



Emerging Markets Forum 2024

Foreign Direct Investment Trends in Global Emerging Markets: A Focus on Africa

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Data



Global Investment Database
Investment Policy Database

Flagship Report



World Investment Report

Flagship Event



World Investment Forum

Global Initiatives



UN Sustainable Stock Exchanges
Global Sustainable Investment Network
Global Alliance of Special Economic Zones



FDI
Sustainable Investment
Sustainable Finance
Enterprise Development

Research and Analysis



International meetings & intergovernmental
Working Group on Standards

Consensus Building



Investment Policy Review, Agreements &
Facilitation
Entrepreneurship
Digital and Green Transition

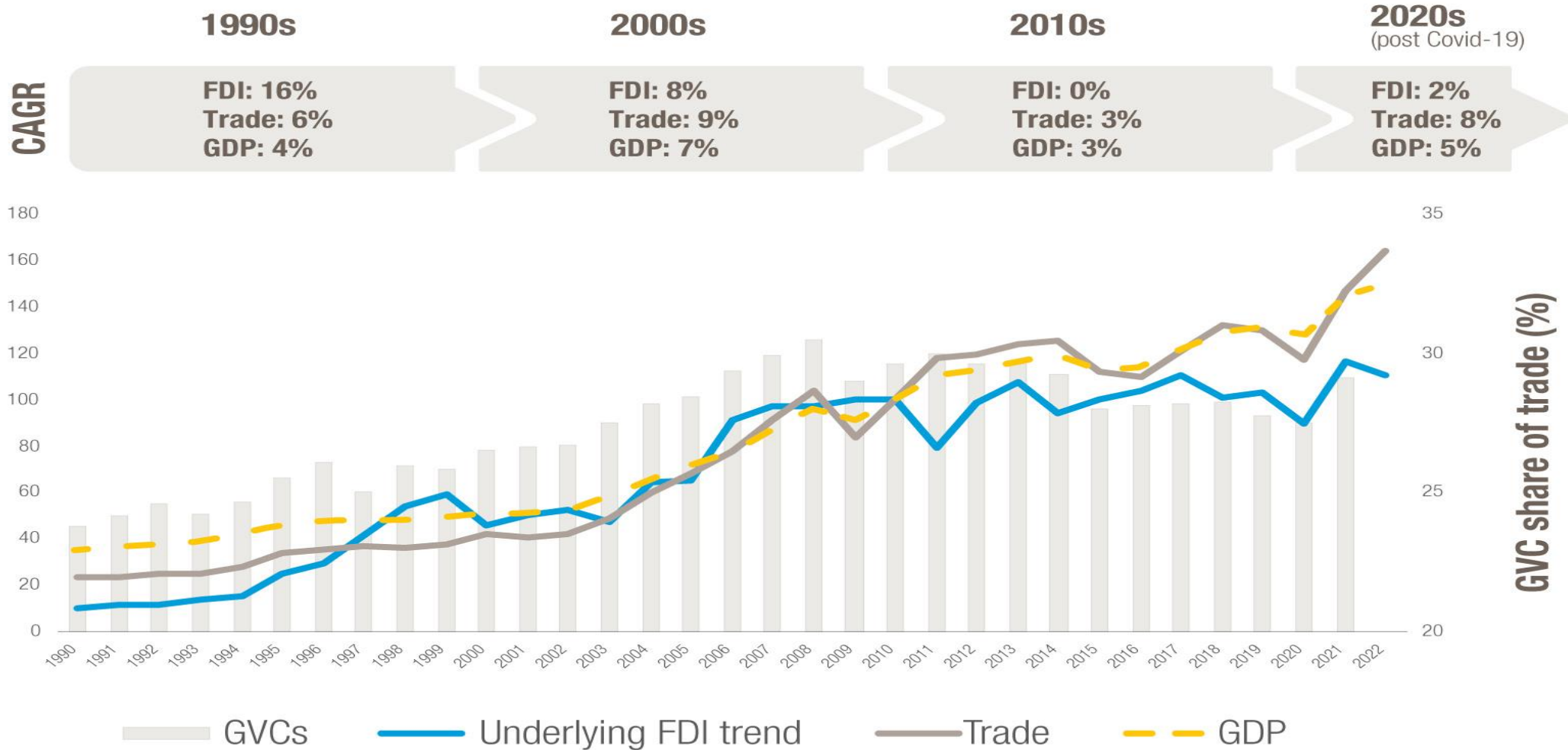
Technical Assistance

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- 1. FDI trends**
- 2. Address the challenges and harness the opportunities**
- 3. Policy recommendations**

FDI lost pace with trade and GDP growth

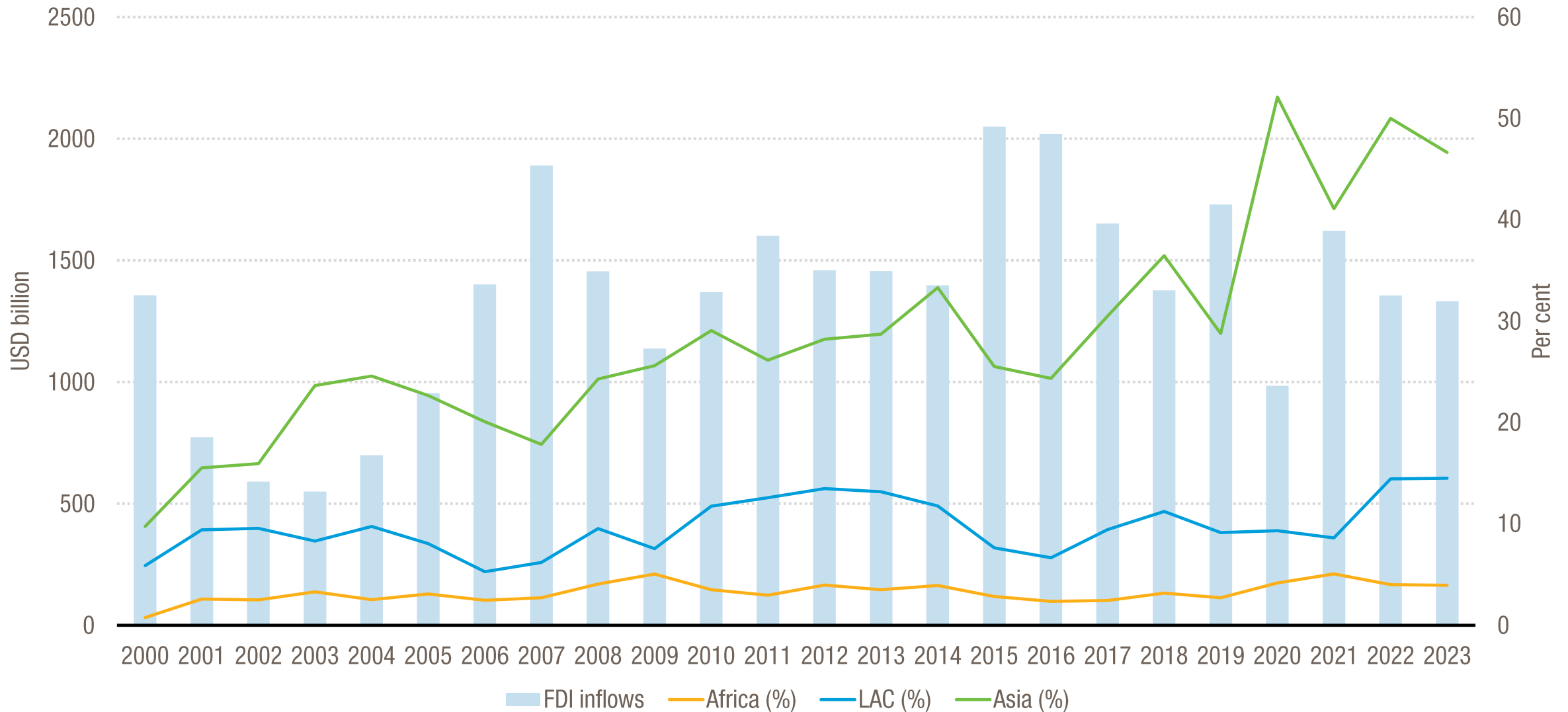
FDI, trade and GDP trends, indexed 2010 = 100





