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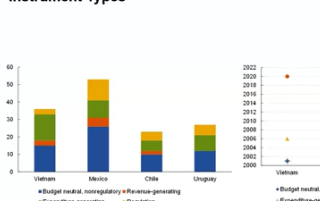
Policies to Foster Green FDI: Best Practices for Emerging Market and Developing Economies 8 April 2025

Case studies: A policy framework for renewable energy

For renewable energy, a broad and updated policy framework is useful

- Successful countries introduce a large number of policies in electricity
- Different policy instruments are used
- Policy instruments tend to be introduced in the same order
 - ▶ Declare Targets
 - ▶ Set up institutions (for monitoring and enforcing climate policy)
 - ▶ Remove barriers (e.g., regulation for solar rooftops)
 - ▶ Offer incentives (tax breaks for renewable energy)
 - ▶ Regulate (emission limits)

Number of Policies by Instrument Types



Year of Initial Policy Adoption



Source: Climate Policy Database and IMF staff calculations.
Note: The classification into policy types follows the Climate Policy Database. The recorded in the Climate Policy Database



Investments in electric vehicle production and new sources of energy, such as green hydrogen, are key ingredients in the green transition. This webinar discussed how foreign direct investment (FDI) could play a key role in emerging market and developing economies' (EMDE) ability to finance green projects amid low fiscal space and financially constrained domestic investors. Combining econometric evidence with country case studies, the presentation explored whether climate policies can help attract FDI in green projects and how other domestic policies and global factors affect these flows. The presentation was followed by a highly engaged Q&A session where webinar participants discussed with the presenter, Gregor Schwerhoff from the IMF Research Department, questions about green financing methods, best practices in the field of clean and renewable energy taxation, potential obstacles in attracting green FDI, and how to address the impeding impact of fossil fuel subsidies.