#5 SEPTEMBER 2024

UN trade & development UNCTAD

SDG Investment
Trends Monitor

International investment in SDG-relevant sectors, excluding renewable energy, has stalled since 2015

Foreign investors sponsoring just one fifth of infrastructure projects in developing countries

HIGHLIGHTS

- Preliminary data for the first quarter of 2024 shows a 11% decline in the number of projects compared to the 2023 average. However, the total value of these projects increased 7%, pushed by a number of large projects. The outlook is particularly challenging for least developed countries (LDCs), where sustainable development goal (SDG) investment is expected to fall by over 25%, primarily due to declining infrastructure and agrifood systems investments.
- Since 2015, the total number of international projects in SDGs-related sectors has grown by 25% primarily driven by renewable energy projects. Projects in health and education also have contributed to a lesser extent (22%). By 2023, the number of projects in other SDG sectors remained unchanged or even decreased compared to 2015 levels.
- The distribution of international SDG investments continues to be uneven. Since 2015, 18 developing economies have not received any internationally financed SDG projects. More than half of these include small islands developing States (SIDS) and a third of them are LDCs.
- Over the last decade, the average number of SDG-related projects increased by around 20%, primarily driven by the urgency of addressing climate change. However, compared to pre-Agenda 2030 levels, the number of projects in water and sanitation (WASH) has halved, while those in agrifood systems have decreased by a quarter. International investment in infrastructure has stagnated in developing Asia and fell in Latin America and the Caribbean (-9%) and in Africa (-24%).

- Foreign private investors are among the sponsors of about a fifth of the project finance deals in infrastructure and renewable energy sectors and of about a seventh of social infrastructure (projects in health, education and WASH) projects. However, there are still significant opportunities to expand their involvement. Increasing foreign investment in these sectors could accelerate progress toward sustainable development, particularly in economies where investment gaps persist.

- Multilateral development banks (MDBs) can play a crucial role in attracting foreign private investment for infrastructure projects in developing economies. In developing economies, MDBs participate in about 5% of all project finance deals aligned with the SDGs. While most of their interventions (over 75%) are in middle income countries, in relative terms MDBs contribute to a larger share of project financing in LDCs, where they are involved in nearly a quarter of international human capital projects and around one-fifth of infrastructure and renewable energy initiatives.

- A substantial share of domestic SDG projects in developing countries is linked to China's Belt and Road Initiative (BRI), launched in 2014. The BRI has become a key driver of SDG investments, not only in Asian countries but also in Africa and Latin America and the Caribbean. In Africa, for instance, BRI projects account for a third of all investments in social infrastructure sectors like healthcare, education, and water and sanitation.

Projections for 2024

Ongoing geopolitical uncertainty will continue to adversely affect the number of greenfield projects and international project finance deals, which are expected to continue declining in 2024 (figure 1). In the first quarter of 2024, the number of SDG-related international project finance deals fell by 4% compared to the quarterly average last year. Similarly, the number of SDG-relevant greenfield projects declined by 13%. The projected slowdown is driven by reductions in renewable energy (-19%), agrifood systems (-12%), and infrastructure (-7%). The outlook is particularly challenging for LDCs, where SDG investment is expected to fall by over 25%, primarily due to declining infrastructure and agrifood systems investments.

Despite the drop in the number of projects, the total value of investment projects has increased by 7%, supported by a few large-scale projects. In the first quarter of the year, the total value of SDG-related international project finance deals surged by 14%, while the value of greenfield projects fell slightly by only 2% (annex tables 1 and 2).

There are encouraging signs of large-scale infrastructure deals returning. In early 2024, the health sector attracted a few significant projects, including the construction of a new residential district in Ras El-Hekma City, Egypt. This massive development, valued at $35 billion, includes a modern hospital, schools, universities, and public service buildings, and is sponsored by the Abu Dhabi Developmental Holding (United Arab Emirates) and the Government of Egypt.

