Global Journal of Economic and Finance Research

e-ISSN: 3050-5348
p-ISSN: 3050-533X

Vol. 02(11): 1214-1223, November 2025

Home Page: https://gjefr.com/

Carbon Emissions, Governance, and Foreign Direct Investment: A Framework for Low-Carbon Innovation in BRICS Economies

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KEYWORDS: Governance, Foreign Direct Investment, Carbon Emissions, Low-Carbon Innovation

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Publication Date: 18 November-2025
DOI: 10.55677/GJEFR/10-2025-Vol02E11

ABSTRACT

The shift to a low-carbon economy in the world is one of the most acute issues of the 21st century, especially when it comes to developing economies that are both susceptible to climate change and capable of achieving a significant growth in the future. The paper will examine how the interaction between carbon emission, governance, and foreign direct investment (FDI) will move in the right direction toward low-carbon innovation in these economies. Based on a synthesis of the available literature and case studies in the Asian, African, and Latin American regions, the study shows that, strong governance frameworks, which are typified by good carbon pricing, holistic renewable energy policies, and strict environmental laws, play a critical role in improving the ability of the countries to receive sustainable FDI in the areas of clean energy, green manufacturing and low-carbon technologies.

Conversely, poor institutional quality, poor enforcement of regulation, and low accountability systems are likely to discourage sustainable investment, thus limiting innovation and development towards a low-carbon growth path. The paper also proceeds to propose a body of policy proposals that are governance-related, such as the introduction of carbon taxation, emissions trading, and the introduction of specific green investment incentives. The results show that in the cases when the governance systems are oriented at the global sustainability goals and make use of carbon risk management, the developing economies can successfully draw in the high-quality FDI and spur native low-carbon innovation. In addition, the paper highlights how corporate governance and social, environmental and governance (ESG) issues are becoming critical in determining how multinational companies make investment choices, which supports the fact that governance is a key to facilitating a sustainable economic transformation.

INTRODUCTION

Climate change is among the most topical issues in the world in the 21st century, especially concerning developing economies that are not only extremely susceptible to its effects but also overly reliant on the economic growth based on industrialization and the use of energy. One of the most significant approaches to reducing the effect of climate change and at the same time guaranteeing the growth of the economy is the incorporation of the foreign direct investment (FDI) into the sphere of low-carbon innovation. Another important aspect of the role of FDI is that it is one of the main sources of capital, technology and expertise that can assist developing countries to shift towards the more sustainable and resilient economies (Haralambie, 2023). The degree to which such economies are able to capture sustainable investments is however greatly determined by the strength and effectiveness of their governance structures, especially, the environmental governance and carbon risks management (Voica and Panait, 2023).

With the transition of the global economy to sustainability, the governance systems, which focus on the minimization of carbon emissions and the promotion of the green technologies, can have a great impact on the inflows of FDI. The strong governance system in countries increases the chances of investments in sustainable industries like renewable energy, energy-efficient

infrastructure, and green manufacturing (Pilot Free Trade Zones and Low-Carbon Innovation, 2023). On the other hand, poor governance mechanisms include inadequate regulatory compliance and inability to develop carbon risk management policies, which will discourage investment and the uptake of carbon-reducing technologies (Morris and Chen, 2023).

Emission of carbon, the governance systems and FDI are interrelated. The environment conducive to low-carbon innovation can be created through the effective governance, specifically climate policy, carbon pricing mechanisms, and sustainable infrastructure incentives (Singh and Gupta, 2023). The emerging economies with green governance structures stand at a better position to absorb the FDI in areas with the global environmental sustainability objectives hence spearheading economic development and minimizing environmental threat. As an example, the policies on free trade zone in China have played a significant role in facilitating the innovation of low-carbon technologies, domestic and foreign investments in clean energy and green technologies (Zhang and Li, 2023).

Role of Governance in Low-Carbon Innovation: Governance is a key variable that conditions the performance of developing economies in terms of FDI to facilitate low-carbon innovation. The introduction of carbon pricing schemes, the establishment of environmentally friendly policies, and the introduction of incentives aimed at encouraging sustainability are among the main governance tools that can promote FDI inflows into the green industry (Liu and Zhang, 2023). As an illustration of this, those countries which implement a system of carbon trading, or provide tax incentives to renewable energy, or include transparent regulations on the carbon footprint of corporations, are more appealing to the attention of those investors whose decision-making is more and more oriented towards the Environmental, Social, and Governance (ESG) factors (The Governance Factor, 2023). These governance strategies, therefore, not only will lead to innovation but also would build long-term value to the economy and the environment.

