



THE IPA OBSERVER

INVESTMENT PROMOTION AND FACILITATION MONITOR



UNITED NATIONS
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PROMOTING INVESTMENT FOR SUSTAINABLE DEVELOPMENT IN CITIES

H I G H L I G H T S

- ❖ With global population growth in the next three decades primarily occurring in cities, achieving the Sustainable Development Goals will depend to a large extent on meeting them in urban areas.
- ❖ City administrations and their investment promotion and economic development agencies can market and facilitate investment by developing pipelines of bankable projects, preparing and offering financial packages and incentives, fostering business linkages, and supporting sustainability standards.
- ❖ City agencies should strategize investment promotion in sustainable city development and ensure suitable institutional arrangements for attracting and facilitating Sustainable Development Goal related projects.
- ❖ Partnerships are critical in overcoming resource constraints; securing expertise; surmounting boundaries between city, regional, and national institutions; and creating the dynamics that are often needed to mobilize investment for Goal related projects.

INTRODUCTION

With over half the world's population living in urban areas or cities and urbanization expected to continue—68% of the world's population is projected to be urban by 2050¹—city governments and agencies have a pivotal role in achieving the Sustainable Development Goals (SDGs). In addition to SDG 11, which explicitly covers sustainable cities and communities, nearly all the remaining Goals require meaningful progress at the city level in order to be met. Major development challenges of cities include ensuring enough quality jobs and affordable housing, transport within and between cities, urban migration, food security, reliable supply of clean water and electricity, sanitation, education, health services, telecommunications, reduction of noise and pollution, adequate recreation facilities, and climate change mitigation and adaptation.²

Tremendous investment is required to address these challenges and achieve the SDGs. In 2014, UNCTAD estimated that developing countries alone face an annual investment gap of US\$ 2.5 trillion in meeting investment needs in key SDG sectors by 2030. A combination of local and international public and private investment, including official development assistance and foreign direct investment (FDI), will be necessary to fill this gap. There is particular need and potential for investments in power, climate change mitigation, telecommunications, and transport.³

¹ UN DESA Population Division, World Urbanization Prospects 2018.

² UN-Habitat and UNCTAD (2017), Urban Economy Branch Discussion Paper #7.

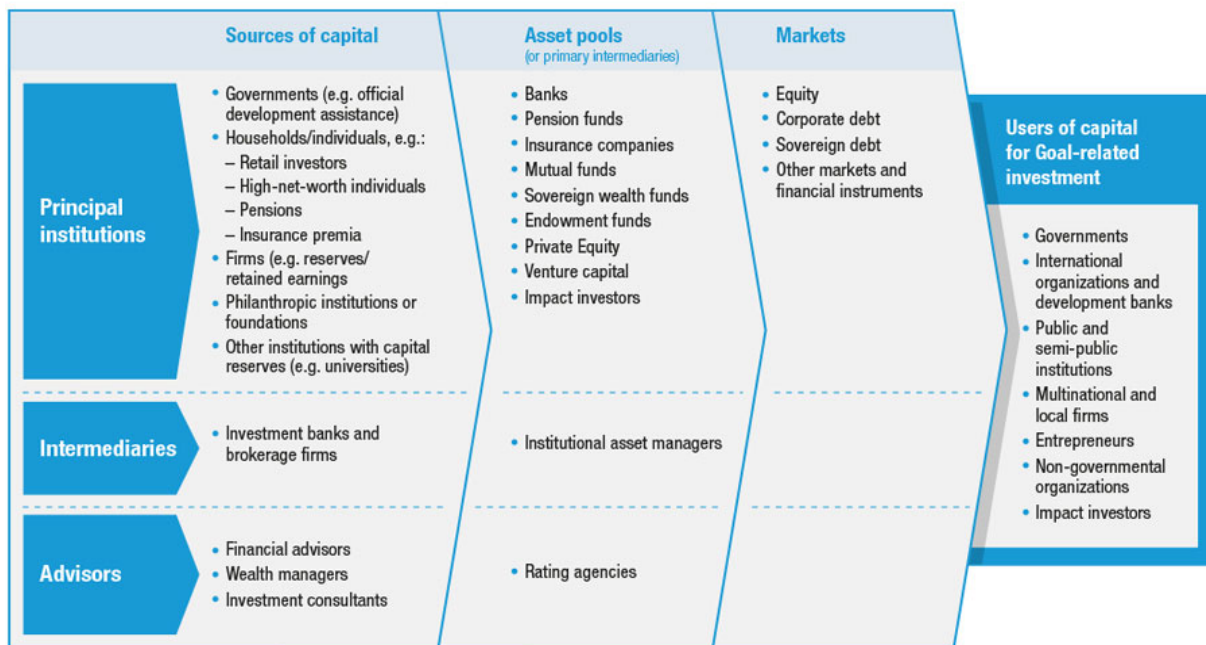
³ UNCTAD (2014), World Investment Report.

