



Achieving SDGs through Green FDI

- A Developing Country Perspective

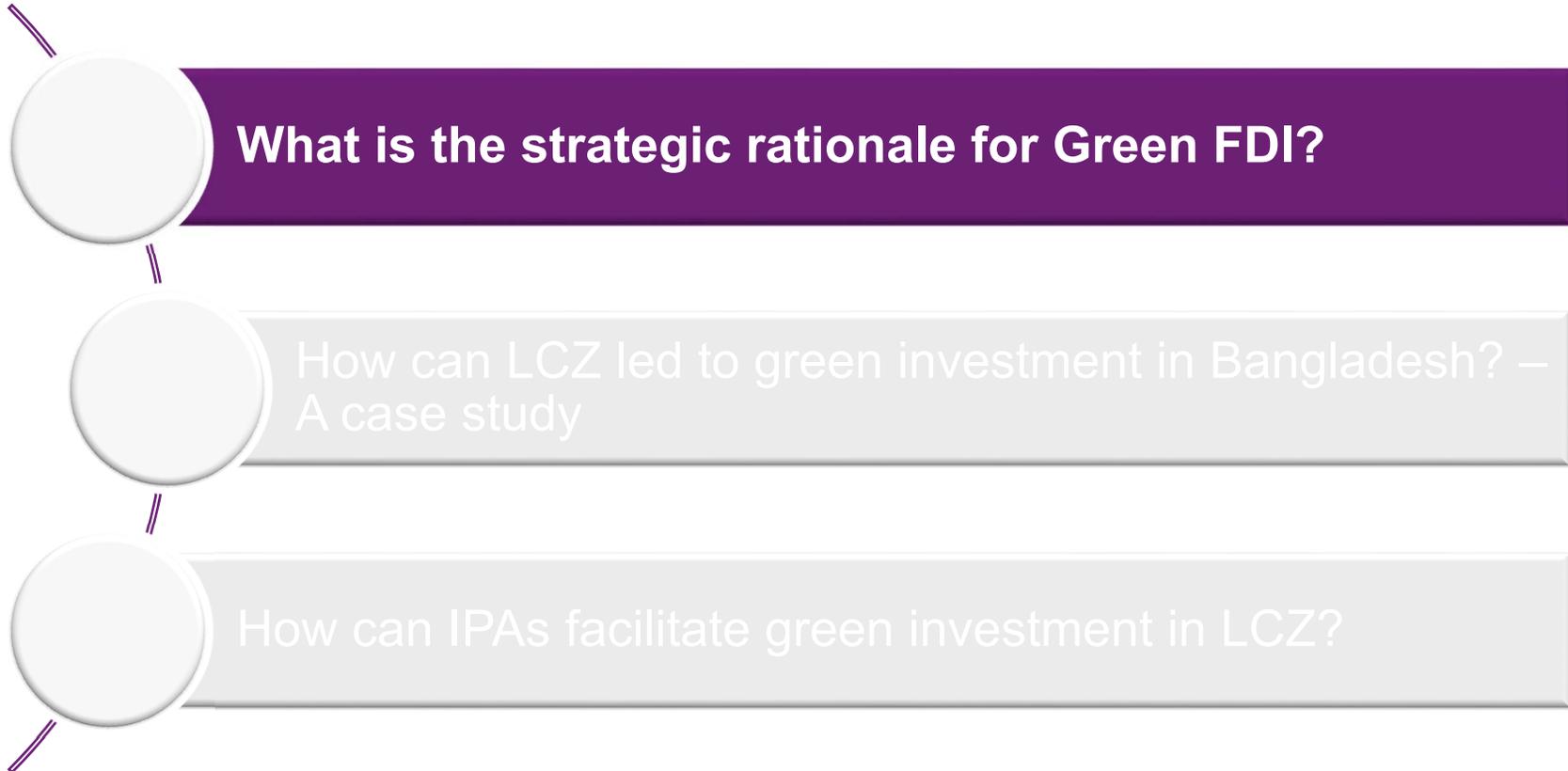
30 May 2018

Bangkok, Thailand

Discussion Structure



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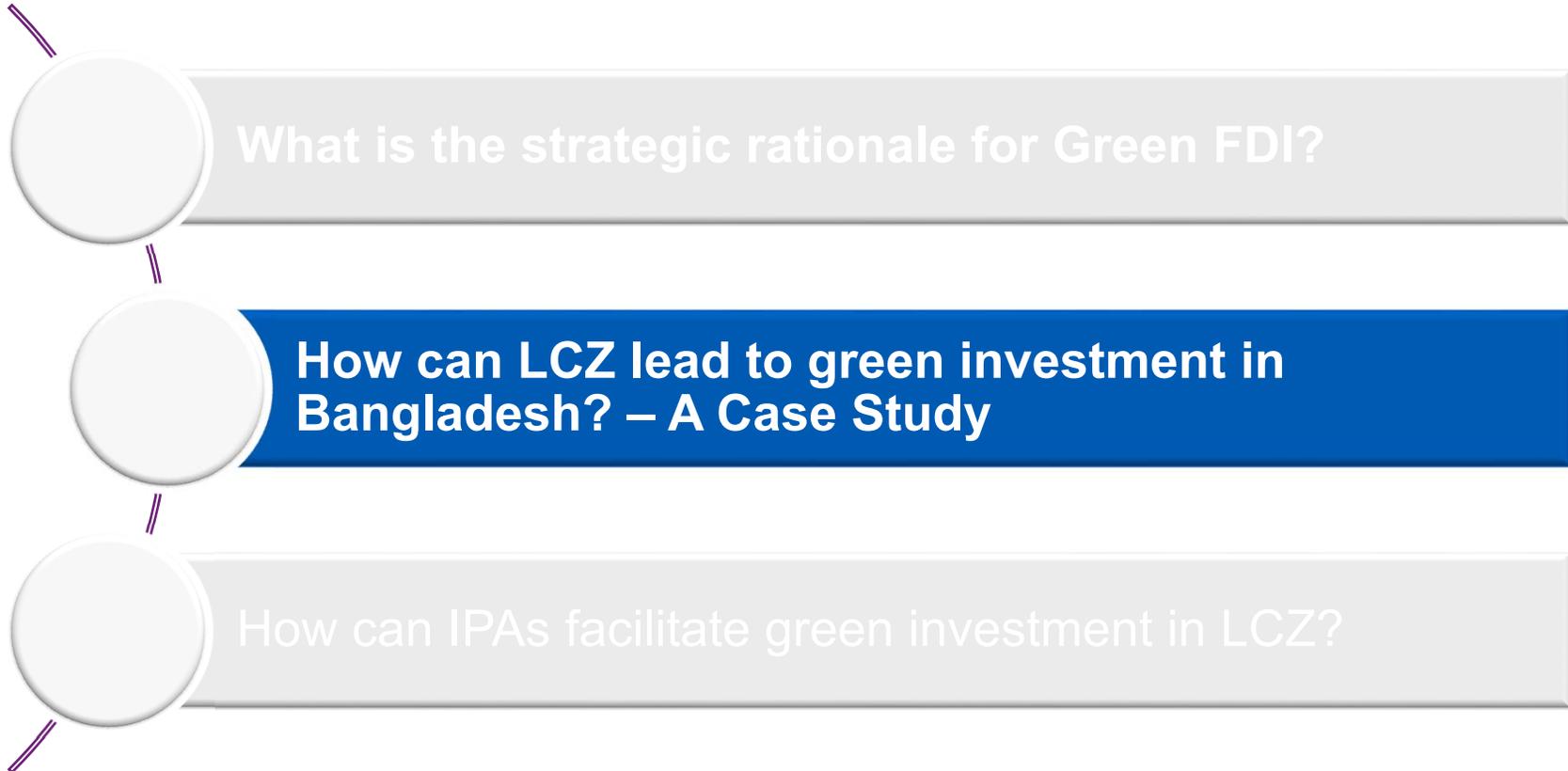
FDI IN GREEN VALUE CHAIN DEVELOPMENT IS THE PATHWAY TO ACHIEVE ECONOMIC TRANSFORMATION

	FDI in research cluster...	FDI in manufacturing cluster
What they bring	<ul style="list-style-type: none">• Credibility• Sizable R&D centers• Activities that stimulate the cluster (e.g. acquisitions, VC funding, spinoffs, and collaborative research)• High quality jobs	<ul style="list-style-type: none">• Supply chain• Industrial GDP growth• Large number of total jobs• Skill development• Resource efficiency• Environmental impact
What they need	<ul style="list-style-type: none">• Talent at competitive cost• Research eco-system• Government support in public research	<ul style="list-style-type: none">• Economic incentives• Cost competitiveness

IPAs can play multiple roles in facilitating Green FDI in developing countries....

A	Seed	 1. Investor targeting	Attract anchor tenants that bring significant technology, R&D and cluster effects
		 2. Public research	Establish a world-class public research facility that partners with the private sector; Regional Technology Center