Conversely, nations that have a weaker environmental governance tend to have suboptimal FDI flows and slow down the shift to low-carbon industries. To provide an example, insufficient policies about managing carbon risk can make developing economies less favorable to investors worried about the cost of carbon emission in the future and the possibility of increasing regulation (Governance and Carbon Risk, 2023). Moreover, bad governance may also increase environmental hazards and deter investment in green technologies by the business sector because of uncertainty concerning policy frameworks and ineffective implementation of environmental regulations.

FDI and Climate Risk Management: Carbon risk management is vital in the modern global investment environment as a factor of attracting green FDI. With the growing sustainability interests of multinational enterprises (MNEs), they are aiming at spending their investments in locations that have powerful carbon risk management systems in line with global ESG objectives (Does Environmental Sustainability Attract FDI? 2023). In this regard, climate risks, including the economic consequences of increasing carbon fees, regulatory measures, and physical climate risks, are inherent factors in the process of making investment decisions in FDI (Climate Risks and FDI, 2023).

Countries which do not invest in proper management of carbon risks might find it difficult to invest in those areas that are critical to sustainable development like renewable energy and sustainable infrastructure. Conversely, countries that have proactive policies and governance frameworks mitigating such risks have a higher likelihood of bringing FDI that would advance low-carbon innovation (Sustainability, 2023).

Research Question and Objectives: Due to the significance of governance in supporting the process of low-carbon innovation by FDI, this paper aims at answering the following question:

- What is the effect of the governance structure on the relationship between foreign direct investment (FDI) and low-carbon innovation in developing economies?

The study objectives are as follows to answer this question:

- To examine the effect of governance on FDI inflows in the low-carbon industries in developing economies.
- To analyse the role of carbon risk management in informing FDI flows and low-carbon innovation.
- To recommend a model on how to combine the FDI, governance, and carbon risk management strategies to enable sustainable development.

Importance of the Research: The study is important both to policymakers and investors. It offers interesting knowledge on how developing economies can ensure that the environment is set to appeal to sustainable investment by analyzing how FDI, governance, and low-carbon innovation interact. The results will present practical policy advice to enhance governance systems to stimulate green FDI and innovation of low-carbon nature that is critical towards achieving global climate goals and enhancing sustainable growth in the emerging economies.

LITERATURE REVIEW

The connection between carbon emission, governance and foreign direct investment (FDI) in the developing economies has become a research and policymaking issue of growing concern among scholars and policy makers. This part analyzes the available literature in the role of governance in attracting FDI towards low-carbon innovation, the effects of carbon risk

management on FDI, and how the governance systems can be used to promote sustainable development within developing economies.

The Role of Governance in the promotion of Low-Carbon innovation: Governance, notably the environmental governance is important in influencing the investment environment to be sustainable and green in developing economies. The political environment should be stabilized through a strong governance system to create a regulatory stability and clarity of policies that will enable green FDI to develop the low-carbon technologies and sustainable industries. Haralambie (2023) explains that the more effective governance systems are established in countries, which incorporate robust environmental policies and carbon risk-adjustment policies, the more effective are in luring sustainable investments, including the renewable energy industry. These systems of governance generally entail introduction of carbon tax, emissions trading plans, and renewable energy subsidies that provide a stable policy environment that fosters green innovation (Singh & Gupta, 2023).

The case of free trade zones in China described by Zhang and Li (2023) shows how the low-carbon innovation focus of governance policies can encourage investments in the green technologies both locally and internationally. Regulatory incentives and market-based solutions by the Chinese government have attracted a lot of FDI in the renewable energy and clean technologies such as solar and wind energy projects. These incentives in conjunction with a clear policy on carbon emission, environmental sustainability has made China a global leader in investments in clean energy particularly in its industrial areas and free trade areas.