FDI flows into Africa represents a marginal share of global FDI

Global FDI inflows, developing regions as share of world FDI
(Billions of dollars and per cent)

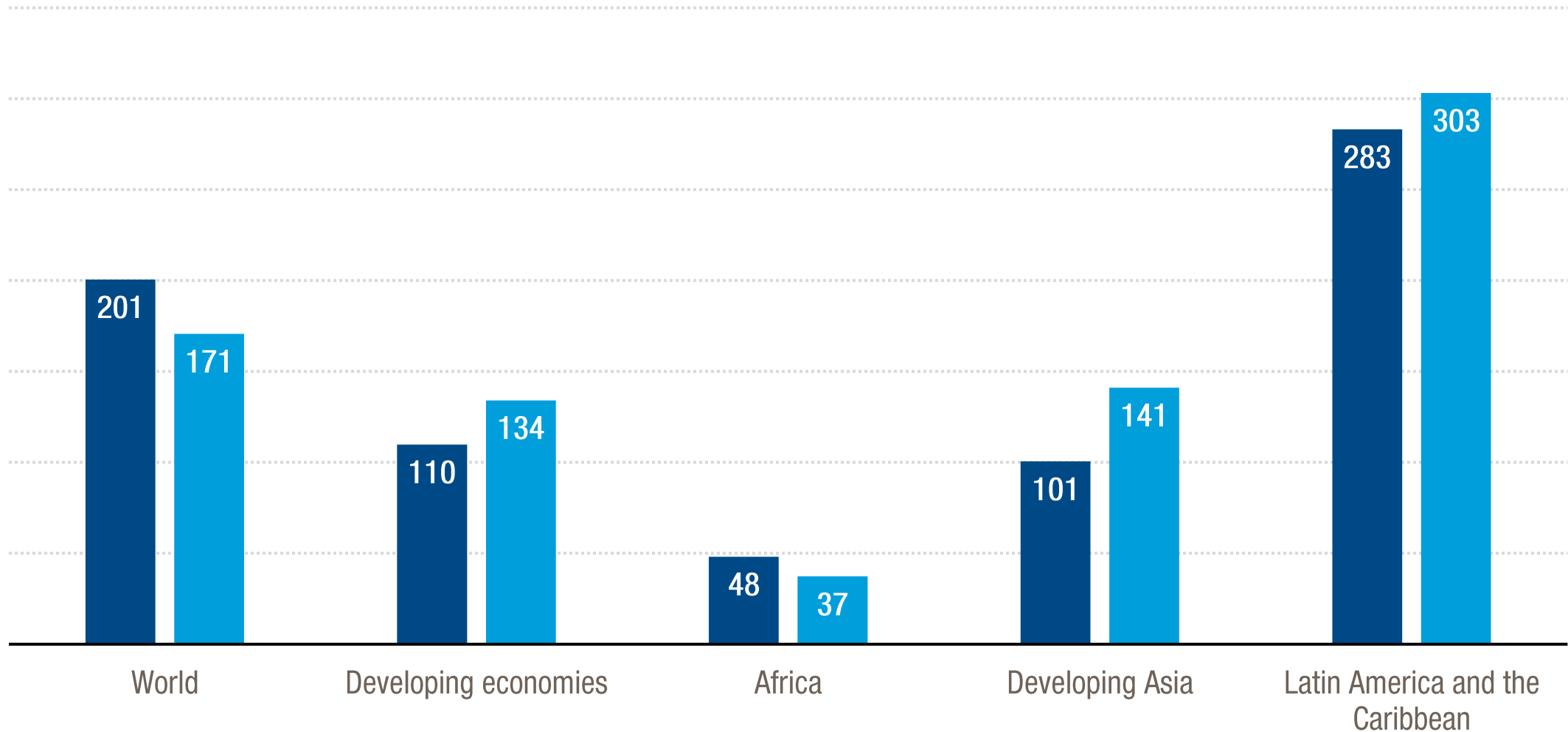




FDI inflows per capita diverge across developing regions

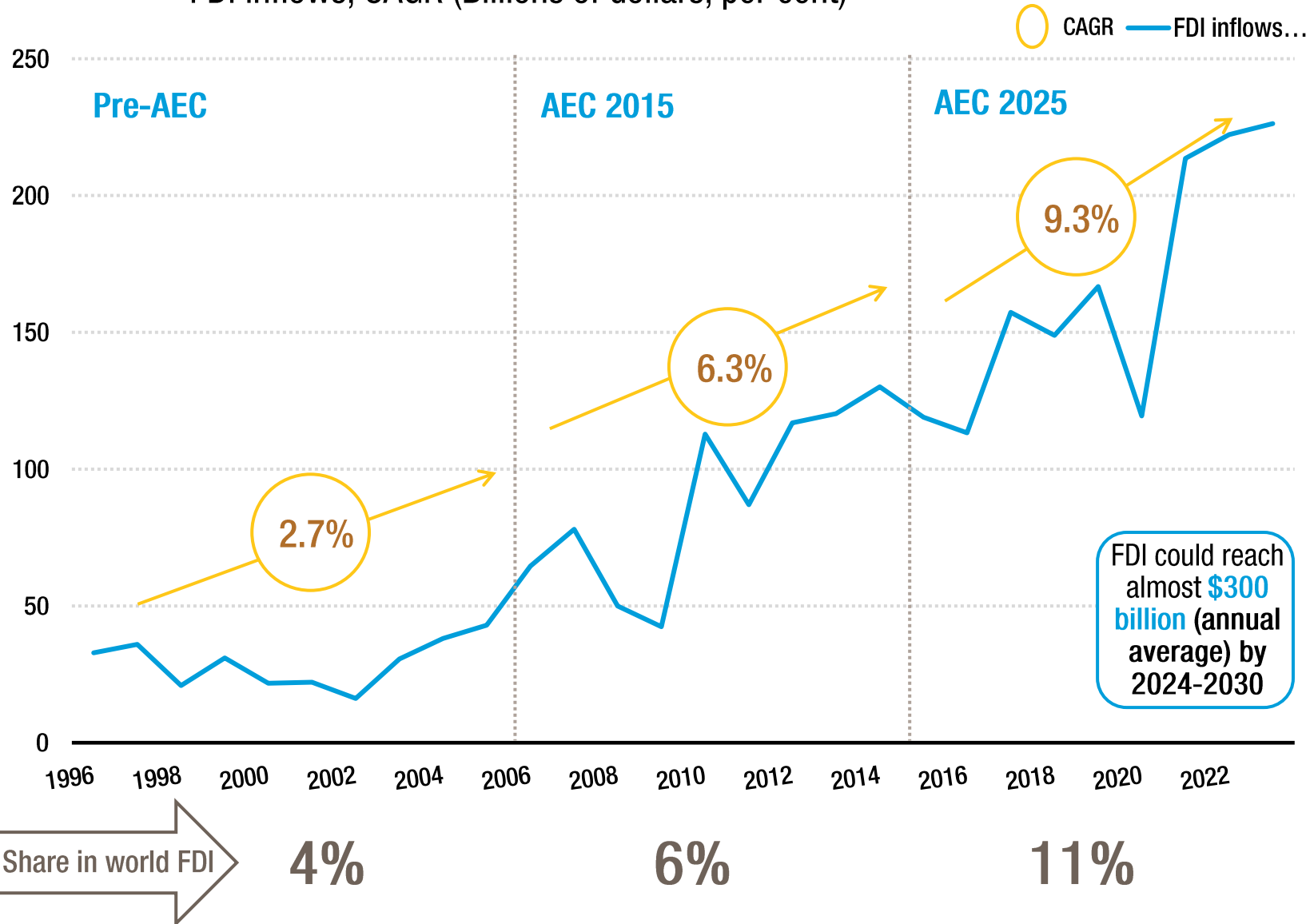
(US dollars per person)

■ 2010 ■ 2023



Developing Asia's success:

FDI inflows, CAGR (Billions of dollars, per cent)



Drivers of success:

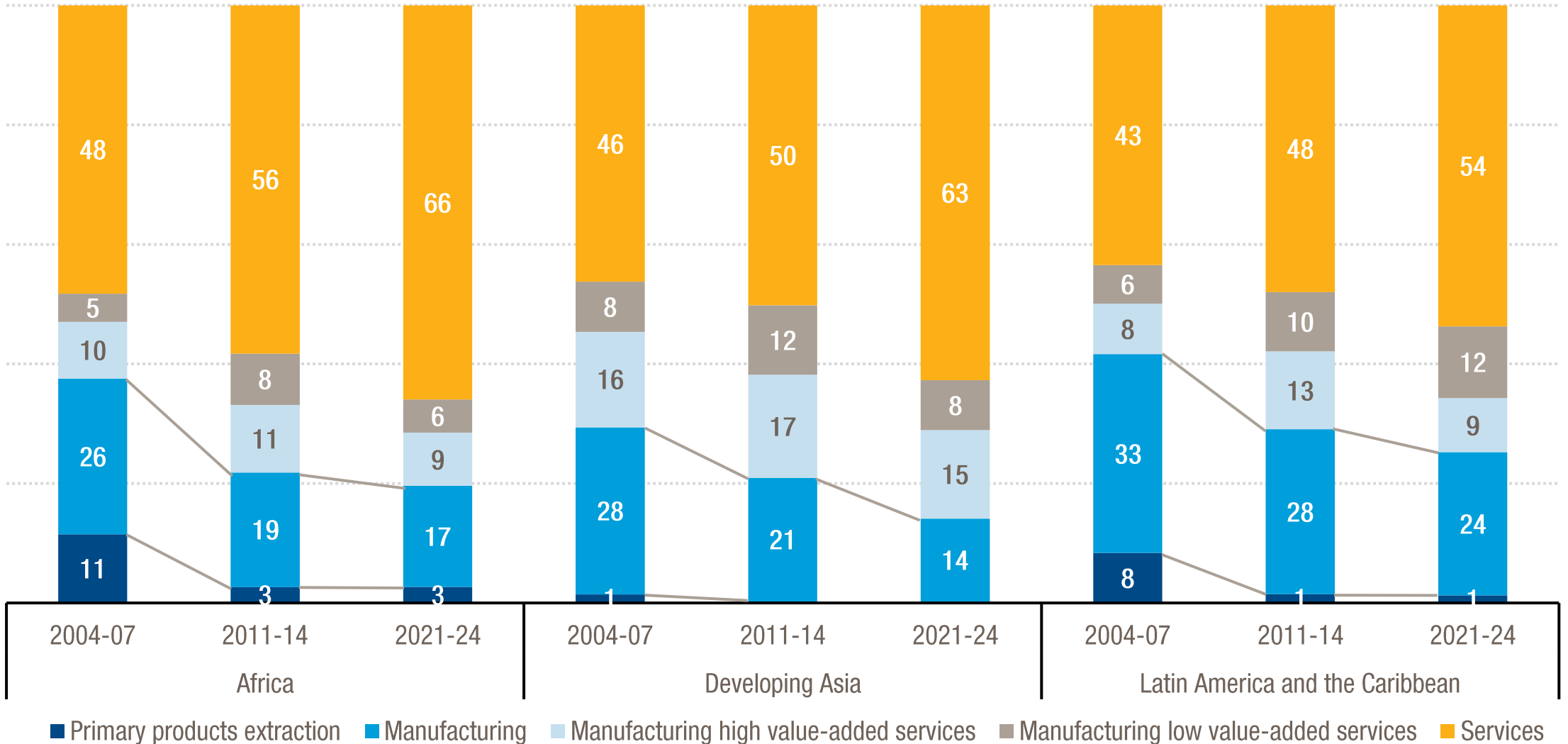
- ▶ Robust investment in manufacturing and services
- ▶ Investment in knowledge-based and higher value-added activities and industrial upgrading
- ▶ Regional integration, ASEAN Economic Cooperation (AEC)
- ▶ Increased efficiency and improved policy environment – especially through the ASEAN Investment Facilitation Framework
- ▶ Strong focus on liberalization of new sectors to FDI (eg digital economy, EV)