Other notable projects include the development of two green hydrogen power plants in Oman. The first, a $5 billion project, is sponsored by Hydrogen Oman, in collaboration with EDF (France), Yamna (United Kingdom), and Electric Power Development (Japan). The second, valued at $6 billion, involves partnerships between Hydrogen Oman, Actis (United States), and Fortescue (Australia).

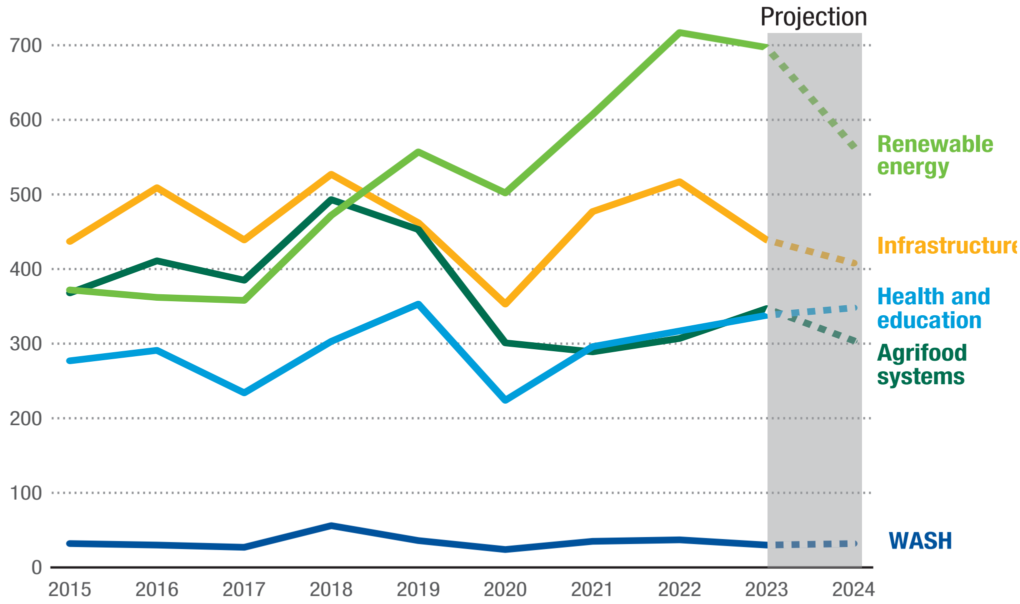
Between 2015 and 2023, the total number of projects in SDG-relevant sectors grew by 25%, averaging less than 3% annually. This growth was primarily driven by investments in renewable energy. Projects in health and education also have contributed to a lesser extent (22%). While the number of projects in renewables nearly doubled, investment in other SDG sectors either stagnated or declined. For instance, by 2023, the yearly number of projects in agrifood systems and WASH was 6% lower than in 2015.

The distribution of international SDG investments remains uneven. Since 2015, 18 developing economies have not received any international SDG-related projects, with more than half of these being SIDS and a third classified as LDCs. More recently, since 2020, 31 developing economies have not received any international projects.

Figure 1

International investment projects in SDG sectors have lost momentum

Number of international projects in developing countries



Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fdimarkets.com) and Refinitiv.

[a] Including transport infrastructure, power generation and distribution (except renewables) and telecommunication.

[b] Including agricultural production and processes; fertilizers, pesticides and other chemicals; research and development; and technology.

Longer-term trends and regional disparities in SDG investments

Looking at longer-term trends and comparing recent developments with the period before the launch of the SDGs, international investment in SDG-related sectors has largely stagnated. Except for renewable energy, the average number of international investment projects over the past three years has remained unchanged from a decade ago. This indicates that the contribution of international private investment toward achieving the UN's SDG targets has fallen short of expectations. Renewable energy, however, stands out as the only major growth driver in international SDG investment across developing regions (figure 2), underscoring its critical importance in the broader push for sustainable development.