B	Acceleration	 3. Live lab	Testing of technologies during the initial development of cluster
		 4. Speed to scale	Facilitating expansion stage funding for companies, bringing R&D centres and light manufacturing industry
		 5. Going global	Creating a strong value proposition would be the first stepping stone to make it a favoured investment destination
		 6. Procurement	Guideline for green procurement; driving industries to procure environmentally sustainable raw materials and goods
		 7. Market regulation	Accelerate regulatory changes that create significant markets for green products and services
C	Enabling	 8. Human capital	Develop and attract a sizeable pool of talent; support skill development initiatives
		 9. Research and science	Provide the funding, organizations and processes that support R&D activity and innovation activities
		 10. Financial business support	Enhance access to capital (e.g. venture capital) for start-up companies to support entrepreneurial activity in the region
		 11. Business regulation	Encourage entrepreneurship through laws that attract and retain highly-skilled workers.
		 12. Social attractiveness	Create a social environment to attract and retain talent to the cluster

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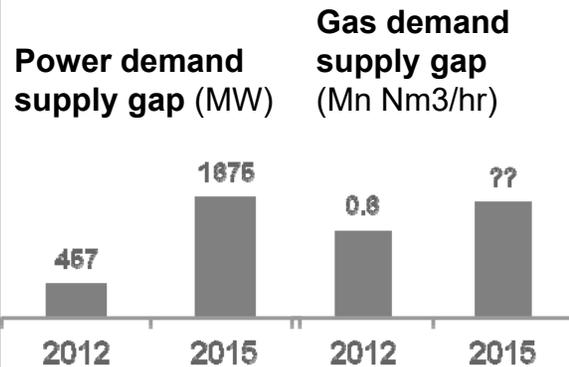
In Bangladesh 'Green Investment' is driven by 3 strong drivers...