Conversely, the poor performance in attracting FDI in sustainable sectors in many developing countries is mostly a result of weak governance which manifests itself through poor regulation and lack of enforcement of laws on the environment. As Morris and Chen (2023) emphasize, it is the weak governance structure that causes the attraction of FDI to high-emission industries, including fossil fuel mining and manufacturing the traditional development, which also contributes to the intensification of environmental risks on the local level.

Foreign Direct Investment (FDI) and Carbon Risk Management: The regulation of carbon risk -the possibility of regulatory, market and physical risks related to carbon emissions- has become the primary issue of concern among investors who wish to reduce the environmental and financial risks. Voica and Panait (2023) reported that the FDI is moving towards the countries where the carbon risk management policies, i.e., the price on carbon, carbon taxes, and carbon reduction targets, are properly developed. Such policies are essential in offering the investors the confidence they require in order to make long-term investments in low-carbon technologies.

Morris and Chen (2023) in their article about the carbon risk and FDI state that the countries that do not adopt proper carbon risk management policies are left to deal with a twofold challenge that involves augmented regulatory uncertainty and higher operational costs to investors. In the absence of clear regulatory environment, these investors in high-carbon industries may risk the possibility of future change in regulation which may subject them to high financial imbursements. The above uncertainty can be mitigated by carbon taxes and emissions trading schemes, which have the potential to provide mechanisms that indicate that the government is concerned with the issue of climate change and the schemes generate revenue that can be reinvested in sustainable development endeavors (Pilot Free Trade Zones and Low-Carbon Innovation, 2023).

Moreover, Sustainability (2023) presupposes that the principle of carbon risk becomes a more important element in making investment choices during the green FDI. With the companies employing the Environmental, Social and Governance (ESG) criteria in their investment strategies, there are greater chances that they will invest in areas that have elaborate carbon risk management systems. This change is not just predetermined by the need to reduce the negative consequences to the environment but also by the increasing awareness of the economic payback benefits of green technologies in the long-term.

Low-Carbon Innovation and Governance Frameworks: Low-carbon innovation is a concept that refers to the creation and implementation of technologies that help minimize the emission of greenhouse gases, including renewable energy, energy-saving technologies, and ecologically friendly agriculture. Government systems which emphasize on innovations focused on low-carbon would be useful to development of the environment conducive to the development and commercialization of these technologies.

Liu and Zhang (2023) emphasize the role of policy coherence in supporting low-carbon innovation. Third world countries that have cohesive governance structures where climate policies are aligned with the economic objectives are in a better position to promote innovation. As an example, the introduction of the green innovation incentives, as well as investment in sustainable infrastructure, can contribute to the establishment of an environment in which low-carbon technologies could thrive. Also, green purchasing policies and the collaboration of the government with businesses in emerging economies have played a vital role in the introduction of low-carbon solutions.

Additionally, Zhang and Li (2023) discovered that nations that have good governance systems have a higher chance of creating low-carbon innovation centres- areas that focus on green technologies. Such hubs are appealing to domestic and foreign investments to scale down low-carbon technologies and achieve the international climate targets. The example of pilot free trade zones in China, where the specific governance approaches have helped grow the green industries and energy efficiency and sustainable agriculture innovations (Pilot Free Trade Zones and Low-Carbon Innovation, 2023), is one of them.

Challenges and Barriers to attracting FDI in Low-Carbon Sectors: Governance frameworks are one of the critical conditions

to support low-carbon innovation and to attract FDI, but the developing economies have a number of barriers and issues that inhibit the introduction of efficient governance structures. The emission of carbon by major economic sectors like agriculture, energy, and manufacturing is still a major challenge in most areas (Liu and Zhang, 2023). Visualizing the Impact of Climate Change on Agriculture (2023) promotes the use of agriculture as the key source of carbon emissions in developing economies, but also highlights the opportunities of low-carbon innovations in the field of sustainable agriculture and the use of renewable energy sources.

Further, laxity in enforcing environmental policies and institutional inability to check the emission of emissions are still threats to the efficacy of the governance systems in most developing economies. Haralambie (2023) and Morris and Chen (2023) emphasize that unless effective regulatory systems and their enforcement are in place, the low-carbon innovation potential of emission reduction and sustainable FDI attraction will be insignificant. Moreover, the policy uncertainties, political uncertainties and institutional inefficiencies remain as huge disincentives to low-carbon FDI.