Since 2011–2013, international renewable energy projects have more than tripled, now accounting for over a third of all SDG investments in Africa and Latin America and the Caribbean, and about a fifth of projects in developing Asia. Conversely, investments in other SDG sectors have declined. For example, projects in water, sanitation, and hygiene (WASH) have nearly halved, driven by a steep drop in West Asia, which hosts over 80% of such projects, while they remained relatively stable in other regions. Similarly, investments in agrifood systems fell by a quarter, with the number of projects dropping 31% in developing Asia and 43% in Africa.Infrastructure investments also declined across all regions, with a sharp decrease in Africa (-24%), mainly due to slowing non-renewable energy and telecommunications projects.

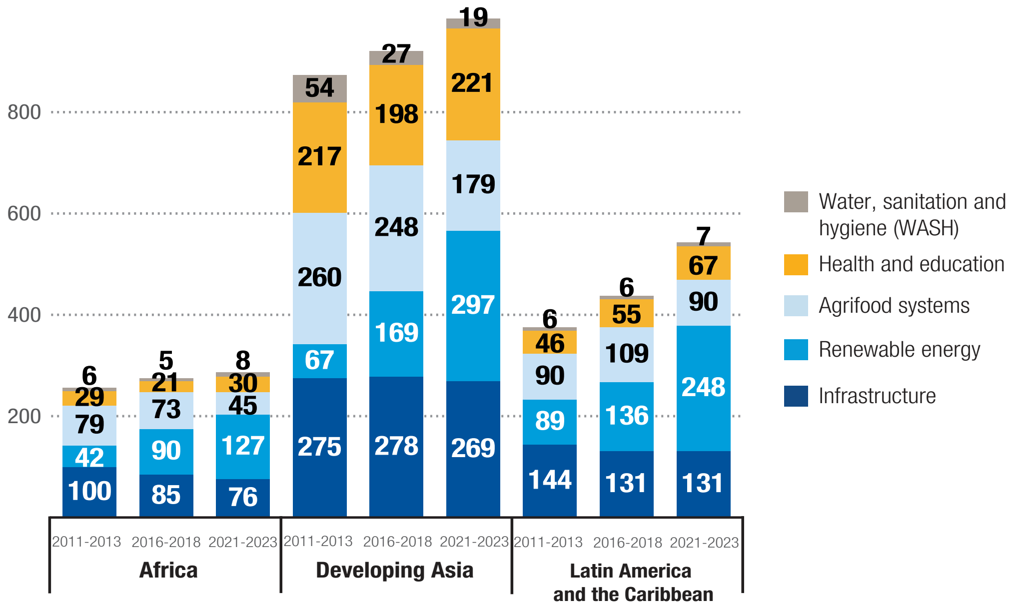
Africa, home to the majority of LDCs, has consistently attracted the fewest international projects related to the SDGs. However, its share of SDG-related projects in developing countries (around 16% since 2015) exceeds its share of total international projects in developing regions (about 12%) and its share of total foreign direct investment (FDI) (less than 7%). This difference is largely driven by infrastructure projects, often financed by a consortium of investors through a project finance scheme where multilateral development banks and international investors can intervene to finance investment in the region.

In Latin America and the Caribbean, the total number of SDG-related projects increased by 45%, driven by a threefold increase in renewable energy investments and sustained international investment in the health and education sectors. Many countries in the region had set ambitious climate goals even before the launch of the SDGs. According to the International Energy Agency, the region boasts one of the cleanest electricity mixes in the world. The health sector, particularly the pharmaceutical industry, attracted an increasing number of international projects, driven by a dynamic drug market.

Figure 2

The number of international projects in SDG sectors increased only marginally over the past decade

International projects by developing region (yearly average number)



Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fdimarkets.com) and Refinitiv.

[a] Including transport infrastructure, power generation and distribution (except renewables) and telecommunication.

[b] Including agricultural production and processes; fertilizers, pesticides and other chemicals; research and development; and technology.