To mobilize investment, create jobs, and generate exports, governments have introduced incentive policies and established entities such as investment promotion agencies (IPAs), economic development organisations, industrial parks and special economic zones. Indeed, over 170 countries have national IPAs and hundreds of cities have their own investment promotion and economic development agencies or units within city governments that promote both domestic and foreign investment at the metropolitan or city level. An UNCTAD review of IBM-Plant Location International’s 20 top-ranking destination metropolitan areas as measured by number of foreign investment projects⁴ found that 18 had city or metropolitan IPAs while the other two had local offices of their national IPAs, suggesting that proactive promotion of locations makes a difference. Some metropolitan areas also have investment promotion offices overseas and promote outward investment.

SOURCES OF FINANCE FOR SDG PROJECTS

In sourcing finance for sustainable development, there is a wide range of diverse actors to consider. As illustrated in figure 1, these include primary owners of capital—such as firms, individual investors, and foundations—as well as banks, pension funds, insurance firms, and sovereign wealth funds.

Figure 1. SDG investment chain and key actors



Source: ©UNCTAD, 2014 *World Investment Report*, p. 154.

Many of these sources of finance have programmes, funds, or financial instruments in place to finance sustainable development, including of cities. Table 1 presents examples.

In addition to identifying and pursuing potential sources of finance, city administrations and city IPAs can enlist partners and stakeholders at all levels. For example, at the international and regional levels, organizations such as the United Nations Conference on Trade and Development (UNCTAD), outward investment agencies and institutions,⁵ and associations of IPAs such as the World Association of Investment Promotion Agencies (WAIPA) have programmes in place to assist with investment promotion and have engaged subnational IPAs in their activities. Domestically, city governments and city IPAs can consider networking and partnering with:

⁴ IBM-Plant Location Services (2018), *Global Location Trends 2018 Annual Report: Getting ready for Globalization 4.0*.

⁵ UNCTAD (2015). *Outward Investment Agencies: Partners in Promoting Sustainable Development*. The IPA Observer, No. 4.

Public sector related entities

- national and subnational ministries and departments
- national IPAs
- business incubators and special economic zones
- tourism and trade promotion and economic development agencies
- utility providers
- embassies and consulates

Other entities

- business and industrial associations, including local and bilateral chambers of commerce
- convention and visitors' bureaus
- civil society organizations, particularly those focused on sustainability and economic development
- universities and research and development (R&D) centres
- professional services firms

Table 1. Selected programmes to finance sustainable development, including potentially of cities