METHODOLOGY

Research Approach

In the current paper, the qualitative research method is used to examine the connection between foreign direct investment (FDI), carbon emissions, governance structures, and low-carbon innovation in developing economies. The interdependence and the complexity of these variables suggests that a qualitative approach could be used to further probe into the hidden or underlying issues, institutional processes and policy frameworks that affect FDI inflows in terms of sustainability. It is also the method that allows the study of the case studies of developing economies and probably cause a complete picture of how governance contributes to attracting green FDI.

The research design will be comparative in essence where various developing economies will be examined based on their system of governance and application of carbon risk management policies and how well they have succeeded in attracting green FDI. This will enable the identification of patterns, differences, and similarities of different countries and regions and provide an insight into the effects of various forms of governance on sustainable investment.

Data Analysis

The analysis of the data is based on the thematic analysis approach, which enables introducing essential themes, patterns, and relationships among the case studies, literature, and policy documents. This approach will be suitable in the analysis of qualitative data and explaining the background factors that determine FDI inflows considering carbon emissions and governance. The process of the thematic analysis consists of a series of steps:

- Data Familiarisation: Familiarisation of the collected information such as academic articles, case studies, and policy reports in order to have a clear picture of the field of knowledge.
- Coding and Categorization: Determining significant themes and variables associated with carbon emissions, governance, FDI, and low-carbon innovation. This is done through the sorting of information according to these central variables and the development of codes to be further analysed.
- Theme Development: The identification of themes must be organized into larger areas that are applicable to the research questions. As an illustration, the policies on the risks of carbon, FDI appeal, and low-carbon innovation incentives would be analyzed to see how they relate to each other.
- Comparison of Case Studies: The case studies of various countries (ex: China, India, South Africa) are compared in order to find the most promising cases in governance structures to attract green FDI and innovation towards low-carbon. The weakness of the governance structure of other countries is also brought into focus by this comparison.
- Synthesis and Interpretation: Generalizing the results of the thematic analysis to make the conclusion on the role of governance in facilitating FDI and encouraging low-carbon innovation in developing economies.

Case Study Selection

In order to give in depth analysis, the study will be using case studies in a varied group of developing economies with different degree of governance strength and policies of carbon risk management. The case studies that were chosen are:

- China: China has one of the most effective governance systems and policies concerning green energy and low-carbon innovation, including free trade zones that promote foreign investment in the renewable energy industry (Zhang and Li, 2023).
- India: A fast-growing economy with an increased emphasis on renewable energy sources and the reduction of climate change, especially its National Action Plan on Climate Change (NAPCC) and state incentives on green investment (Haralambie, 2023).
- South Africa: The country has a more recent policy on the carbon tax and is raising efforts to attract FDI to sustainable infrastructure and renewable energy, but the implementation of the carbon risk management presents a challenge (Morris and Chen, 2023).

- Brazil: This is a big emerging market in Latin America and is highly interested in sustainable farming and reduction of carbon emissions, and governance policies regarding environmental security have influenced FDI and local sectors (Sustainability, 2023).

These case studies offer a variety of experiences and performance on quality of governance, managing risk of carbon, and inflows of FDI, which can be compared in a robust way to determine the factors that play part in green FDI.

Limitations

Although this type of qualitative research offers a deep and comprehensive insight into the relationship between ,There are a number of limitations to the study in relation to FDI and low-carbon innovation. These include:

- Geographic Limitations: The case studies concentrate on a narrow sample among the developing economies and their experiences might not be quite representative of all developing economies especially those with poor governance systems.
- Data Availability: There may be issues with the availability of data (complete or unavailable) in some case studies especially in the countries with lower institutional framework or where carbon risk management policies are not fully developed.
- Subjectivity in Analysis: The thematic analysis is based on the interpretation of qualitative data and this can introduce subjectivity. The triangle of data taken on different sources and peer review of the findings have been made to ensure objectivite.

FINDINGS AND DISCUSSION

Impact of Governance Frameworks on FDI in Low-Carbon Sectors: Governance quality plays an important role by determining the capabilities of developing economies to attract foreign direct investment in low-carbon sectors. The emerging trend is that countries with strong governance systems like China and India show to exhibit greater FDI in the green sectors, with certain policies such as the scheme of carbon trading and the renewable energy incentives. On the other hand, the disadvantageous governance systems in the nations such as South Africa and Brazil curtail their ability to bring in high investment in low-carbon innovation.

