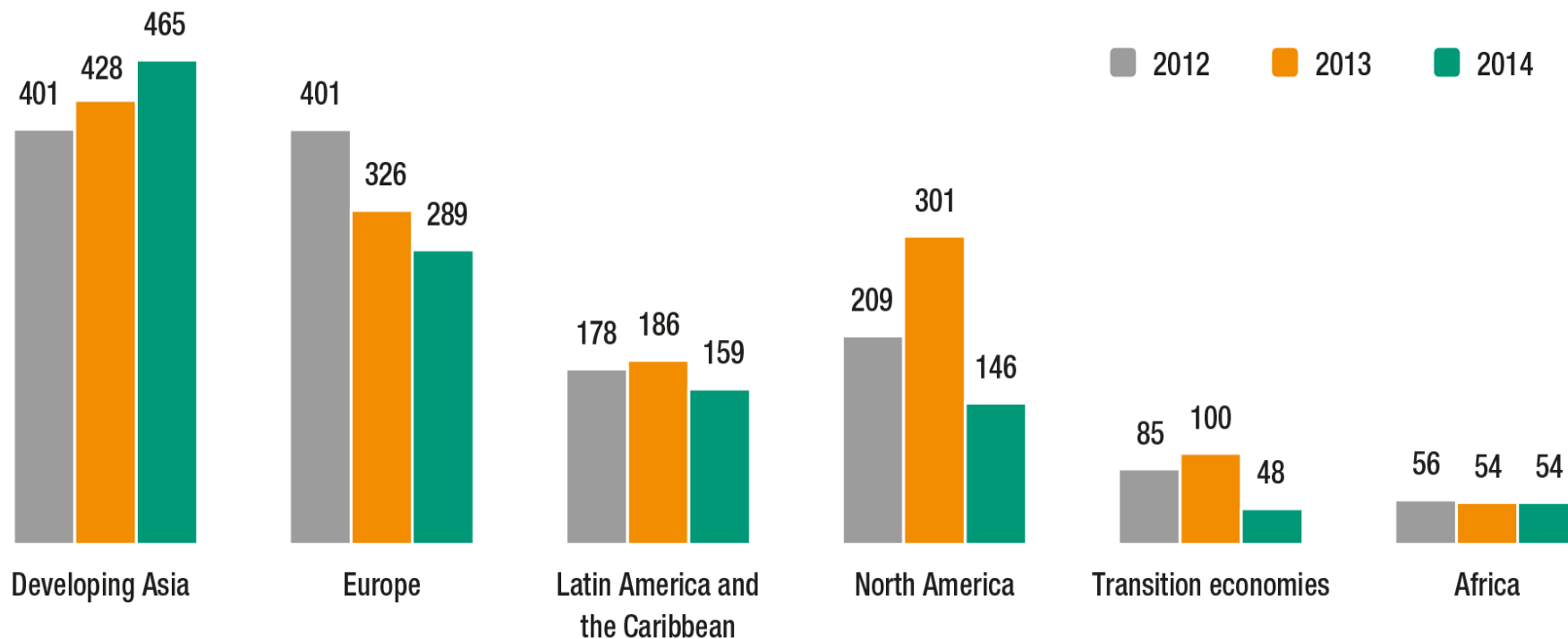
■ Developed economies ■ Transition economies ■ Developing economies — World total