Agency / Institution	Category	Programme	Website
Bill & Melinda Gates Foundation	Philanthropic foundation	Grand Challenges	https://gcgh.grandchallenges.org/grant-opportunities
European Union	Regional organization	European Regional Development Fund	www.ec.europa.eu/regional_policy/en/funding/erdf/
Green Climate Fund	Fund	Various impact programs (e.g. mitigation, adaption, crosscutting)	www.greenclimate.fund/what-we-do/projects-programmes
Inter-American Development Bank	Regional development finance institution	Technical cooperation projects at the subnational level	https://www.iadb.org/en/topics/prodev/technical-cooperation-projects-at-the-sub-national-level%2C2087.html
Department for Transport of the United Kingdom of Great Britain and Northern Ireland	National government ministry	Transforming Cities Fund	https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/689407/transforming-cities-fund-call-for-proposals.pdf
Mubadala	Sovereign wealth fund	Investments in healthcare, renewable energy, and infrastructure	https://www.mubadala.com/en/what-we-do/
Nomura Group	Bank	Emerging markets and infrastructure projects	https://www.nomuraholdings.com/csr/sustainable/products.html
World Bank	International development finance institution	<ul style="list-style-type: none"> ▪ Sustainable Cities Initiative ▪ Sustainable Development Bond ▪ Public-Private Infrastructure Advisory Facility 	<ul style="list-style-type: none"> ▪ www.worldbank.org/en/region/eca/brief/sustainable-cities-initiative ▪ www.worldbank.org/en/news/press-release/2018/10/03/world-bank-launches-sustainable-development-bond-to-focus-attention-on-sustainable-cities ▪ www.ppiaf.org

Source: ©UNCTAD.

ENHANCING SUSTAINABLE IMPACT OF INVESTMENT

City administrations, city IPAs, and economic development agencies have a range of means to target potential investors and incentivize and facilitate investment for sustainable development. These include preparing bankable projects, developing financial packages and programmes, providing incentives and market intelligence, fostering business linkages, and supporting compliance with sustainability standards.

Bankable projects

City agencies can organize and develop pipelines of commercially viable projects to promote. This is especially important in key SDG sectors where project visibility and governance have an important role to play. Clear and persuasive profiles with essential information for potential investors for each project can serve as marketing tools. At the city level, often capacity needs to be built to prepare and market these projects. International organizations, national entities, and the private sector can provide expertise and support. UNCTAD provides such capacity building and has prepared a sample SDG project profile template which can be used to develop bankable SDG projects.⁶

Financial packages and programmes

Public-Private Partnerships (PPPs), sustainable bonds, and other financial models, packages, or programmes can be developed, in particular for infrastructure projects like energy generation, mass transport, hospitals, and universities.

Incentives

Cities may be able to provide financial incentives (such as tax rebates, grants, loans, and/or subsidies) specifically targeting sustainable development sectors or if projects meet certain requirements for sustainable development (such as by focusing on small and medium enterprises, manpower capability, local suppliers, job creation, gender equality, disadvantaged districts, affordable housing, or reuse of contaminated property). The provision of affordable land may be another form of incentive. Incentives should be time-bound and their effects on sustainable development should be monitored and evaluated. Policymakers should exert caution to ensure that the provision of incentives and competition among cities do not lead to a financially unsustainable ‘race to the bottom.’

Project and SDG-related market intelligence

City IPAs can be valuable sources of location-specific market intelligence for potential investors. They can complement traditional market research (e.g. major industries, workforce statistics, demographic information, and infrastructure data) with information particularly pertinent to a location and sustainable development. For example, major local and international employers in SDG-related sectors and statistical data on radiation and average wind speed (solar and wind energy), water availability and supply per head of population (water management), waste production per head of population (recycling and waste management), and energy consumption per head of population (energy and clean technology).

Business linkages

City IPAs are well placed to help newly investing and established companies to identify and connect with local partners and suppliers. This support can enhance the sustainable impact and spillover benefits of foreign investments.

Sustainability standards

Local authorities might review the corporate social responsibility policies and certifications of compliance with environmental management or social standards of the potential investor before providing support. If the investor lacks such certifications, agencies could provide encouragement and financial or technical support to obtain them. At the same time, city agencies can help existing investors and local companies to adopt sustainable development standards.