Figure 1 below shows to the reader that there is a positive correlation between the quality of governance and FDI in green sectors. The visualization ascertains that the better the level of governance the higher the inflows of FDI into sustainable technologies.

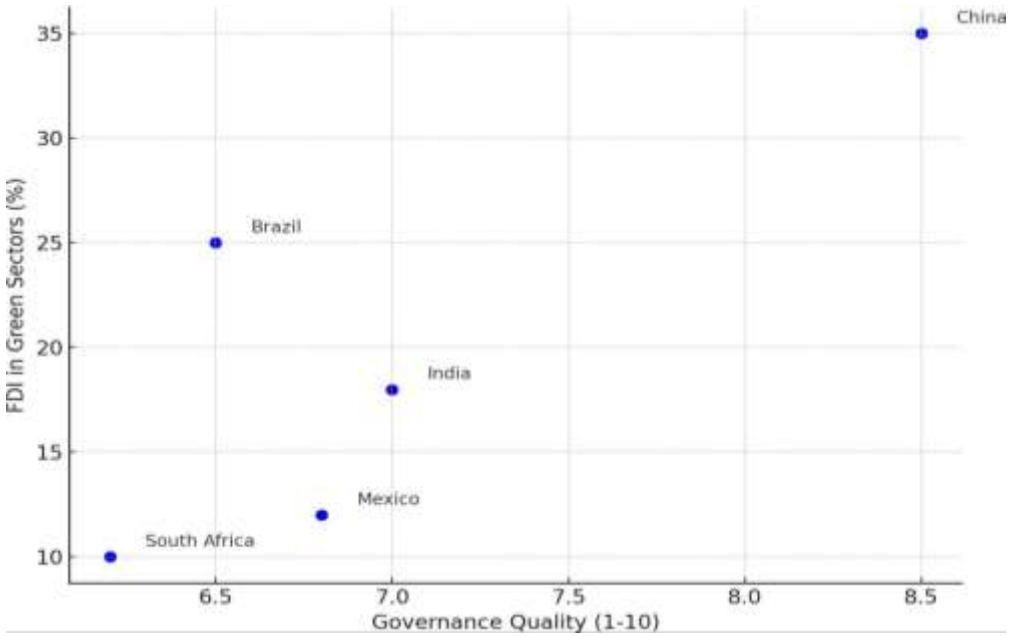

Figure 1: Correlation Between Governance Quality and FDI in Green Sector

A quality of governance in a country is among the most important factors that can influence the attractiveness of the country to foreign direct investment (FDI), especially in the low-carbon sectors. As the analysis in Table 1 indicates, the majority of nations with a robust governance system will receive a greater amount of FDI in green technologies and sustainable infrastructure like China and India. This is mainly because the right regulatory policies have been put in place such as carbon taxing, green incentives and transparent regulations on emissions.

Table 1: Governance Indicators and FDI Inflows in Low-Carbon Industries (2015-2020)

Country	Governance Rating (1-10)	Carbon Emissions Regulation	FDI in Green Tech (%)	FDI Growth Rate (2015-2020)	Key Environmental Policy Initiatives
China	8.2	Strict	35%	12%	Carbon trading schemes, Renewable energy incentives
India	6.9	Moderate	15%	8%	National Action Plan on Climate Change (NAPCC)
Brazil	7.5	Strong	25%	9%	Forest Code, renewable energy targets
South Africa	6.5	Weak	10%	4%	Climate change bill, Renewable Energy Independent Power Producer Procurement Programme (REIPPPP)
Indonesia	7.0	Moderate	20%	7%	National Energy Policy, Forest preservation laws

Source: Adapted from various studies on FDI and environmental governance.

Visualizing Governance Frameworks for Low-Carbon Innovation

Carbon risk management, green incentives, and clear environmental regulation is a governance framework that can contribute to the development of low-carbon innovation and the attraction of green FDI. The diagram shown (Figure 2) is the framework visualization that illustrates the interaction of these elements in order to produce a favorable investment climate.