1

Energy security



Bangladesh has a huge energy (power and gas) supply demand gap presently and this is projected to increase in future.



Gas supplies ~88% of energy. However gas supply situation is very uncertain in the country with no new finds and existing reserves being rapidly depleted

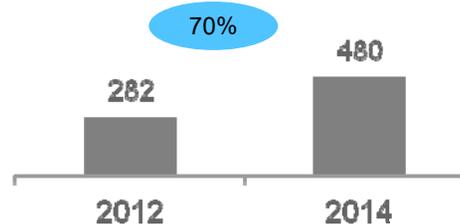
2

Energy subsidy



Energy subsidies are a huge strain on the Government's exchequer. ~2% of GDP is spent on energy subsidies

Energy subsidies BDT million.



At prevailing subsidy levels, the energy subsidy element would rise to ~4% of GDP in 2014

3

Buyers' preferences towards green supply chain



There is a growing consciousness among international buyers for green products and services. Absence of any structured energy/carbon management can lead to firms losing out to other firms with established sustainable practices



A global survey by EY (of 257 executives from \$1bn plus corporations) conducted reveals 50% organizations are implementing some form of green minded supplier qualification, 39% have plans which means 91% of firms will evaluate suppliers based on environmental sustainability practices

The 'Low Carbon Zone' offers immense strategic benefits for the three key stakeholders...



What it means for the Government of Bangladesh

- ▶ Improve energy situation. 8 low carbon EPZs can potentially save ~300 Million Nm³ of natural gas; approx USD 60 million subsidy savings – equivalent to an impact of ~1% of additional GDP creation
- ▶ Contribute to Bangladesh achieving its stated target of 10% improvement in energy efficiency by 2016
- ▶ Help rehabilitates Bangladesh's brand image for RMG investments after the Rana Plaza industrial disaster



What it means for the zones

- ▶ Provide a unique platform to systematically reduce GHG emissions in industrial sectors in cost-effective ways
 - For instance, in Korea, about 650 industrial parks comprise 63% of industrial emissions
- ▶ Global competitive advantage – 'Green Positioning' attracts big climate/green -conscious investors



What it means for the 'Investors'

- ▶ Respond to increasing market demand for 'green value chain' and 'green products' from MNCs
- ▶ LCZ provides an enabling environment and supporting infrastructure to drive the investing companies realize ROI in green investment
- ▶ Companies facing higher energy cost and energy security issues, improve bottom-line by improving energy efficiency and reuse and recycling of wastes

International buyers prefer 'green' products and 'green' supply chain

There is a growing consciousness among international buyers for green products and services. Absence of any structured energy/carbon management can lead to firms losing out to other firms with established sustainable practices



- Launched a footwear energy efficiency program with five contract manufacturers
- Uses at least 5% organic cotton in all cotton-containing apparel



- Target to reduce carbon, energy, water and waste by 25% in entire value chain
- Developing 50% of its international product collections in footwear, apparel and accessories according to 'best practice sustainability standards' by 2015.



- Target of reduction in GHG emission by 11% by 2011-16 with 2007 as baseline (in all operations including sourcing).



- Target of making all supply chains fair and environmentally sustainable by 2020



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Many countries are competing to get ahead in this green race



- Listed 13 cities/provinces as pilot low-carbon area in the 12th Five-Year Plan
- Jilin City developing 'Low Carbon Zone Development Roadmap' in partnership with EU



- In Andra Pradesh, industrial parks are being transformed to Eco-Industrial Park(EIP) in collaboration with German GIZ



- Jafza has managed to save \$1.03 million through green measures and reduced its electricity consumption by 11% in a year