CASE STUDIES

The practice of investment promotion and facilitation for sustainable development at the city level is rising. The case studies presented here are from Africa, Latin America, and the Middle East. The project in Bogota, Colombia,

⁶ UNCTAD (2018). Promoting Investment in the Sustainable Development Goals. Investment Advisory Series A, number 8. Geneva.

shows how Invest in Bogota coordinated public and private entities in the development of a partnership for an anchor project with investors from different countries and industries. The second case study demonstrates how Wesgro, in Cape Town, South Africa, collaborated with a local sustainability initiative to facilitate investment to provide drinking water. The third case study illustrates how Dubai FDI, in the United Arab Emirates, leveraged its location to facilitate investment projects that create jobs and green the economy.

Invest in Bogota, Wesgro, and Dubai FDI each employ multiple concrete investment promotion strategies to contribute to sustainable development. Examples of these measures are summarized in box 1. Collectively, from 2015 to 2017, these three agencies have attracted over 700 companies that have created thousands of jobs and invested billions of dollars in sustainable development projects, including in renewable energy, water cycle management, solid waste management, circular manufacturing, transport and mobility, food production and processing, green construction, healthcare, and education.

Box 1. Additional measures that IPAs can take

Invest in Bogota, Wesgro, and Dubai FDI employ multiple concrete investment promotion strategies to contribute to sustainable development. These agencies:

- ❖ provide information on **key strengths** in sectors with high sustainability impact;
- ❖ provide data to **benchmark location competitiveness** in FDI sectors with sustainable development potential;
- ❖ conduct **branding, public relations, and media promotion** of the location as a destination for FDI with sustainable development impact;
- ❖ develop **investment brochures, flyers, and presentations** for promoting FDI in sectors and activities with sustainable development impact;
- ❖ establish or designate a dedicated **team** to promote FDI in SDG-related sectors;
- ❖ provide clearly defined profiles of **bankable** projects in which foreigners can invest;
- ❖ build **strategic investor target databases** which identify specific target companies which will contribute to sustainable development;
- ❖ visit **trade shows and specialized industry events** which focus on sustainable development sectors; and
- ❖ carry out **aftercare activities** to encourage existing investors in the location to adopt sustainability standards or to increase their sustainability impact.

Source: UNCTAD.

Invest in Bogota: Coordinating Entities and Investors across Industries

Invest in Bogota was established in 2006 and currently has an annual budget of US\$ 3 million, 49% of which is from the central government, with the remaining 51% from private sector contributions. Its primary objectives are to attract and retain investments that contribute to research, development, and innovation; increase exports; allow transfer of knowledge and technology; and generate quality employment.

Since 2016, Bogota has been implementing an Intelligent Specialization Strategy⁷ with the participation of different public and private institutions. Invest in Bogota is a member of the Executive Committee of the Strategy, which focuses on five key areas: bio-pole, creative region, business services, advanced knowledge hub, and sustainable city-region. Invest in Bogota has prioritized the renewable energy and infrastructure sectors, particularly mobility, social infrastructure, urban renewal, water and sanitation, and smart city initiatives.

An example of a project promoted by Invest in Bogota that contributes to Bogota's Intelligent Specialization Strategy is the architectural renovation, technological updating, maintenance, and operation of what is now known as the Movistar Arena Bogotá. This investment was made in January 2017, by TuBoleta, the biggest ticketing company in Colombia, and HLR Group, a Chilean developer and operator with experience in the entertainment, construction, gastronomy, bar, and hotel industries. Later they sold the naming rights in a 20-year contract to Movistar, the commercial brand of a leading telecommunications company in Spain and Latin America.