FDI in productive capacity and SDG sectors



Manufacturing FDI is declining across regions

Sectoral distribution of cross-border greenfield projects, by developing region
(Per cent)



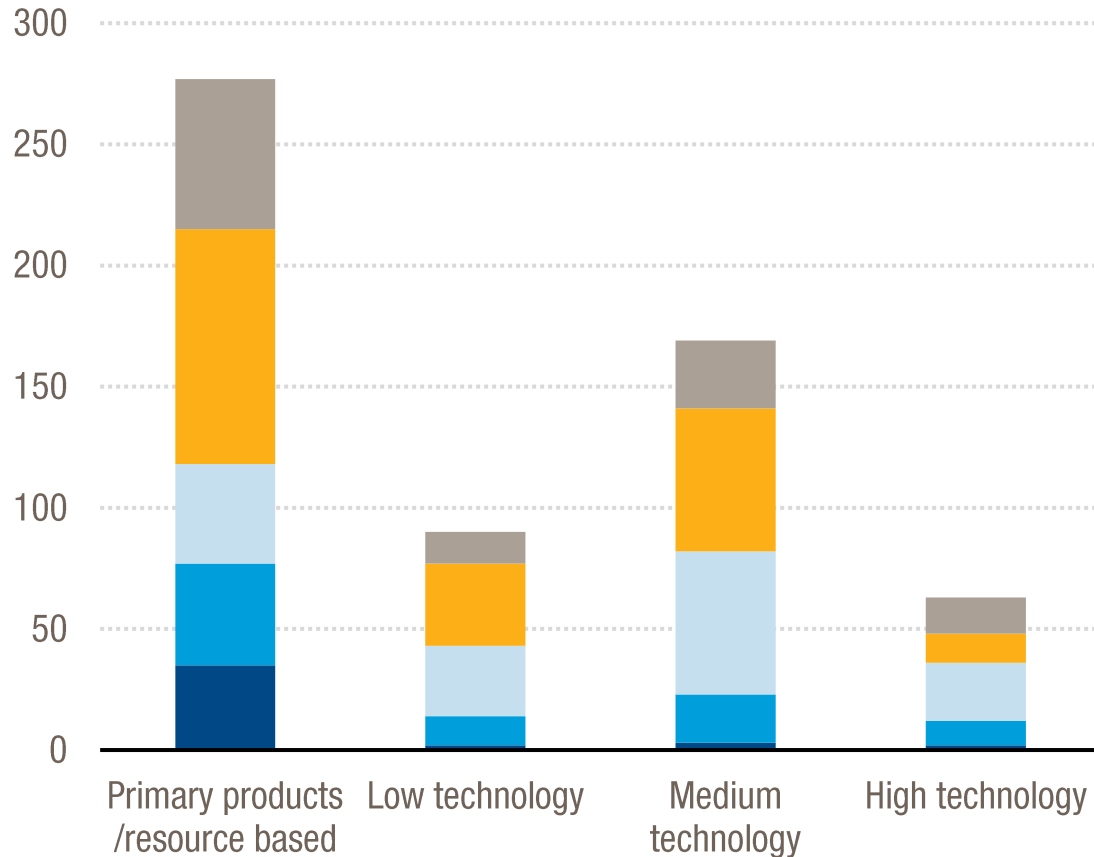


Manufacturing FDI in Africa is increasingly concentrated

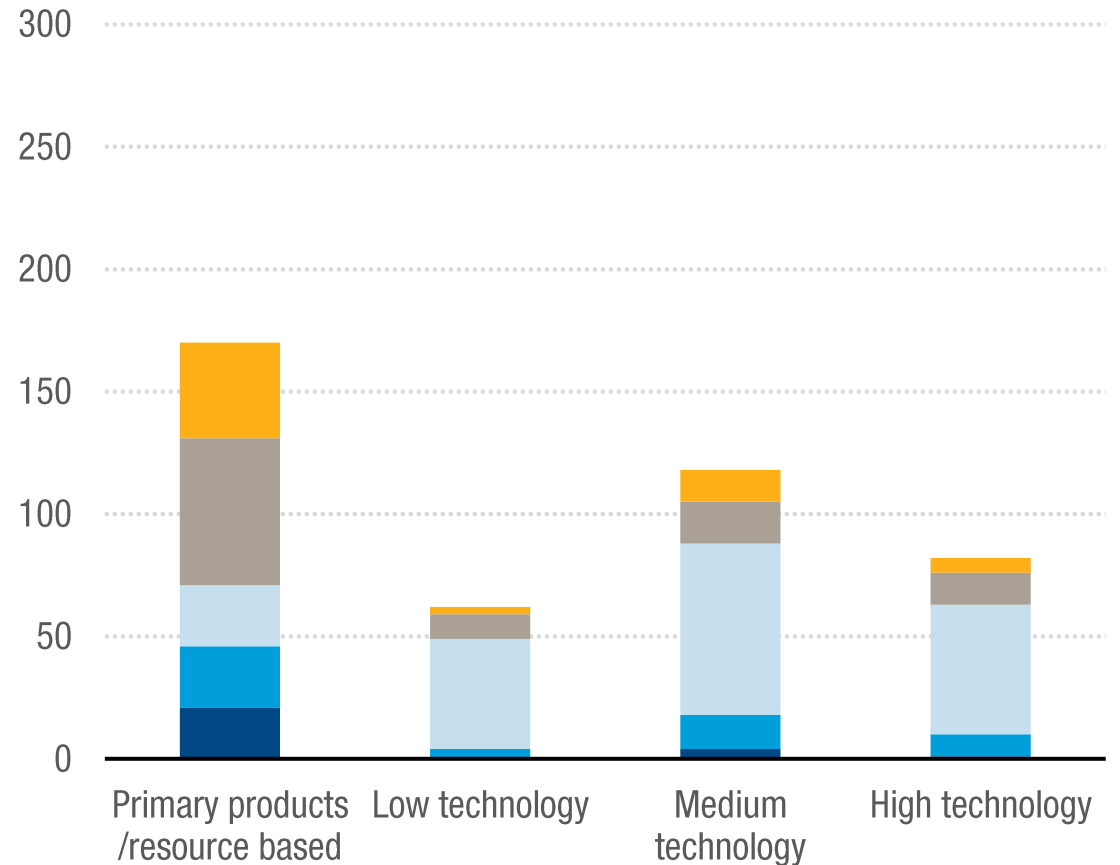
Cross-border manufacturing projects, by level of technology, 2011-2013 and 2021-2023