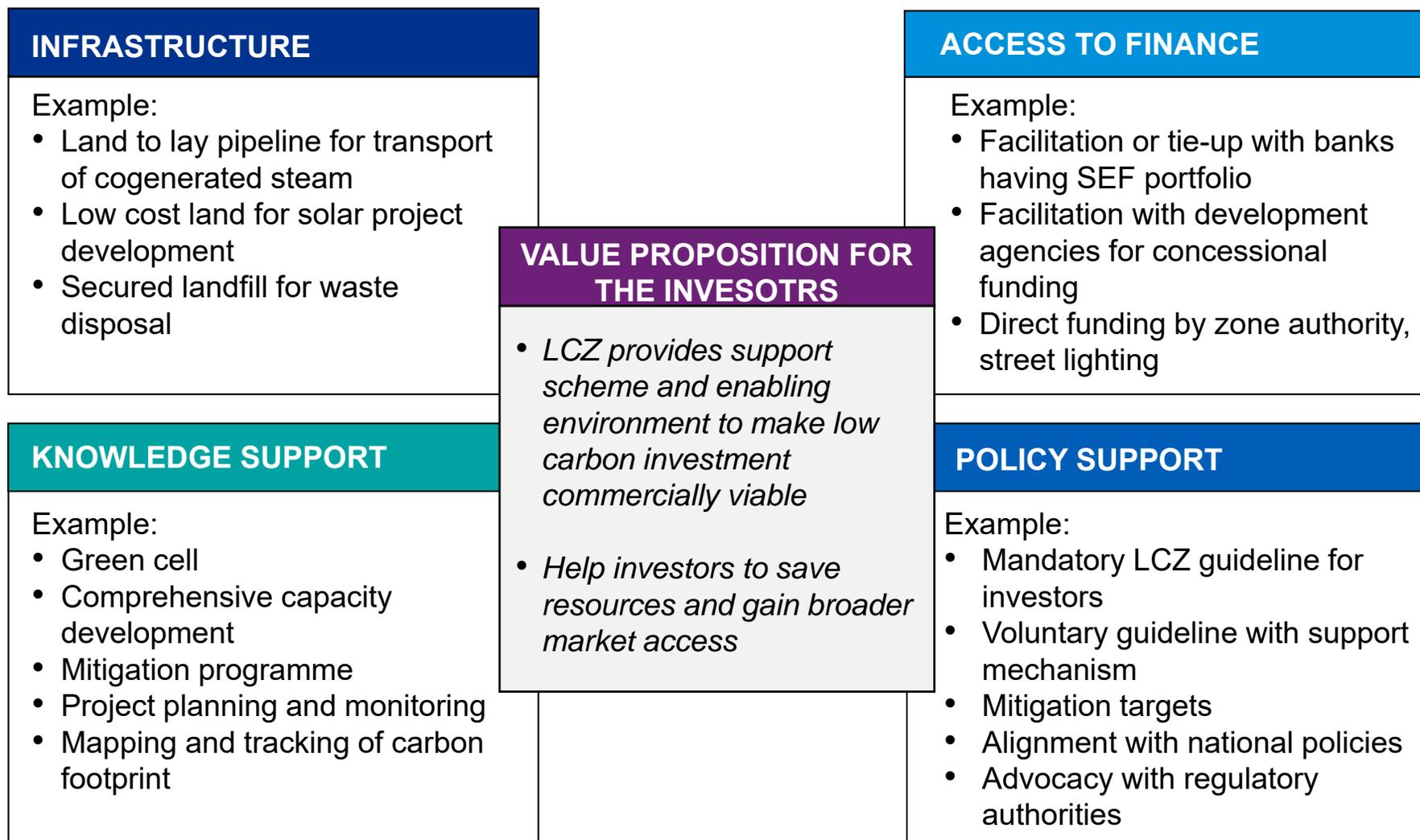


- Under national green growth strategy, 915 industrial parks being transformed to EIPs
- Since 2005, EIP initiatives reduced carbon emissions by over 620,000 tons and generated \$100 million of economic benefits through industrial symbiosis and cost saving