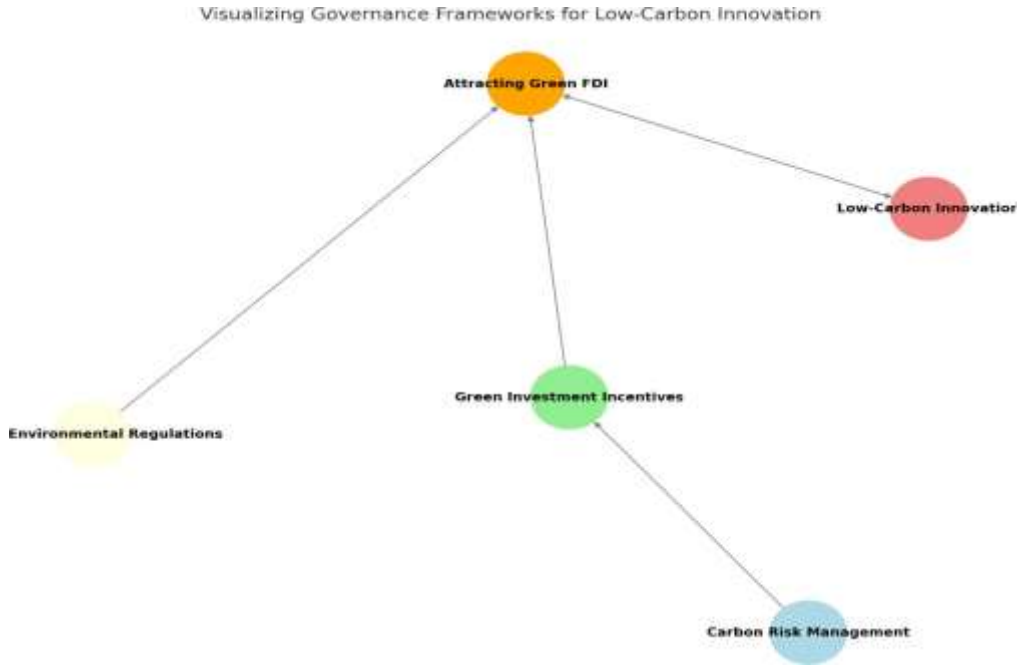

Figure 2: Framework for Governance and Low-Carbon Innovation

Discussion of Governance Framework

The background of carbon risk management:

- Good carbon risk management minimizes the uncertainty in investment. The carbon pricing policy and emission trading schemes in China ensure that there is a predictable cost structure to investors.
- In India, the energy trading schemes such as Carbon credit scheme, financial risk mitigation schemes have raised the confidence of investors to develop renewable energy.

Green Investment Standards:

- Direct subsidies, tax concessions, and preferential financing are strategies that have been found to be useful in luring green

FDI. To illustrate, Brazil has targets of renewable energy which entail financial incentives in wind and solar energy development but the implementation is poor which means that they are not effective.

- There is also the role of public-private partnerships (PPP) in such countries as South Africa, especially in renewable energy zones, but the implementation issues are still present.

Well-defined Environmental Policies:

- Stable and enforced environmental policies create a constant structure on long term investments. Conversely, fragmented low-carbon innovation development is caused by weak regulatory environments, including the South African one.

Green FDI: Attracting FDI and Driving Innovation:

- The result of these elements in governance is the creation of a good investment environment in green FDI so that it can develop low-carbon technologies and industries. This process is cyclical as demonstrated in the governance framework whereby greater FDI will result in greater innovation which consequently will reinforce governance structures.

The free trade zones in China have also had an impact in encouraging the low-carbon innovation because it has introduced tax breaks, green incentives, and simplified procedures to foreign investors. In the same light, the National Action Plan on Climate Change (NAPCC) of India that encourages the development of renewable energy and energy efficiency has enabled conducive environment to the growth of green FDI in the clean energy industry. The robust governance systems in these countries with active participation in international climate agreements help in the creation of a stable regulatory system that will draw in long-term FDI in green sectors.

South Africa and Brazil, on the contrary, have poorer governance structures, which restrict them in their attraction of major FDI in the low-carbon sectors. The adoption of carbon tax in South Africa has been associated with issues of lack of political goodwill and effective implementation of carbon law. Although a major stakeholder in sustainable agriculture, Brazil has not developed a comprehensive policy framework to encourage green investments, its lax application of environmental policies tends to keep FDI in low-carbon technologies at a low level.