Source: UNCTAD 2015 World Investment Report

Asia drives the increasing developing-country share

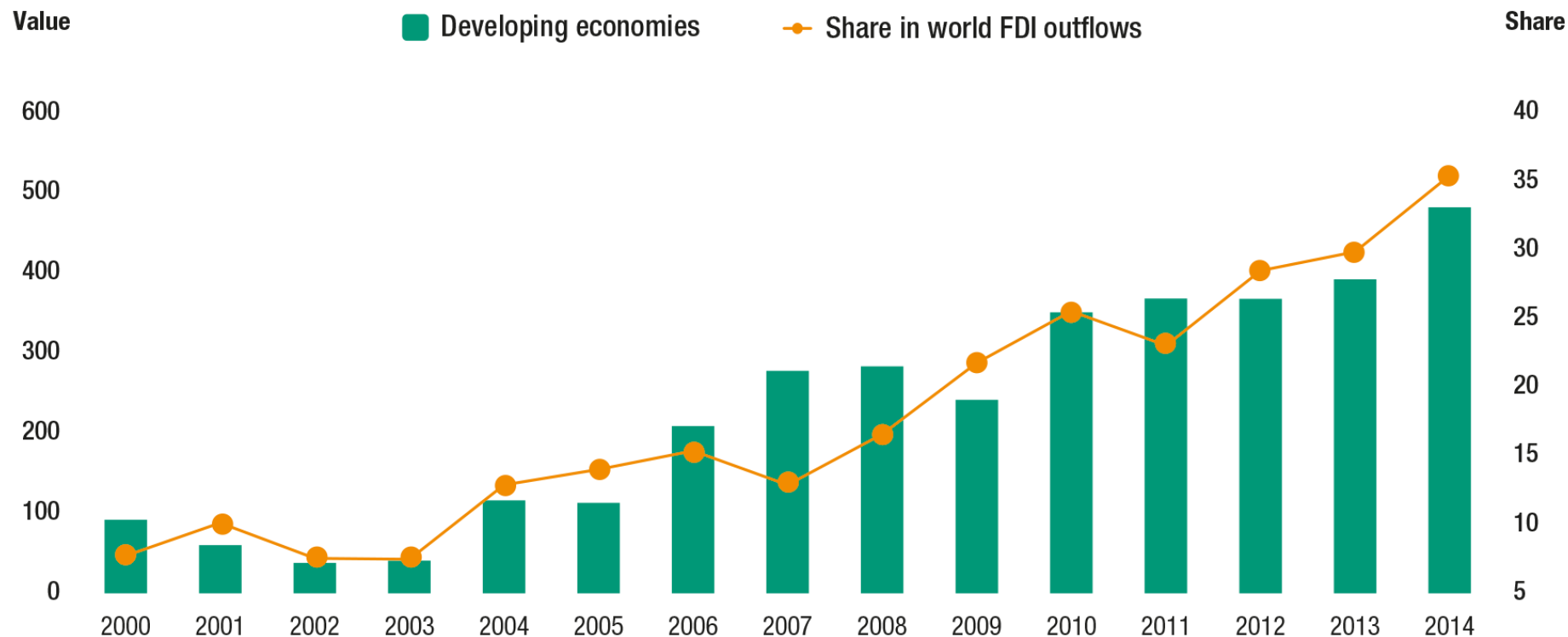
FDI inflows, by region, 2012–2014
(billions of US dollars)



Source: UNCTAD 2015 *World Investment Report*

Outward FDI from developing economies 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*