- Central Africa
- East Africa
- North Africa
- Southern Africa
- West Africa

2011-2013

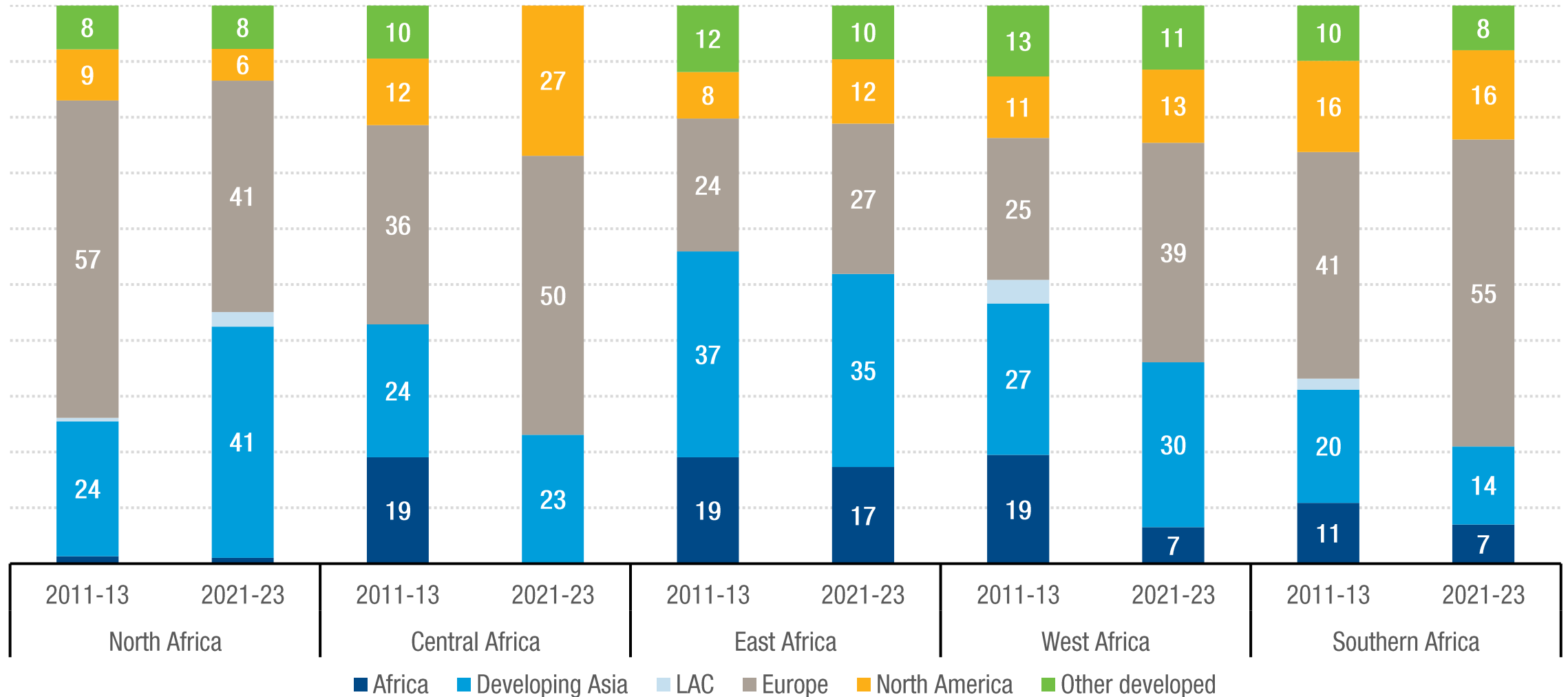


2021-2023



Manufacturing FDI in Africa is increasingly driven by developing Asian economies

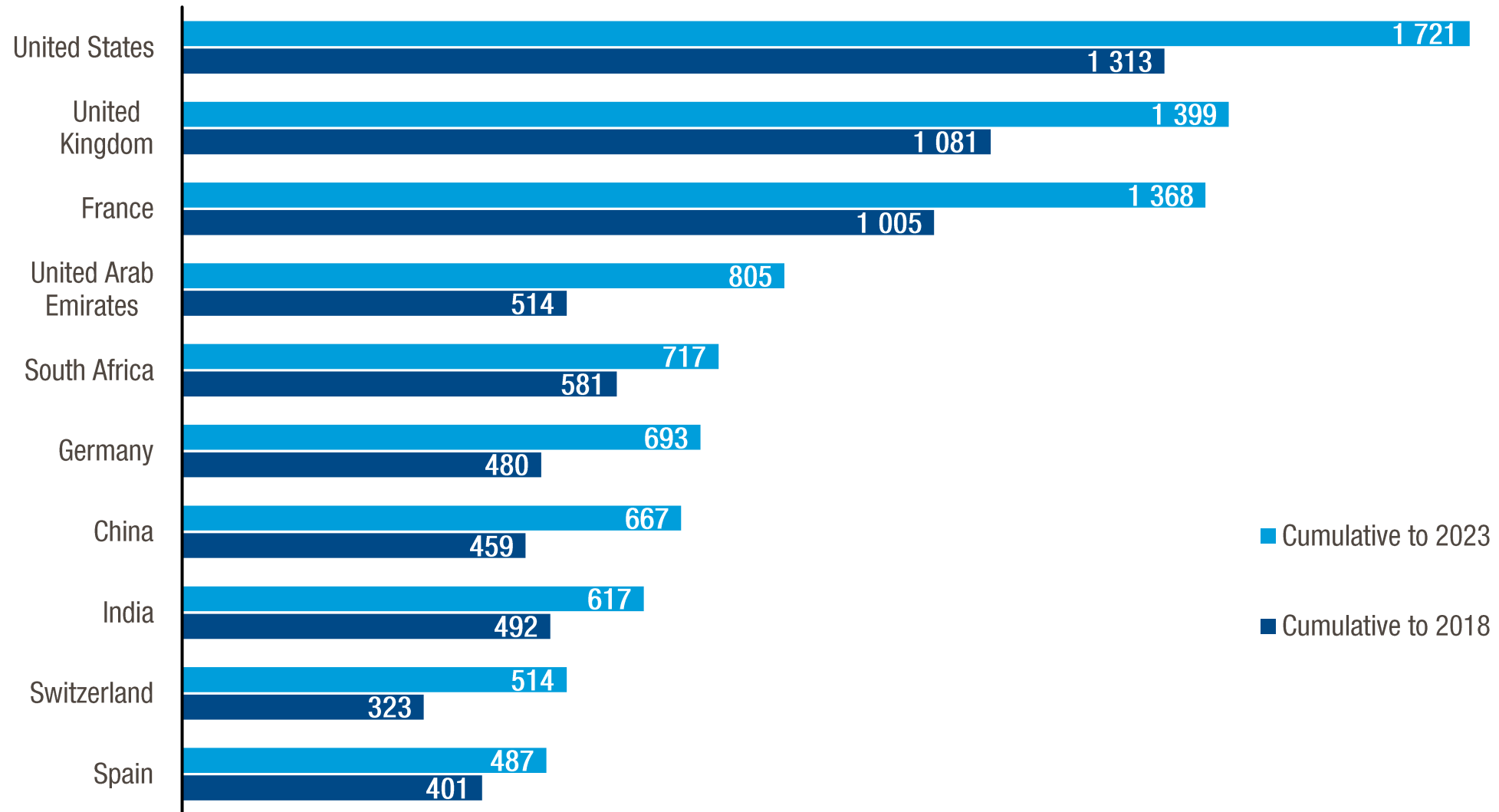
Cross-border manufacturing projects, by source region
(Per cent)





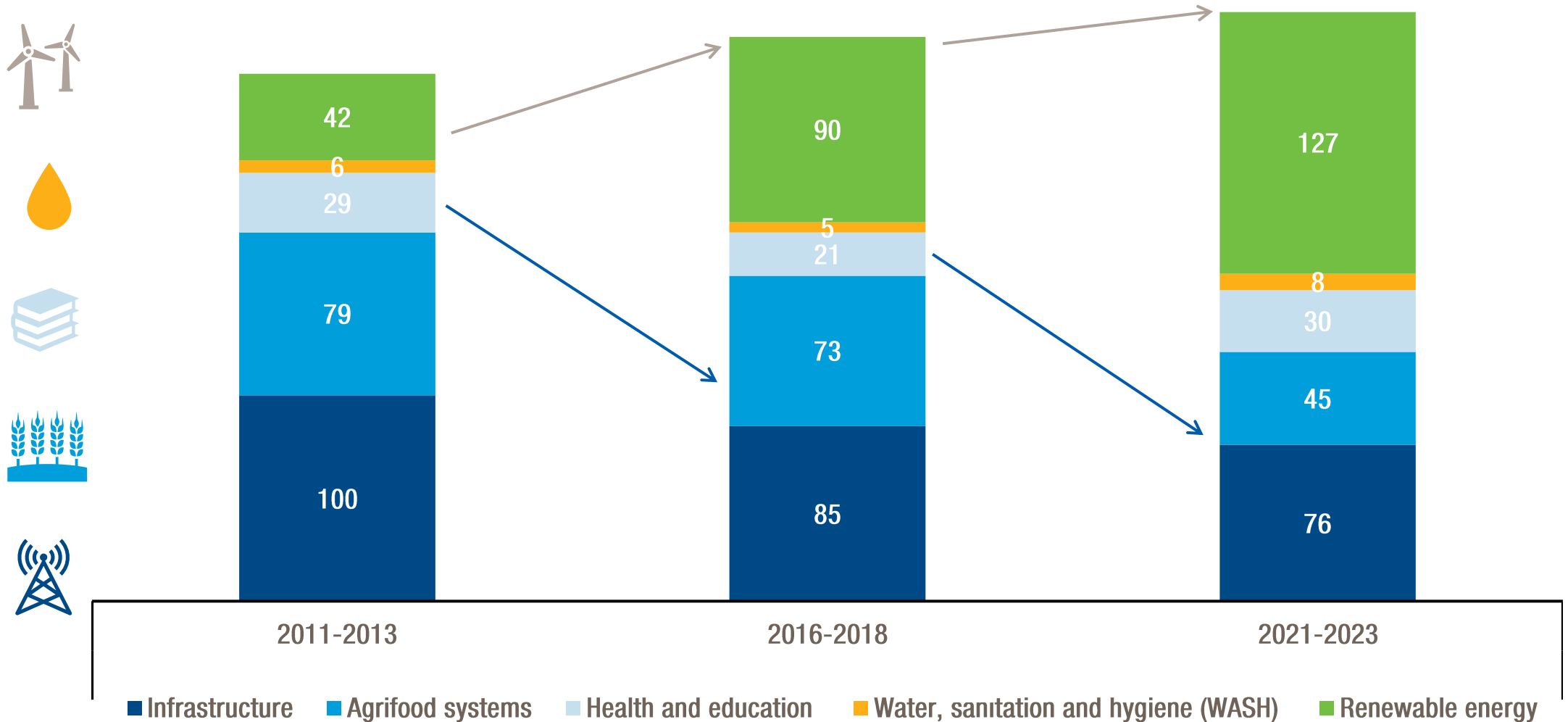
Africa: Top 10 investor economies by number of greenfield projects

Cumulative number of projects



Renewable energy projects are driving SDG investments in Africa

Africa: investment in sectors relevant to the Sustainable Development Goals
(Average number of projects)





International investment in SDG sectors in developing countries declined in 2023

Investment SDG sectors, developing economies
(Project values, percentage change)



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➤ Challenges

Shrinking pool of efficiency-seeking investment and marginalization of vulnerable economies: tougher competition for FDI