Developing Asia plays a dominant role in shaping overall SDG investment trends, accounting for more than half of all projects (58% in 2011–2013 and 54% in 2021–2023). The decline or stagnation of international projects in developing Asia is less concerning compared to other regions. This is partly because companies in developing Asia are global leaders in the renewable energy sector and construction industry, which is reflected in the relatively low share of international infrastructure projects and the exceptionally high share of renewable energy projects sponsored by private companies. Additionally, Asian governments often own at least part of the project company set up to deliver infrastructure, either directly or through state-owned companies (table 1).

Investment in human capital—or social infrastructure investment, including health, education, and WASH— and to a lesser extent also in infrastructure involving transport, telecommunication and the generation and distribution of non-renewable energy, are typically domestic projects sponsored or initiated by national or local authorities. In these sectors, international investors generally participate only in collaboration with domestic authorities. Across regions renewable energy is by far the sector with the highest participation of foreign and private investors.

In LDCs, Africa and Latin America and the Caribbean, foreign private investors play an important role in renewable energy projects and, to a lesser extent, in infrastructure development. Their involvement is crucial in these economies, where domestic investment capacity is often limited.

Table 1

The involvement of foreign companies varies across developing regions, 2011-2023

Project finance in SDG infrastructure, by investor type and region (per cent)

	Human capital		Infrastructure		Renewable energy	
	Domestic	International	Domestic	International	Domestic	International
Africa						
Number of projects	338	43	917	291	959	578
Public (share)	80	7	60	10	23	9
Private (share)	8	4	16	14	40	29
Developing Asia						
Number of projects	2 269	368	4 165	608	11 725	1 241
Public	72	11	66	5	17	2
Private	15	3	22	7	73	8
Latin America and the Caribbean						
Number of projects	233	71	743	478	1 757	1 369
Public	50	11	32	11	5	4
Private	23	12	29	28	51	40
Least developed countries						
Number of projects	124	24	381	211	529	320
Public	67	11	48	17	19	12
Private	17	5	17	19	44	26

Source: UNCTAD, based on information from Refinitiv.

Note: International projects have at least one foreign sponsor. A project is considered public if the government or local authorities have an equity stake (are among the sponsors) in the project company, either directly or through a state-owned enterprise. In international – public projects the consortium of sponsors includes both the domestic Government and a foreign company.

The role of multilateral development banks (MDBs) in attracting foreign investment

MDBs play a crucial role in attracting foreign private investment for infrastructure projects in developing economies. They provide various forms of support, including concessional loans, grants, guarantees, technical guidance, and help in organizing financing syndicates. MDBs are typically involved in large-scale infrastructure projects requiring multiple investors, often financed through project financing schemes. In developing economies, MDBs participate in about 5% of all projects aligned with the SDGs.

The majority of MDB interventions (over 75%) occur in middle-income countries, while 18% are focused on LDCs. However, despite the lower overall number of projects in weaker or riskier economies, MDBs represent a larger share of project financing in these regions, particularly in international projects (table 2). In LDCs, MDBs are involved in nearly a quarter of international human capital projects and around one-fifth of infrastructure and renewable energy initiatives—comparable to their participation levels in Africa (table 2). In contrast, MDB involvement is significantly lower in other regions, including developing Asia, where they contribute to less than 10% of projects.

Across regions, MDB participation is relatively higher in international projects, where they help mitigate risk perceptions and attract foreign investors. Expanding MDB involvement could further enhance private sector participation, particularly in regions with higher investment risks.

Table 2
The involvement of MDBs is more prominent in infrastructure and renewables investment

Share of project finance where MDBs are present, 2015-2023
(Per cent)

	Human capital		Infrastructure		Renewable energy	
	Share	Total number	Share	Total number	Share	Total number
Africa						
Domestic	10	279	5	671	9	785
International	16	37	18	212	20	500
Developing Asia						
Domestic	3	1 452	4	2 645	1	9 620
International	4	170	9	465	9	1 108
Latin America and the Caribbean						
Domestic	18	163	10	555	5	1 527
International	12	52	13	350	11	1 179
Least developed countries						
Domestic	19	112	11	300	11	461
International	24	21	20	158	17	291

Source: UNCTAD, based on information from Refinitiv.