FDI recovery is in sight

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

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

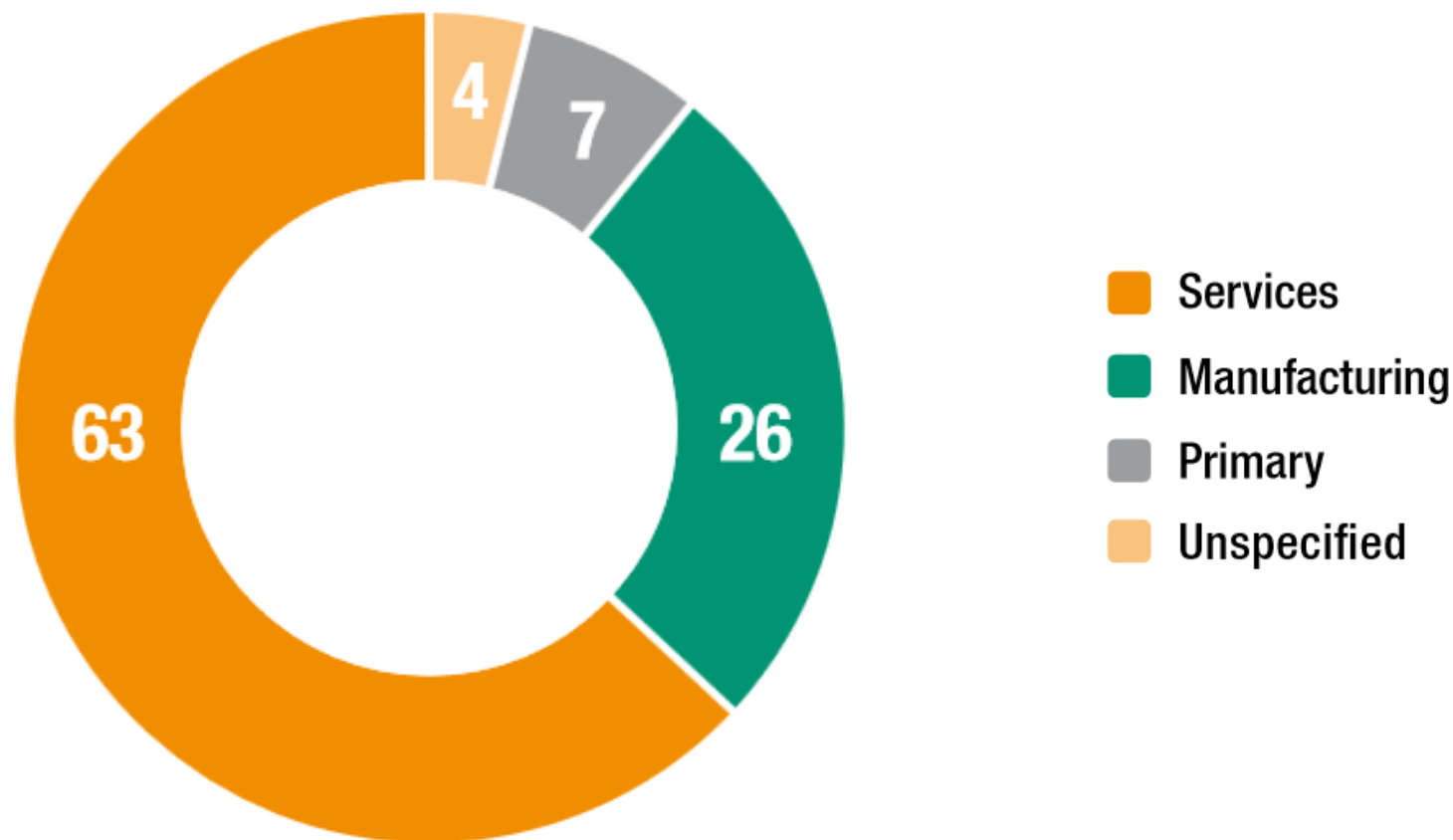
	Averages		2013	2014	Projections		
	2005–2007	2009–2011			2015	2016	2017
Global FDI flows	1 397	1 359	1 467	1 228	1 368	1 484	1 724
Developed economies	917	718	697	499	634	722	843
Developing economies	421	561	671	681	707	734	850
Transition economies	60	81	100	48	45	47	53
Memorandum	Average growth rates		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.

The role of services in global FDI is prominent

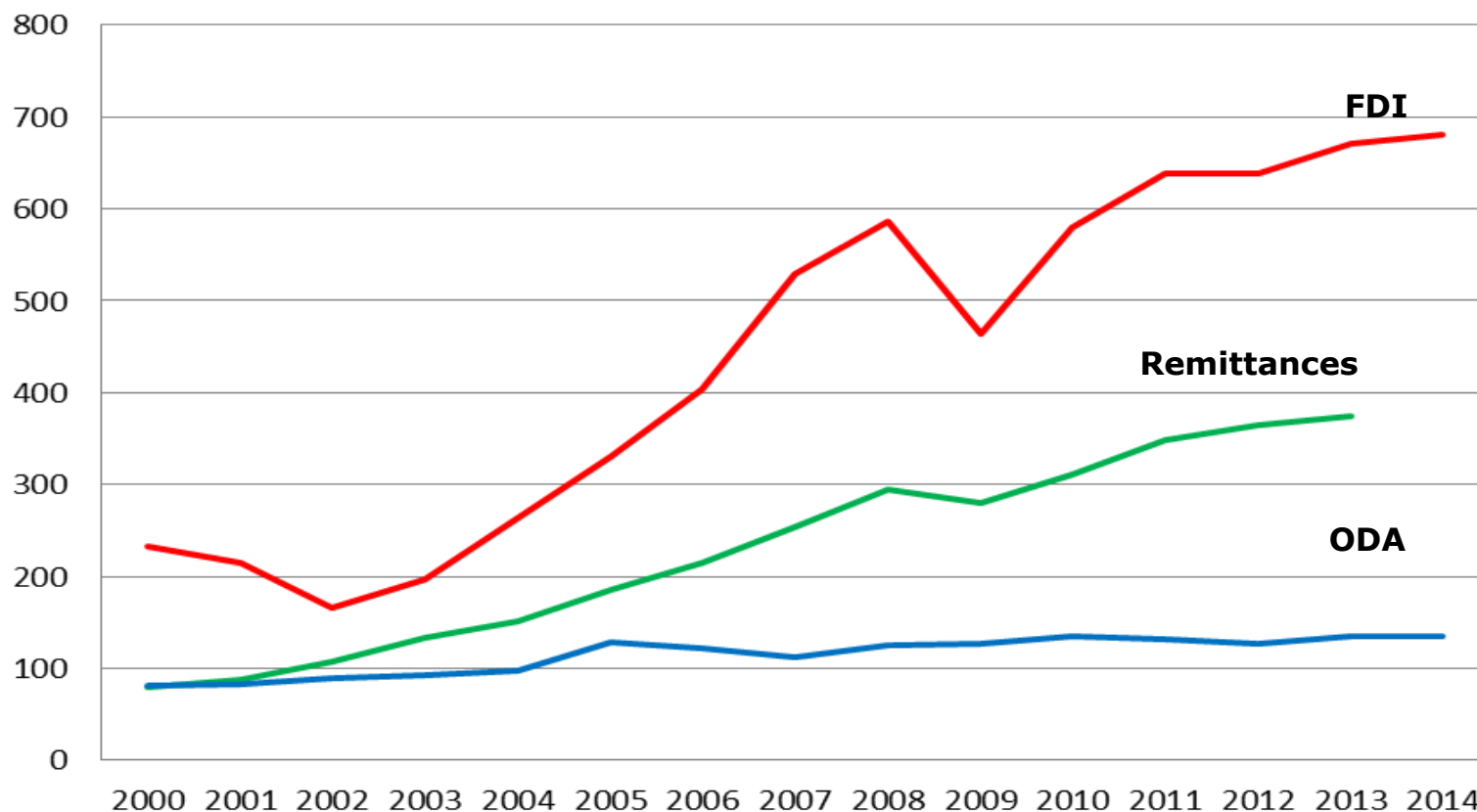
Global inward FDI stock by sector in 2012 (per cent of total value)