The investors remodeled the former El Campín Covered Coliseum to create Bogota's first 37,000 m² multipurpose arena featuring a main stage, suites and boxes, two fan grandstands, restaurants, bars, souvenir shops, a 200 m²

⁷ www.ccb.org.co/en/Transformar-Bogota/Smart-specialization-in-the-Bogota-Region.

exterior LED screen, and 21,677 m² of recovered space for public use. It is estimated that the arena will house approximately 14,000 spectators and present 90 shows per year.

To secure the investment, Invest in Bogota coordinated the institutional and commercial agendas of the public and private entities involved in creative industries, entertainment, and infrastructure. The agency introduced the companies to develop the partnership and presented the PPP strategy.

SDG impact

The project is expected to create over 400 skilled jobs and the company will invest US\$ 25.8 million. The investment will help boost the current 4.5% representation of creative industries in Colombia's GDP.

Prior to this project, Bogota lacked adequate venues for world class concerts and cultural events. In addition to renovating 70% of the old coliseum, over 13,000 m² of existing gardens and plazas were renovated to improve audience accessibility conditions and characteristics. The arena has special access and services for people with disabilities, such as dedicated entrances, ramps, and lifts for wheelchairs. The remodeling resulted in four five-on-five soccer fields, a jogging track, a skateboarding park, and a cycling path, as well as a children's playground and an area for art exhibitions. The new arena, which has 4.5G Long-Term Evolution (LTE) mobile network technology, is the most modern concert and event venue in Latin America.



Wesgro (Cape Town): Collaborating with a Local Initiative to Tackle a Challenge

Established in 1986, Wesgro promotes investment, trade, and tourism for Cape Town and the Western Cape Province of South Africa. Funding is provided by the provincial government and the City of Cape Town. The budget for the investment promotion component is less than US\$ 1 million annually. Due to its limited resources, Wesgro works with partners and has managed to benefit from these ties. In 2016, Wesgro together with InvestSA received from UNCTAD a joint award for Excellence in Partnering for Investment Promotion.

Cape Town's investment promotion strategy does not explicitly mention sustainable development as a key strategic objective. However, Wesgro has built a partnership with a non-profit organization, GreenCape, to promote sustainable FDI. Background information on GreenCape is provided in box 2.

In December 2017, Bluewater AB (a subsidiary of Unilever, United Kingdom) announced its investment in Cape Town to serve customers across Africa. Bluewater specializes in water purification solutions for home, commercial, and public drinking stations. For several years in a row, Cape Town experienced exceptional droughts, causing massive water shortages. The investment will improve local access to water purification solutions that process almost any source of water—greywater, rainwater, and borehole—into drinkable water. Thereby natural drinking water reservoirs with limited resources such as river dams can be spared by creating other sources by water harvesting and water reuse.

It all started with representatives of Bluewater attending an event jointly hosted by Wesgro and GreenCape on the water crisis in Cape Town. The CEO of Wesgro approached the director of Bluewater about the opportunity for the company to lean on Wesgro and GreenCape for any technical assistance or market insight they may require while investing in Cape Town. Then Wesgro handed over the lead to an investment officer from GreenCape to facilitate the investment. GreenCape provided insight into the legal framework in the local water economy and continues to provide ongoing market intelligence and support to Bluewater to make sure that their business grows and remains sustainable.

Box 2. GreenCape

GreenCape is a non-profit organisation that drives the widespread adoption of economically viable green economy solutions in the Western Cape. The organisation offers support in five sectors (renewable energy, energy services, water, waste, and sustainable agriculture), by providing extensive market intelligence reports and assisting businesses through all stages of the investment process.

Through working relationships with businesses, investors, government, and academia, GreenCape collects, creates, and disseminates free market intelligence on the green economy. Results are published in GreenCape's annual flagship reports and GreenCape also maintains a drought business support page, which aims to help businesses become more resilient to water-related risks. GreenCape aims to help businesses collaborate and support each other on their water resilience efforts through the exchange of case studies, reports, and industry events.