Note: Multilateral development bank (MDB) do not include national development institutions or Exim banks.

China's Belt and Road Initiative (BRI) and SDG investment

A significant portion of domestic projects is linked to the China's Belt and Road Initiative (BRI). Since its launch in 2014, the BRI has become a key driver of SDG investment, not only in Asian countries but also across Africa, Latin America, and the Caribbean. Many of these projects are sponsored solely by the national governments that signed Memorandums of Understanding with Chinese authorities, taking on the primary financial risk. For this reason, BRI projects appear more preponderant among domestic projects. Chinese construction companies and banks typically handle the building and financing phases of these projects. In other cases, BRI complements other more complex projects contributing for a part of the financing or construction work.

In Africa, BRI projects have played a particularly crucial role in sectors such as healthcare, education, and water and sanitation, accounting for a third of all investments in these areas (table 3). These infrastructure projects are often implemented in LDCs, where the absence of an investment-grade rating from major credit agencies has hindered private investment initiatives. The BRI's involvement in these regions has therefore been vital in addressing the investment gap in critical social infrastructure.

Another sector where the BRI has been particularly relevant, especially in recent years, is the installation of renewable energy generation facilities, both in Africa and Latin America.

Table 3
The share of SDG projects related to the Belt and Road Initiative varies across regions and sector

Share of project finance in SDG infrastructure related to the BRI, 2015-2023
(Per cent)

	Human capital		Infrastructure		Renewable energy	
	Share	Total number	Share	Total number	Share	Total number
Africa						
Domestic	32	279	13	671	32	785
International	19	37	20	212	9	500
Developing Asia						
Domestic	4	1 452	4	2 645	7	9 620
International	5	170	21	465	11	1 108
Latin America and the Caribbean						
Domestic	18	163	1	555	28	1 527
International	12	52	2	350	1	1 179
Least developed countries						
Domestic	57	112	59	300	42	461
International	29	21	20	158	17	291

Source: UNCTAD, based on information from Refinitiv.

Top foreign investors in SDG sectors

Major industrial sponsors, excluding public authorities, contractors, and financial sponsors, align closely with leading utilities and energy multinational enterprises (MNEs) as ranked by UNCTAD. In the renewable energy sector, top sponsors, based on the number of projects they are involved in, include Enel (Italy), Engie (France), and EDP Energias (Portugal) (table 4).

Table 4

Top three international investment project sponsors for each SDG sector in developing economies, 2020-2024

(Number)

Sponsor name	Home country	Total	Host region		
			Africa	Developing Asia	Latin America and the Caribbean
Renewable energy					
Enel SpA	Italy	57	4	1	52
Engie SA	France	41	7	7	27
EDP Energias de Portugal SA	Portugal	40		7	33
Infrastructure					
DigitalBridge Inc	United States	11	1	2	8
Actis Corp	United States	11	1	7	3
DP World PLC	United Arab Emirates	10	5	5	
Agrifood systems					
EMKE Group (LuLu)	United Arab Emirates	47	2	45	
Nestle	Switzerland	45	3	20	22
PepsiCo	United States	31	5	19	7
Human Capital					
IDP Education	Australia	52	1	51	
SI-UK	United Kingdom	22	1	20	1
Bayer	Germany	15	1	5	9

Source: UNCTAD, based on information from Refinitiv.

In the infrastructure sector, sponsorship is more widely distributed among a diverse range of companies. The top sponsors, DigitalBridge Inc (United States), Actis Corp (United States), and DP World (United Arab Emirates), account for only 5% of the total projects in this sector. In the agrifood system, EMKE Group (United Arab Emirates) leads with 47 announced greenfield projects, followed by Nestlé (Switzerland). For projects related to health and education, IDP Education (Australia) is the leading investor, with 52 projects predominantly in India.