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

FDI is the largest source of development finance

FDI, remittances, and ODA to developing economies^a, 2000–2014
(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

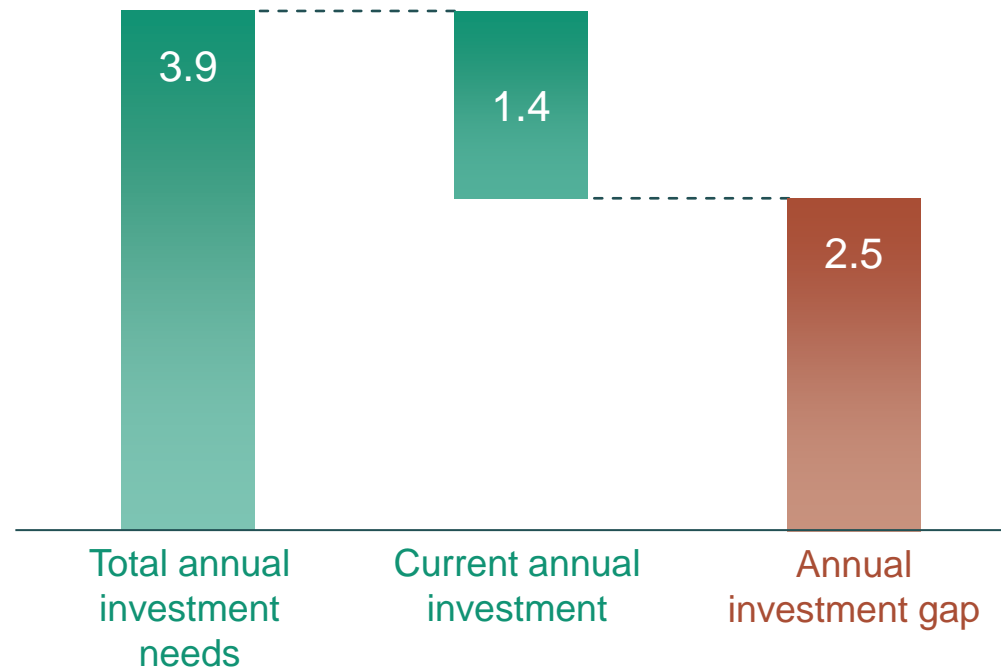
Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