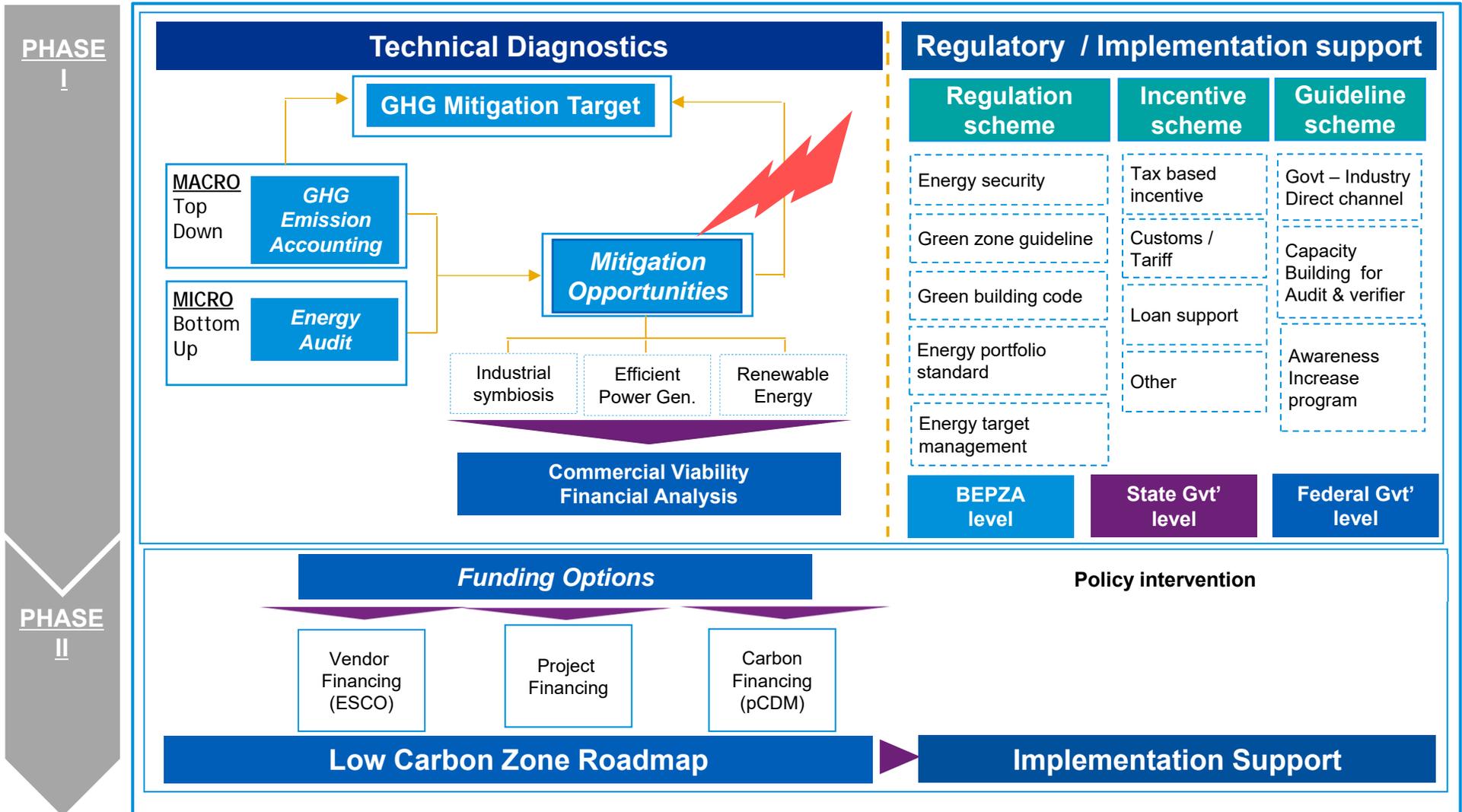


- ***In collaboration with IFC and Korea, EU, launched Low-carbon Zone initiatives for Chittagong as its first pilot project IN 2011***

Nexus between LCZ and Investment Promotion - Enabling environment to earn attractive ROI from low carbon investments...

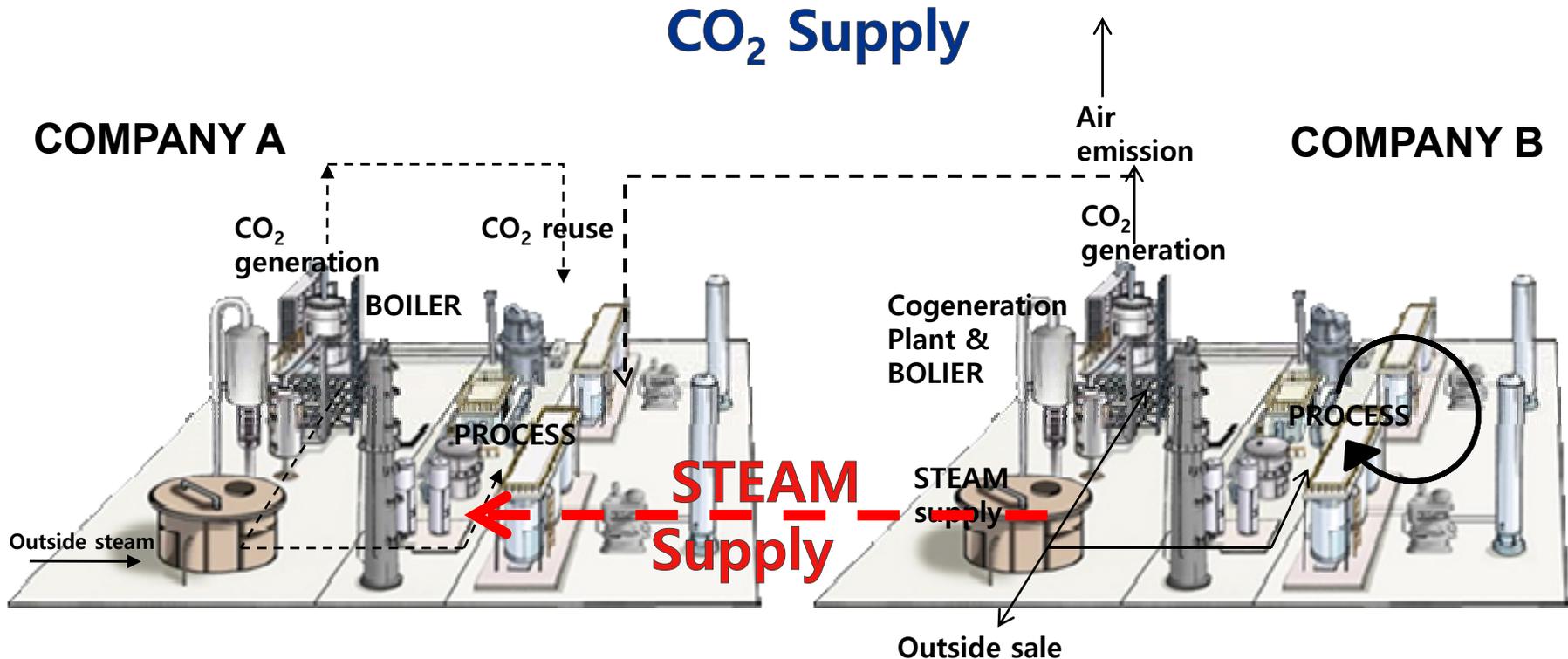


Framework for an Low-Carbon Zone (Chittagong EPZ example)