Annex table 1

Sectors relevant to the Sustainable Development Goals: announced international project finance deals in developing economies
(Millions of dollars, number and percentage)

	Developing economies					Least developed countries				
Goals-relevant sector	2022	2023	2024:Q1	Growth, 2022-2023 (%)	Growth, quarterly 2023-2024:Q1 (%)	2022	2023	2024:Q1	Growth, 2022-2023 (%)	Growth, quarterly 2023-2024:Q1 (%)
Total										
Value	**326 868**	**305 882**	**87 151**	**-6**	**14**	**26 661**	**20 296**	**3 047**	**-24**	**-40**
Number of projects	**764**	**582**	**139**	**-24**	**-4**	**57**	**43**	**12**	**-25**	**12**
Power[a]										
Value	65 742	54 054	13 600	-18	1	4 739	748		-84	..
Number of projects	69	53	14	-23	6	8	1		-88	..
Renewable energy										
Value	179 583	132 297	22 728	-26	-31	11 714	10 945	2 222	-7	-19
Number of projects	530	420	97	-21	-8	32	29	9	-9	24
Transport infrastructure										
Value	29 058	82 046	5 961	182	-71	5 290	3 604	785	-32	-13
Number of projects	60	32	13	-47	63	6	5	2	-17	60
Telecommunications[b]										
Value	20 637	21 984	3 496	7	-36	313	2 352	40	652	-93
Number of projects	46	41	7	-11	-32	2	4	1	100	0
Water, sanitation and hygiene (WASH)										
Value	13 730	10 397	5 488	-24	111	2 326	2 194		-6	..
Number of projects	22	19	5	-14	5	5	2		-60	..
Agrifood systems										
Value	15 300	3 354	578	-78	-31	2 264	454		-80	..
Number of projects	24	12	1	-50	-67	3	2		-33	..
Health										
Value	1 366	1 749	35 300	28	7 972	16			..	..
Number of projects	5	5	2	0	60	1			..	..
Education										
Value	1 453			..	..				..	..
Number of projects	8			..	..				..	..

Source: UNCTAD, based on information from Refinitiv.

[a] Excluding renewable energy.

[b] Including information services activities.

Annex table 2

Sectors relevant to the Sustainable Development Goals: announced greenfield projects in developing economies

(Millions of dollars, number and percentage)

	Developing economies					Least developed countries				
Goals-relevant sector	**2022**	**2023**	**2024:Q1**	**Growth, 2022-2023 (%)**	**Growth, quarterly 2023-2024:Q1 (%)**	**2022**	**2023**	**2024:Q1**	**Growth, 2022-2023 (%)**	**Growth, quarterly 2023-2024:Q1 (%)**
Total										
Value	238 134	255 639	62 720	7	-2	8 661	44 308	620	412	-94
Number of projects	1 131	1 269	275	12	-13	48	60	7	25	-53
Power[a]										
Value	4 080	7 155	199	75	-89	1 865	671		-64	..
Number of projects	17	29	8	71	10	3	1		-67	..
Renewable energy										
Value	176 342	180 950	37 234	3	-18	4 824	41 614	542	763	-95
Number of projects	187	278	44	49	-37	13	24	3	85	-50
Telecommunications[b]										
Value	25 672	39 502	17 217	54	74	917	1 359	13	48	-98
Number of projects	325	283	60	-13	-15	12	13	1	8	-85
Water, sanitation and hygiene (WASH)										
Value	1 619	1 208	301	-25	0	139	75		-46	..
Number of projects	15	11	3	-27	9	1	1		0	..
Agrifood systems										
Value	19 829	17 041	4 765	-14	12	739	437	60	-41	-45
Number of projects	283	335	75	18	-10	14	14	2	0	-43
Health										
Value	9 668	8 867	2 677	-8	21	171	109	4	-36	-85
Number of projects	207	228	59	10	4	4	3	1	-25	33
Education										
Value	925	916	326	-1	42	7	44		535	..
Number of projects	97	105	26	8	-1	1	4		300	..

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

[a] Excluding renewable energy.

[b] Including information services activities.

SDG Investment
Trends Monitor

Division on Investment and Enterprise

This document has not been formally edited - UNCTAD/DIAE/MISC/2024/5