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

Source: United Nations

The SDGs will need to bridge a large investment gap

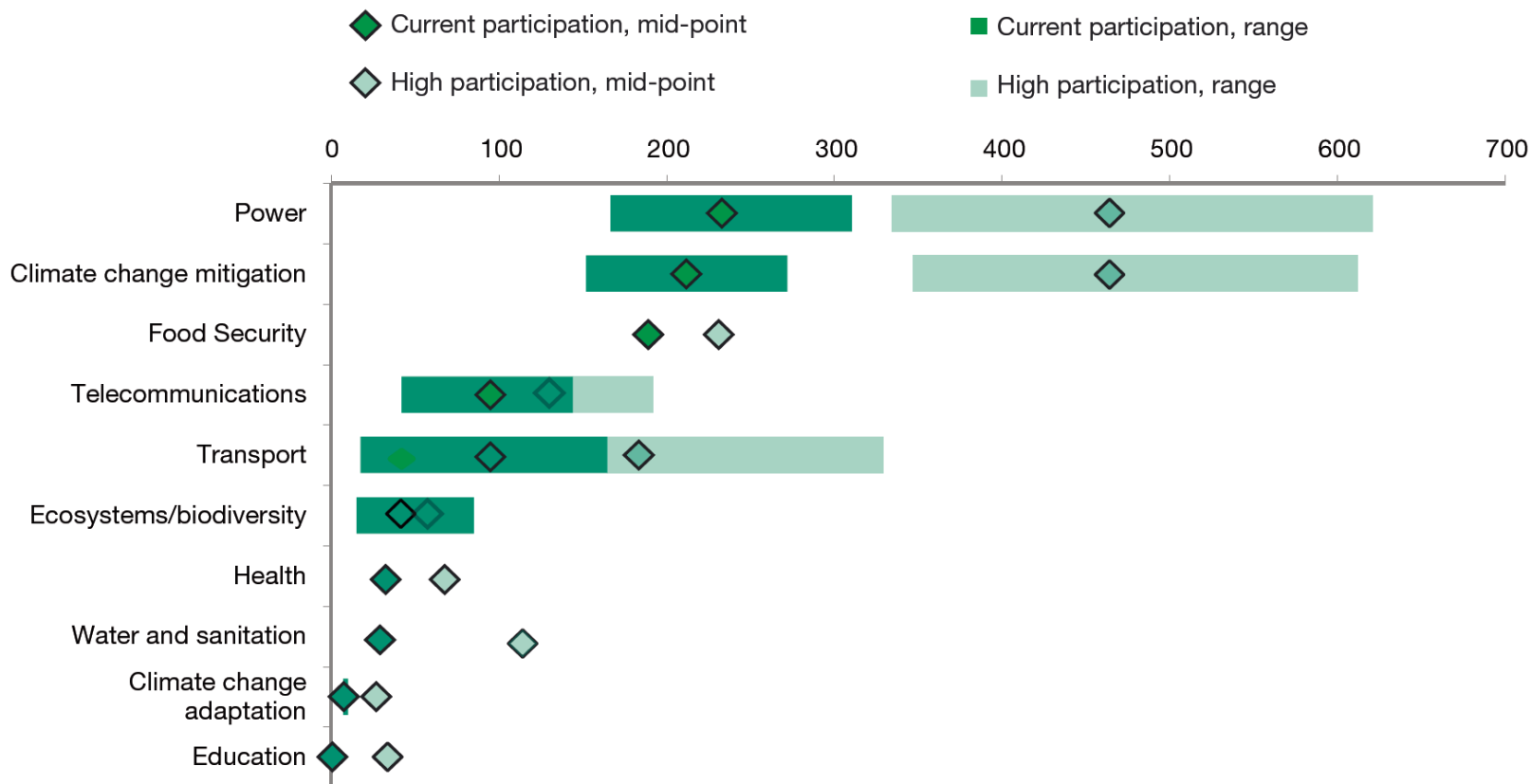
Estimated annual investment needs in key SDG sectors in developing countries, 2015–2030 (trillions of US dollars, annual average)



Source: UNCTAD World Investment Report 2014

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

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)

An Overview of UNCTAD's Investment Promotion Programme

Why do countries promote investment?

Governments actively promote FDI to their countries for many reasons, including:

To improve the **country's image** and correct **market failures** that prevent the host economy from fully realizing its FDI potential

To **maximize positive spill-overs** through targeted interventions, as benefits from FDI are not automatic

Potential impact of investment

FDI can have both **positive and negative impacts** on the economy. Through their investment promotion activities, governments should aim to increase the former and mitigate the latter.