A key initiative housed within GreenCape is the Western Cape Industrial Symbiosis Programme. This programme tracks reduction in carbon dioxide emissions, landfill diversion, and various economic benefits such as capital investment, cost savings, increased revenue, and job creation. The role of the programme is to promote circular economy activity by identifying underutilised resources and proposing more efficient uses of them.

Source: UNCTAD and GreenCape (www.greencape.co.za/wisp/).

The company has also partnered with I-Drop Water, a South African water solutions start-up that offers water filtration technology, and a Global System for Mobile communications (GSM)-enabled platform to empower grocery store owners to purify and sell safe, affordable drinking water to their customers. Shoppers refill multi-use containers and pay by the liter for the drinking water, so the project provides better access to clean drinking water and reduces the usage of single-use plastic bottles. This innovative approach was recognized with the 2017 All Africa Business Leader Award – Innovator of the Year, hosted by CNBC Africa and Forbes Africa.

SDG impact

The project improves local access to water purification solutions and creates other sources of water. Bluewater invested US\$ 2.9 million and the project has created 17 skilled jobs. Moreover, a local partnership reduces usage of single-use plastic bottles.



Dubai FDI: Facilitating Investments to Create Jobs and a Greener Economy

Dubai FDI, the Investment Development Agency for the Emirate of Dubai, was established in 2013, by the Prime Minister of the United Arab Emirates and Ruler of Dubai. The agency is mandated to:

- enhance the position of the Emirate of Dubai as an international economic hub to attract and draw all kinds of investments;
- prepare a proper and adequate investment environment for the establishment of investment projects in the Emirate of Dubai; and
- increase confidence in the Emirate's investment environment, as well as promote investment projects and opportunities in the Emirate of Dubai.

Dubai FDI was a pioneering agency in implementing an FDI monitoring and reporting system on the city level, called the Dubai FDI Monitor. With this tool, sustainable FDI projects can be tracked and individually verified. Dubai FDI has the ambition to create absorptive capacity for FDI into sustainable development projects and attract FDI with high cleantech components. In 2012, a long-term national initiative was launched entitled "Green Economy for

Sustainable Development.” This was then updated to the UAE National Green Agenda 2021.⁸ Dubai FDI developed a global multistakeholder programme, Dubai Green Economy Partnership, to engage private sector investors and technology providers with government partners.⁹ Additionally, the agency oversees the Hamdan Center for the Future of Investment and its Impact FDI programme, a global initiative by the Crown Prince of Dubai, launched in 2017, that aims to enhance the contribution of FDI to achieve the SDGs.

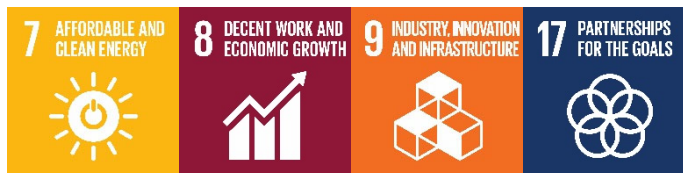
In July 2016, Alibaba Cloud Computing (also known as Aliyun), a subsidiary of Alibaba Group (China), invested in Dubai, where it established a new data centre. It forms part of a wider growth strategy which will see additional facilities opened in other regions including Japan, Australia, and Europe. Dubai FDI brought Alibaba Cloud Computing to Dubai as part of an effort to create a joint venture between Alibaba Group and one of Dubai’s leading real estate developers, Meeras Group.

As another example of a recent FDI project, in January 2018, Kingspan Insulation (a subsidiary of Kingspan, Ireland) invested in the city of Dubai. The investing company, Kingspan, is the global leader in high performance insulation and building envelope solutions. Kingspan Insulation expanded its local manufacturing operations in Dubai in order to meet growing demand in the region. Active engagement of Dubai FDI facilitated Kingspan’s FDI project in Dubai in 2015, as well as an expansion project in 2018.