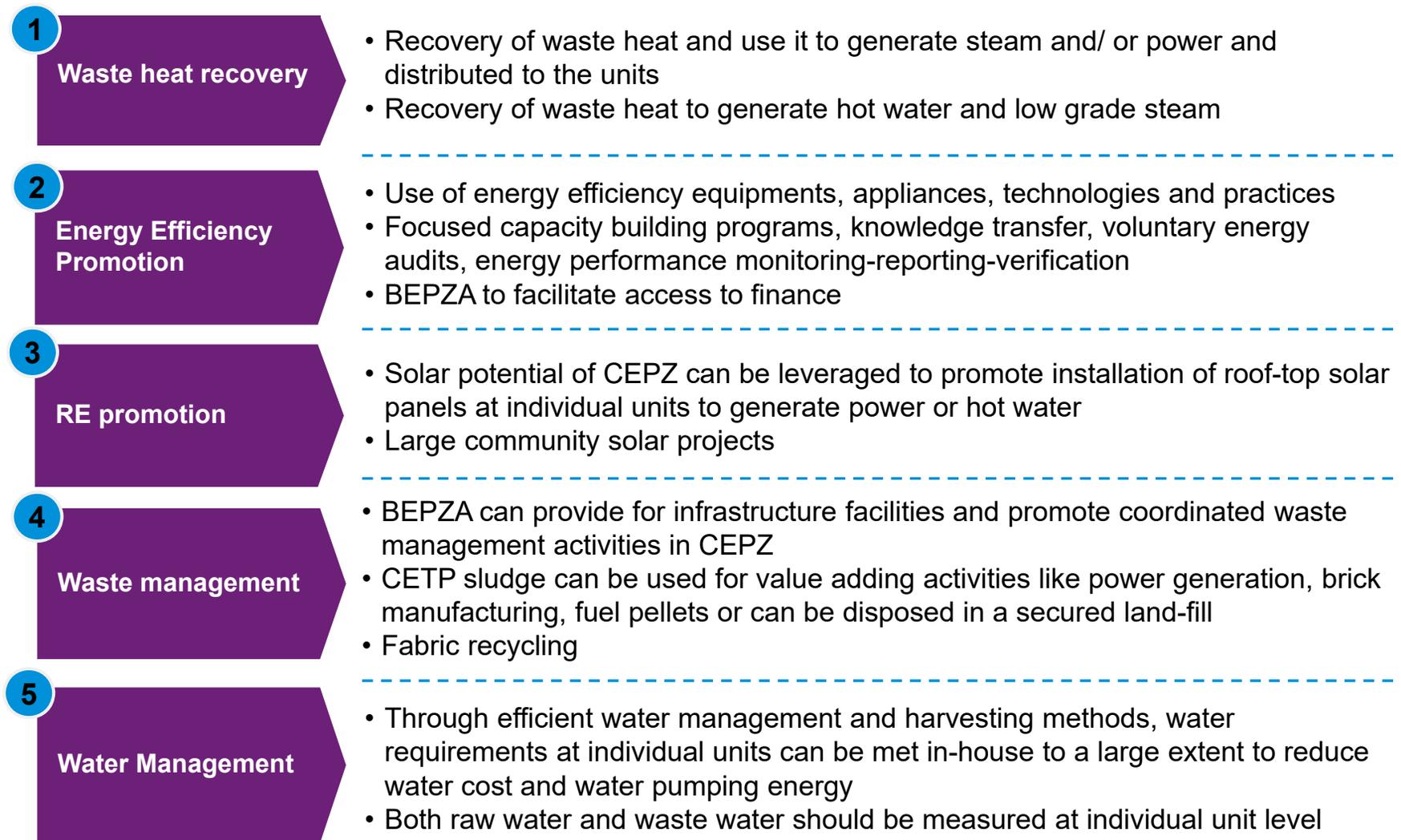
Industrial symbiosis at the heart of an LCZ

Two companies in the same industrial zone can be networked to save energy and resources