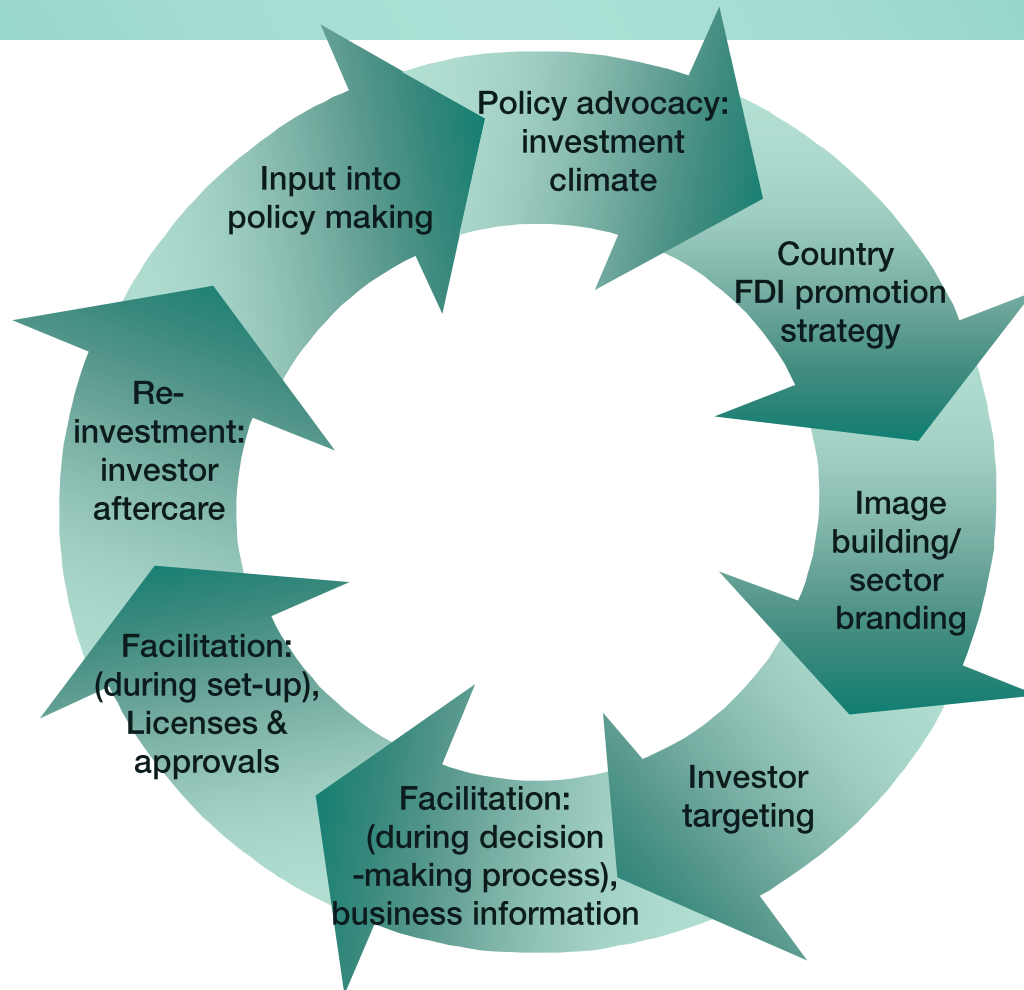
Potential positive impacts

- ➔ Capital
- ➔ Employment
- ➔ Skills and technology
- ➔ Market access
- ➔ Government revenue