SDG impact

Alibaba Cloud Computing invested US\$ 133.8 million and the project created 89 skilled jobs. A year prior to making the investment, Alibaba Cloud Computing had already invested US\$ 60.5 million in another FDI project in Dubai that created 123 skilled jobs. The new projects align with the vision and mission of the Hamdan Center for the Future of Investment to provide investors with attractive investment opportunities in line with the SDGs, in this case building digital infrastructure which will enable Dubai to compete globally and provide connectivity to the Middle East region, independently from global providers.

Kingspan invested US\$ 123.2 million in a manufacturing facility in Dubai. The project will create 108 jobs. The investments by Kingspan can contribute to reducing greenhouse-gas emissions and conserving energy. Kingspan Insulation’s technology and building materials can reduce energy losses of buildings by almost 70%.



TAKEAWAYS FOR CITY GOVERNMENTS AND IPAS

Takeaways from these three cases for city governments, IPAs, and economic development agencies include:

- ❖ **City IPAs should prioritize the promotion of sectors that have a high impact on sustainability.** The three case studies show that there are a variety of investment opportunities with sustainable impact and each IPA should choose suitable sectors which align with the key SDG priorities of the city and location-specific FDI opportunities. The case studies illustrate the diversity of sectors which can attract investments and help contribute to SDGs. As well as identifying new areas for sustainable FDI, the case studies show that FDI can be used to help meet critical sustainable development challenges in cities. One example is the investment by Unilever/Bluewater to help address the water shortages in Cape Town.
- ❖ **Financing SDG projects in cities can necessitate the use of different financial models.** This is demonstrated in the Bogota case study. Private sector financing allows increased investment in public

⁸ www.government.ae/en/about-the-uae/economy/green-economy-for-sustainable-development.

⁹ www.dcce.ae/wp-content/uploads/2015/06/Dubai-GEP_-_ABOUT.pdf.

infrastructure as governments can implement projects without the need to raise or budget additional funds. Increased efficiency, expertise, and innovation from the private sector can contribute to better infrastructure and greater cost and time savings across the construction and operation phases, increasing the value for money equation of a project.

- ❖ **Developing new partnerships is very important.** Partnerships can support the efforts of IPAs facing limited resources. Moreover, IPAs typically do not have the specialised expertise to develop and implement a comprehensive sustainable FDI strategy. Wesgro's partnership with GreenCape is a model for such cooperation. This partnership enables Wesgro to outsource specialist services to a qualified partner and together both organisations can unlock the investment and employment potential of green technologies and services in the region.
- ❖ **City IPAs and economic development agencies can be instrumental in identifying SDG projects at the city level.** Through an urban focus and by engaging with local governments and initiatives such as Bogota's Intelligent Specialization Strategy and Dubai's Green Economy Partnership, city IPAs are well positioned to identify and facilitate SDG projects at the subnational level. These agencies can also be key sources of information on markets and progress towards the SDGs; for example, Dubai's FDI Monitor provides real-time coverage of city level FDI flows and measures the technology level of FDI to monitor achievement of SDG 9.

CONCLUSIONS

Cities are vital to addressing sustainability challenges and in achieving the SDGs. To do this, substantial investment is required, particularly in key areas such as power, climate change mitigation and adaptation, telecommunications, and transport. Many cities and other subnational regions, including top FDI destinations, have already established IPAs, economic development organizations, industrial parks and special economic zones.

The examples from Bogota, Cape Town, and Dubai show how city IPAs can be effective institutions in promoting and facilitating investment that contributes to sustainable urban development. These locally embedded agencies can be instrumental in identifying SDG projects at the city level, developing bankable SDG proposals, promoting projects that have a high sustainability impact, and helping to find the right financial arrangements, including PPPs for funding. They can also facilitate the establishment of business linkages with local companies and support enterprises in the adoption of environmental management and social standards. Strategic partnerships between these agencies and national IPAs as well other investment stakeholders are critical and have proven often to be the key to success.



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