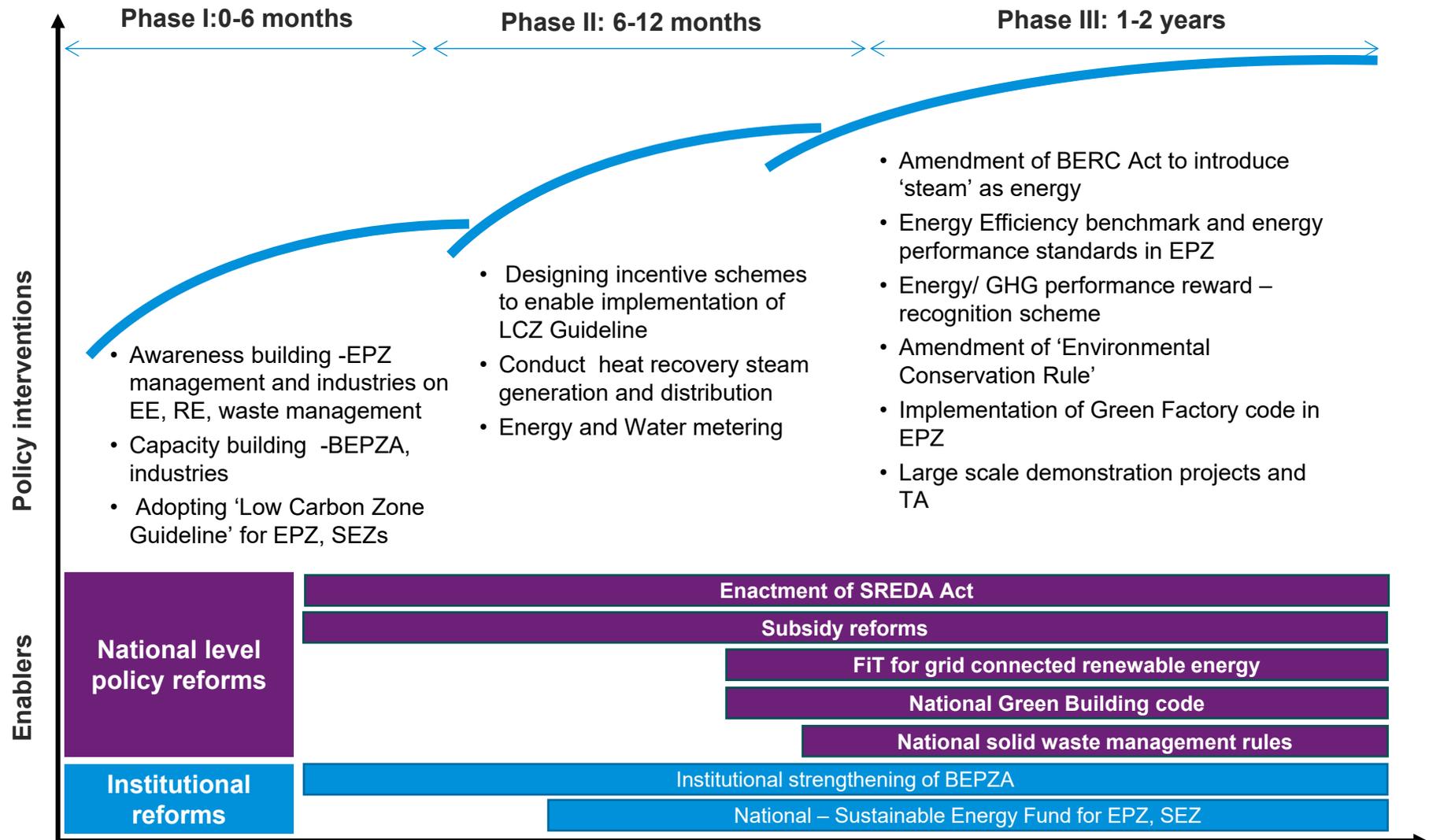


- Economic benefit : 6.6 million US\$/yr (Steam selling and B-C replacement)
- Environmental benefit: Reduction of 63643 ton CO₂/yr, 1691.5 ton /yr air pollutants