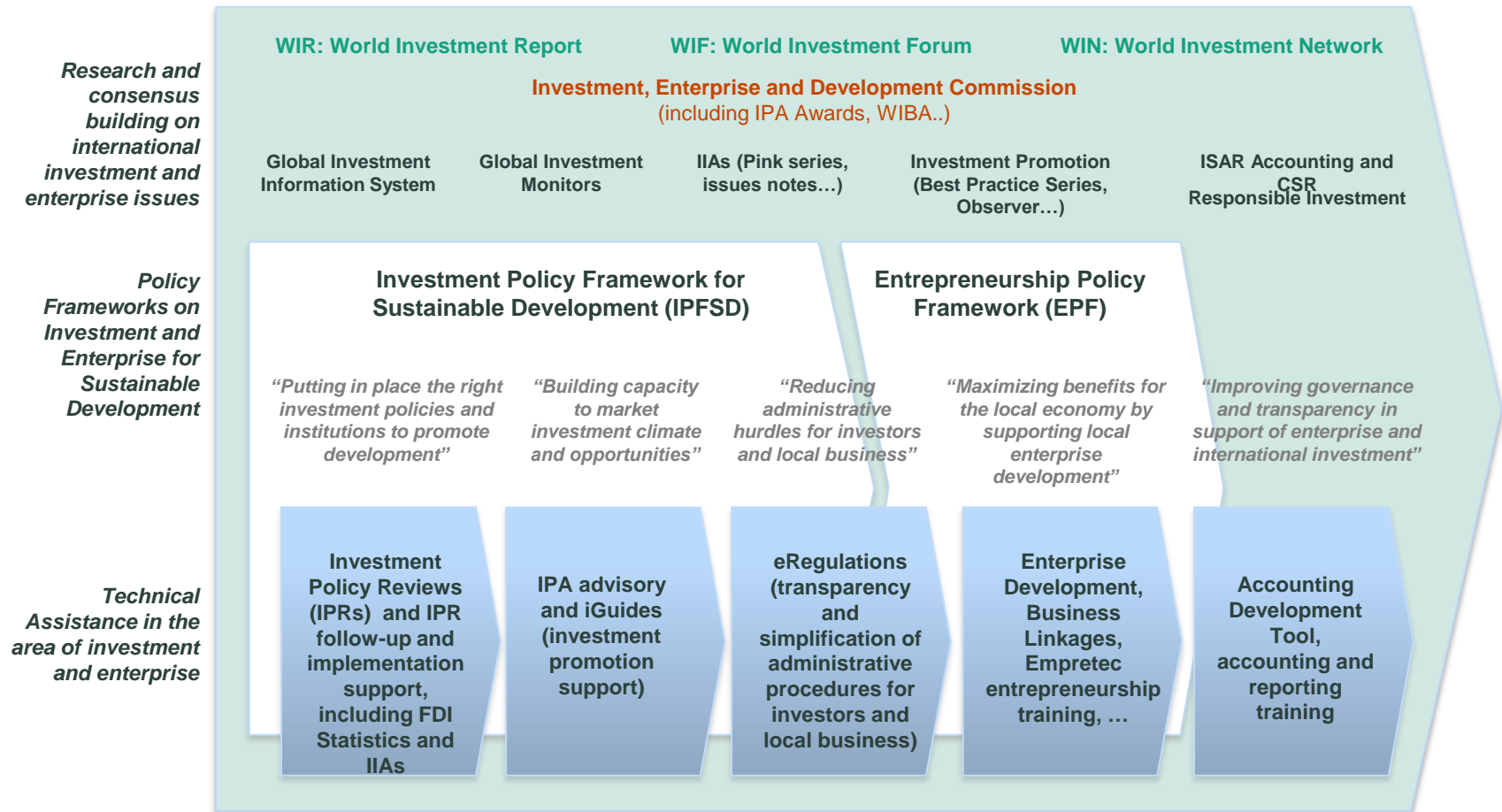
Potential negative impacts

- ➔ Crowding out of domestic investment
- ➔ Low-skilled jobs
- ➔ Unsustainable business practices
- ➔ Downgrading of local innovatory capacities
- ➔ Adverse effect on net exports

The role of IPAs



UNCTAD Division on Investment and Enterprise



UNCTAD services to support investment promotion

1. Investment promotion advisory services
2. Investment promotion training
3. Investment guides
4. Publications on investment promotion
5. greenFDI.org platform
6. Business linkages programme
7. UNCTAD's Investment Promotion Awards
8. UNCTAD's World Investment Forum

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Investment promotion advisory services help create a policy and institutional framework as well as a strategic approach for attracting and retaining FDI for sustainable development.



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Investment promotion training builds capacities among professionals and diplomats on investor targeting, aftercare, and policy advocacy as well as on the promotion and facilitation of new business opportunities to green the economy.



FACTS

Every year, more than **200** investment promotion professionals and diplomats from countries around the world benefit from this training.

90% of them evaluate the workshops as beneficial for their work.

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Investment guides both paper-based and web-based (*iGuides*), jointly developed with Governments, provide investors with key information on the business environment of a specific country or region: regulations, taxes, and main costs and prices, plus experiences of established investors and investment case studies.