Lack of infrastructure, hindering private sector development



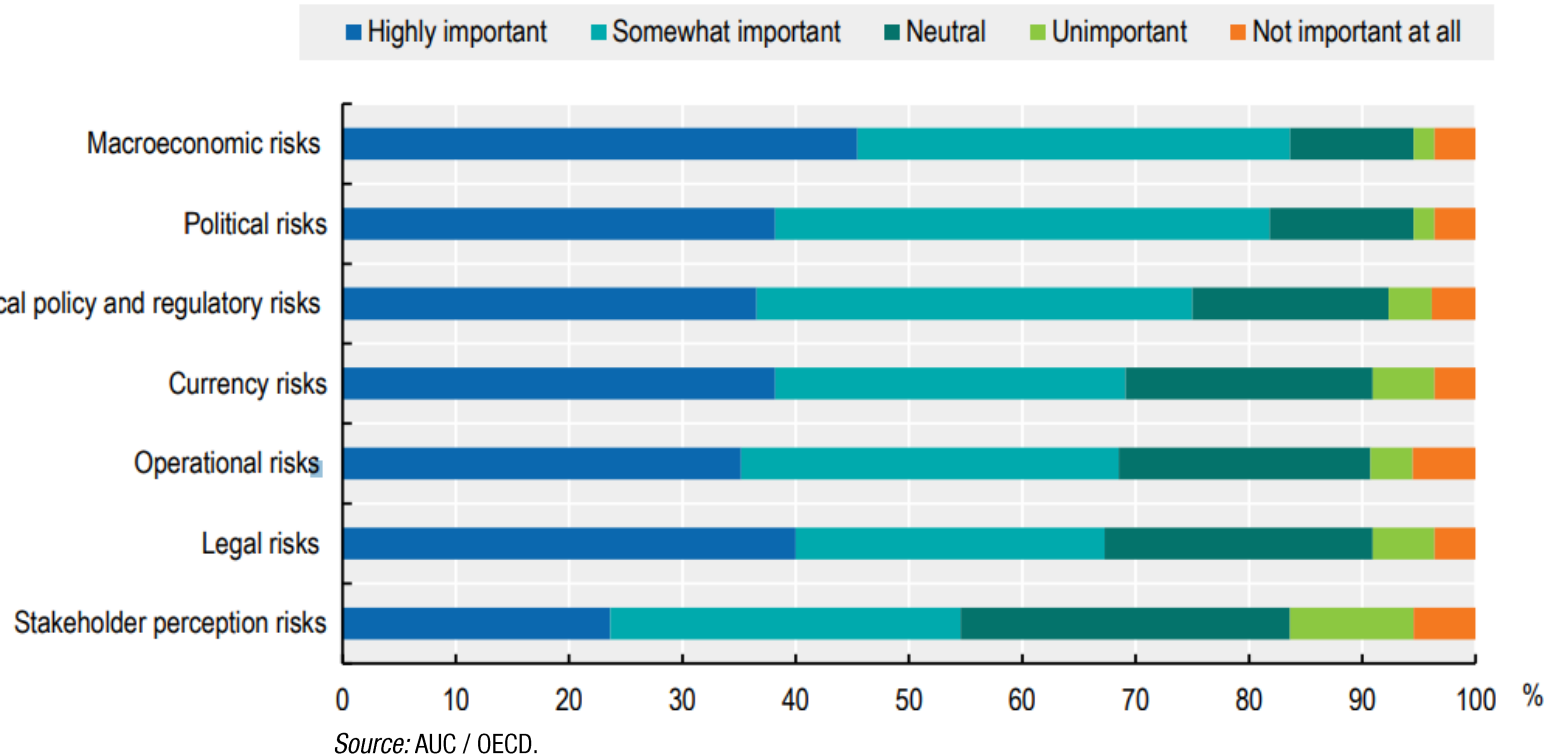
Cost of capital is prohibitive: high risk perception and debt crisis