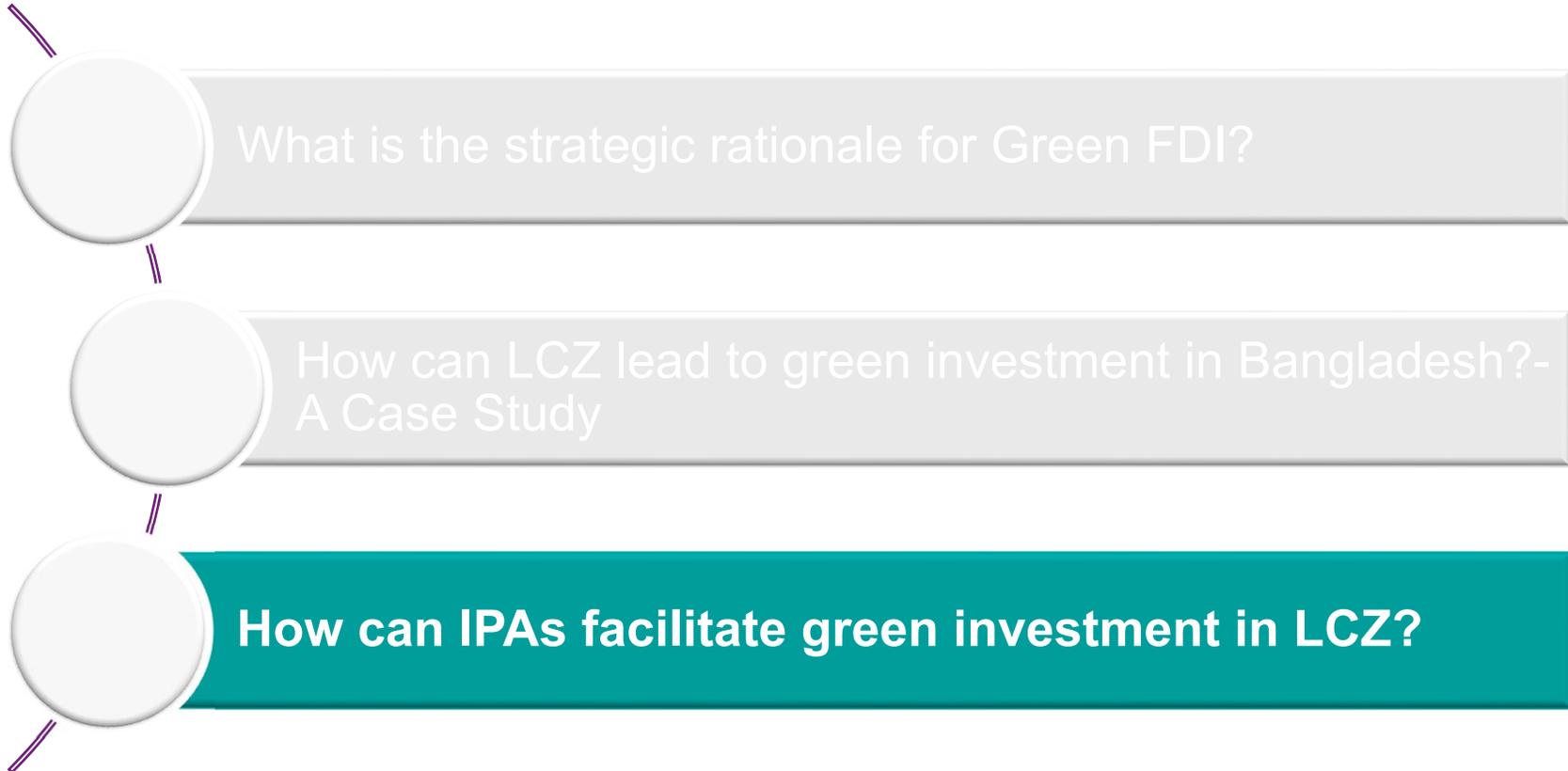
Low-carbon zone can potentially generate low carbon investment in five areas



Enabling policies to facilitate green investment & enhance investors confidence



Discussion Structure



Through out the process Stakeholder Dialogue is the key to increase awareness and drive green investment

Bangladesh Garment Sector



Industrial Symbiosis Analysis of CEPZ



Korea Knowledge Exchange



United Power Cogeneration



Exhaustive field survey to identify low carbon potential (Apr – May 2012)

- ✓ 20+ companies selected in CEPZ and detailed on-field energy audit carried out
- ✓ 60+ companies surveyed for their production equipment survey

Capacity building program for academics & field manager (July 2012)

- ✓ Capacity building program for energy efficiency and industrial symbiosis offered to future energy experts from Chittagong University and managers from private sector (More than 50 participants)
- ✓ Training of low-carbon zones for BUET to present the potential job market in EE (More than 80 participants)

Korea Knowledge Exchange program (October 2012)

- ✓ 20+ delegation comprising of policy makers (BEPZA, DOE, BERG), private sector and experts invited for Korea Knowledge Exchange program
- ✓ Program included Eco-industrial park visit, low carbon zone workshop as well as investor forum

Round table for public sector (Jan. 2013)

- ✓ Round table held in Dhaka inviting various international development agencies, ministries and agencies as important stakeholder

Round table for private sector (Jan. 2013)

- ✓ Round table held in Chittagong inviting EPZ investors and other stakeholders to gain deep understanding on private sector's opinion

8 EPZs Investor review (Feb. – Mar. 2013)

- ✓ 1 month review process carried out to collect 8 EPZ wide investor opinion on low carbon zone guidelines and roadmap

Very positive responses and feedback were received which were duly incorporated for development of policy proposals on low carbon transition of EPZs

Role an Investment Promotion body can play to generate green investment – 'Green Cell' of BEPZA

Objectives of GC

- Drive low carbon transition of existing and upcoming EPZs by anchoring the dissemination of knowledge and best practices
- Attract and incentivize low-carbon investment in EPZs by advocating and establishing an enabling environment of rules, guidelines and policies
- Act as the first point of contact (FPOC) and the single point of contact (SPOC) for all low-carbon development related queries and activities within EPZ

Key Functions of GC

- **Leverage green branding for investment promotion in the Global Consumer Market**
- **Knowledge Dissemination and Capacity Development:** Convene expert-based focused training to raise awareness and build capacity
- **Providing Technical Services to the enterprises:** Provide strategic and operational support for implementation of energy efficiency and renewable energy projects, at both individual enterprise-level and cross-enterprise EPZ-level
- **Monitoring and Evaluation (M&E):** Track and measure progress on low-carbon development, review and analyze the successes and shortcomings and propose follow-up actions
- **Consultation and collaboration with the stakeholders:** Facilitate a dialogue platform for relevant stakeholders



Thank you

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