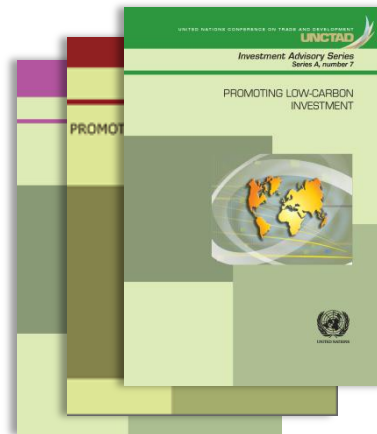
FACTS

3 online or paper Investment Guides are produced every year, with a total of 29 Investment Guides to date, covering individual countries, regions, and groupings, including guides for LDCs, the East African Community, and the Silk Road region.

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Investment promotion publications and newsflashes help investment promotion professionals learn about investment promotion strategies, best practices, and trends. Special emphasis is put on green and sustainable sectors.



UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
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OUTWARD INVESTMENT AGENCIES: Partners in Promoting Sustainable Development

HIGHLIGHTS

- Outward investment agencies (OIAs) promote and service investment abroad; they include outward investment promotion agencies, development finance institutions, and investment guarantee schemes.
- UNCTAD reviewed 101 OIAs and found that 45% indicate on their websites that they provide some level of services particularly for investing in the Sustainable Development Goals (SDGs).
- Nearly all regional and multilateral OIAs provide SDG-related services, against two out of five OIAs in developed economies and one out of five OIAs in developing and transition economies.
- UNCTAD's 2015 Investment Policy Framework for Sustainable Development defines a paradigm shift in investment policymaking and calls for actions to prioritize investment promotion to SDGs.
- Partnerships between OIAs and investment promotion agencies can encourage and facilitate investment in SDGs through information sharing, technical cooperation, and marketing of SDG investment opportunities.

For obvious reasons, outward investment agencies (OIAs) have been catalyzing foreign direct investment (FDI) to developing countries, which is a challenging investment environment. Countries that have invested in these locations include various types of assistance from OIAs, including investment insurance and technical assistance. Financial support, and investment insurance and guarantees, including the costs and risks of investment projects. Many of these investments have contributed to the economic development of host locations.

The Sustainable Development Goals (SDGs) defined the way for the international community to face the common global economic, social, and environmental challenges in the next 15 years all have been common implications, especially for developing countries. According to UNCTAD estimates, current investment funds in key SDG sectors in developing countries are about US\$1.5 trillion, that annually needed. Private investment, including FDI, could play an important role in helping the world face the ongoing concerted efforts for all stakeholders, including FDI home and host country governments, the private sector, and international organizations.

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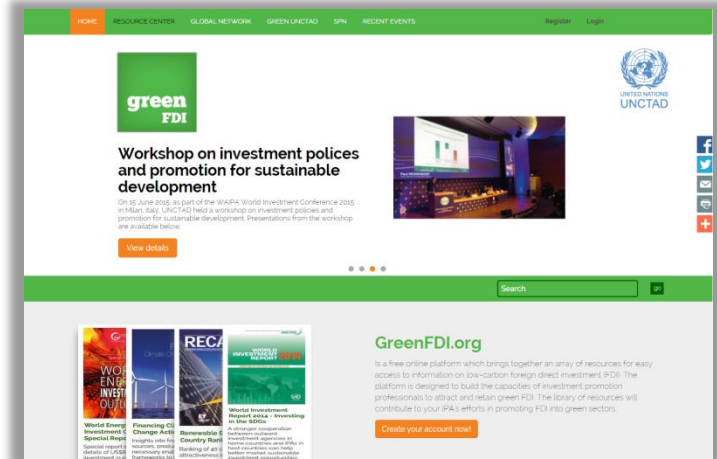
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greenFDI.org is an online platform providing investment promotion stakeholders with an extensive library of recent publications on attracting low-carbon investment, as well as information about a global IPA network, recent workshops organized by UNCTAD, and upcoming events.

FACTS

Up to 1,000 unique users access the greenFDI.org platform every month



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UNCTAD's Investment Promotion Awards are presented annually to recognize the achievements of best-practice IPAs in a variety of areas and contribute to the dissemination of these practices among the investment promotion community.



FACTS

Since 2002, **46** IPAs have received Investment Promotion Awards from UNCTAD for their outstanding achievements.



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UNCTAD organizes and contributes to **high-level international meetings** to help investment promotion stakeholders discuss investment policies and share strategies.



UNCTAD's **World Investment Forum** is a biennial, multi-stakeholder meeting which provides a global platform for investment stakeholders at the highest level to promote investment flows that contribute to sustainable and inclusive development.



UNCTAD's Investment Promotion Programme

Thank you!

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