Enabling environment:
Governance and
Regulatory framework



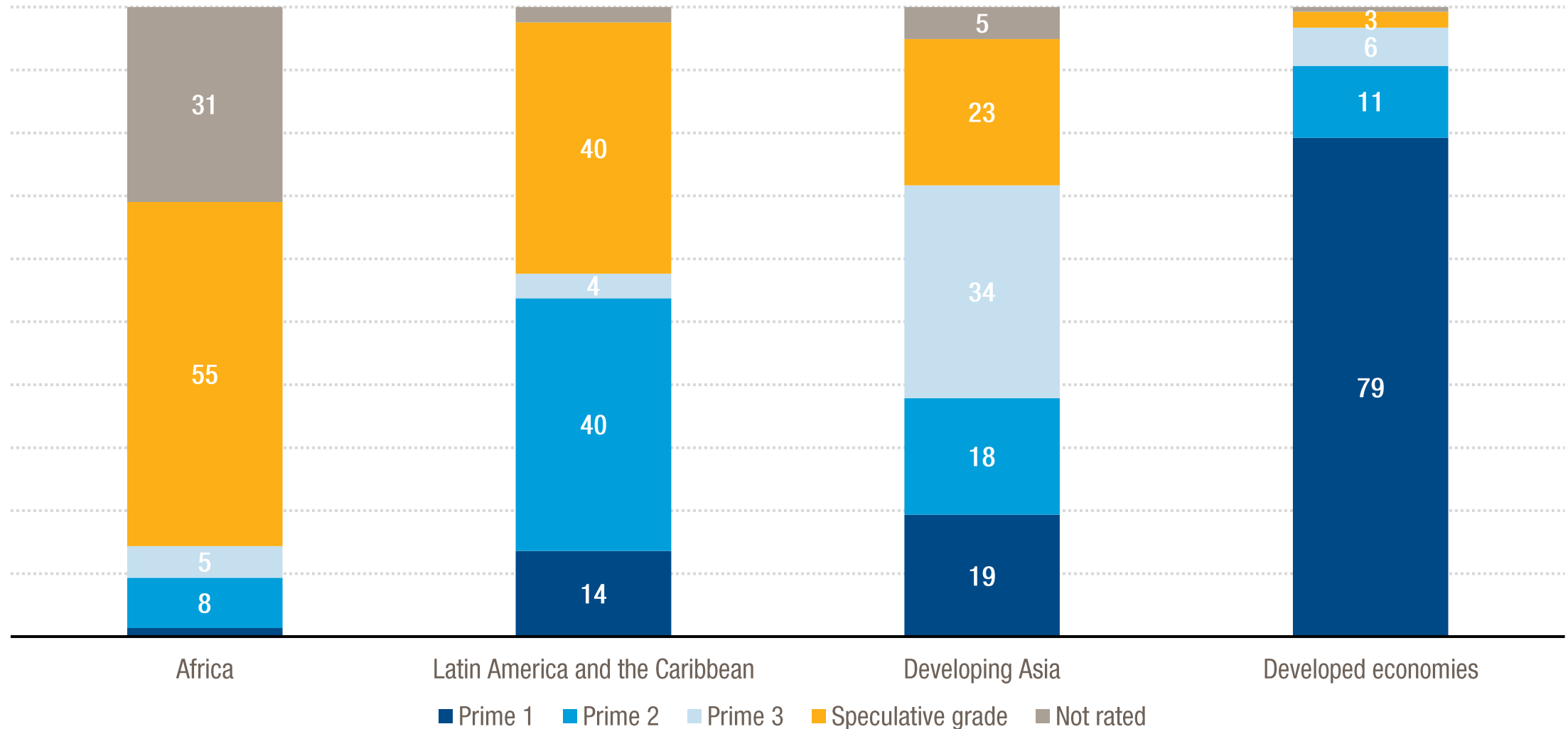
➤ Barriers to further investment



- ▶ Africa attracts the lowest share from institutional investors compared to other world regions.
- ▶ Africa’s share of global investment has remained below 1% - even though global assets under management grew from \$48 trillion in 2010 to over \$113 trillion in 2021.
- ▶ Political risks are deemed as “highly” or somewhat important for over 80% of investors.

Africa's credit ratings are lagging behind other developing economies

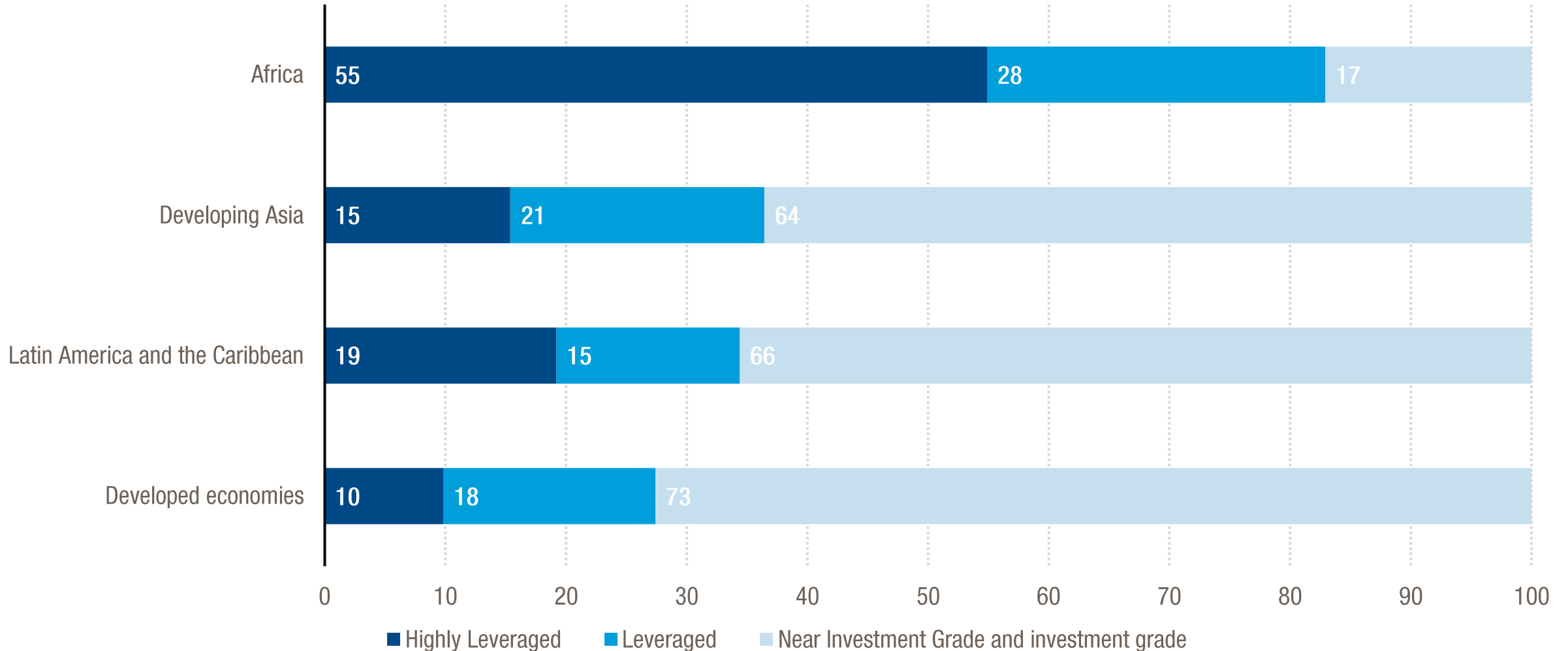
Share of international project finance projects by credit rating
(Per cent)





Developing countries face higher cost of capital

Loan yield type of international SDG infrastructure projects, by region
(Per cent)



➤ Opportunities



South-South FDI and implementation of AfCFTA can facilitate regional integration and attract efficiency seeking and market seeking FDI.



The reform of the financial architecture:
Strengthened role of MDBs' and IFIs' in derisking, and PPPs can improve private sector participation in SDG investment



Increasing FDI in the services sector and critical minerals can boost growth in related industries



Digital infrastructure and investment facilitation platforms have the potential to enable better governance. AU's *Digital Transformation Strategy* can help to streamline the regulatory environment

➤ Policy recommendations



Fostering a robust enabling environment

- Sound policies, rule of law, reduced policy risks, and better infrastructure.
- Digital facilitation initiatives that streamline processes, increase transparency, and enhance investment governance.
- National reforms aimed at facilitating investment can be reinforced by regional integration, particularly within the AfCFTA framework.



Mitigating investment risks and high capital costs

- Risk mitigation mechanisms (eg investment guarantees, PPPs, enhanced currency hedging tools, concessional loans, and blended finance).
- Concerted international support for de-risking activities and reforming how credit ratings are determined.
- Enhance the role of export credit agencies on investment. Fostering a collaborative approach that aligns public and private sector interests.



Mobilizing private investment for critical sectors

- Enhance the investment readiness of key sectors like renewable energy, infrastructure, agrifood systems, health and education.
- Develop targeted incentives that go beyond reductions in corporate income tax.
- Policy frameworks should address sector-specific barriers and introduce tailored mechanisms like pipelines of bankable projects.

Thank you