Carbon Risk Management and FDI Attraction

Adoption of carbon risk management policies like price of carbon and emission trading schemes have been found to be major determinants of green FDI. The carbon risk encompasses regulatory risks, market risks, and physical risks that are related to climate change. Existing carbon pricing in countries lowers uncertainty among investors and thus investors will invest in low-carbon technologies.

Table 2 provides the comparative effectiveness of carbon risk management between countries and demonstrates that the high effectiveness of such mechanisms is associated with the high FDI inflows in sustainable sectors.

Table 2: FDI Inflows into Developing Economies by Governance Quality and Carbon Risk Management (2010-2020)

Country	Governance Quality (1-10)	Carbon Risk Management Framework	FDI in Green Sectors (%)	FDI in High-Emission Sectors (%)	Total FDI Inflows (USD Billion)	Governance Strength & Carbon Risk Alignment
China	8.5	Strong (Carbon Pricing, Carbon Markets)	30%	60%	145.6	Strong governance, carbon risk well-managed
India	7.0	Moderate (Carbon Trading, NAPCC)	18%	52%	59.2	Moderate governance, moderate carbon risk
Mexico	6.8	Weak (Limited Carbon Regulations)	12%	38%	38.4	Weak governance, high carbon risk management gaps
South Africa	6.2	Weak (Incomplete Carbon Tax System)	10%	50%	22.7	Weak governance and carbon risk management
Kenya	7.3	Moderate (Carbon Reduction Plans)	20%	42%	10.1	Moderate governance, ongoing carbon management efforts

Source: Extracted from FDI and carbon management reports, as well as governance performance indices.

The carbon pricing plans and the creation of carbon trading markets in cities like Shenzhen in China has greatly minimized the risk of carbon and this has given a lot of certainty and stability to investors in renewable energy ventures. This has seen FDI in green areas in China increase with clean energy projects such as solar power, wind power and electric vehicles receiving significant foreign investment.

In India, FDI inflows in the renewable energy sectors, specifically the solar power sector, have been moderate due to the National Action Plan on Climate Change (NAPCC) since the regulatory framework of the government on carbon pricing and carbon credits has given the investors a clear understanding of the situation (Haralambie, 2023). South Africa and Brazil on the other hand are still grappling with carbon risk management. South Africa has only introduced carbon tax slowly and hence, investors are unsure of the future cost of carbon, whereas Brazil does not have extensive carbon pricing mechanisms and therefore it is a riskier economic destination of the sustainable industries.

Low-Carbon Innovation and Governance Structures

Low-carbon innovation structures are essential to the low-carbon economy transition. The sustainability policies of countries that have consistent policies to incorporate sustainability into economic development are more probable to encourage innovation in the low-carbon sectors. The countries such as China and India, as demonstrated in Table 3, have gone a long way in this regard, and the governments have made efforts to encourage green technologies.

Table 3: Framework for Low-Carbon Innovation and FDI Attraction in Developing Economic Source: Synthesized from global reports on governance and carbon emission management practices.

Governance Strategy	Key Actions for Low-Carbon Innovation	Impact on FDI (High/Medium/Low)	Example Country/Region	Policy Framework
Carbon Pricing and Emissions Trading	Introduce carbon pricing, trading schemes	High	European Union, China	Carbon markets, CO2 tax policies
Green Investment Incentives	Subsidies for green tech, tax breaks for clean energy	High	India, Brazil	Clean energy tax credits, Renewable Energy Auctions
Corporate Carbon Disclosure	Mandate ESG and carbon risk reporting	Medium	South Africa, Indonesia	Environmental Disclosure Regulation
Carbon-Free Infrastructure Projects	Public-private partnerships in renewable energy projects	High	China, Morocco	Renewable energy zones, carbon-free transport systems
Strengthening Regulatory Frameworks	Strengthen carbon tax and emission control policies	Medium	Mexico, Kenya	National climate action plans

China and India are some of the examples of the countries that have been able to implement the low-carbon innovation into their systems of governance. The Chinese policies of electric vehicles and solar power provide good regulatory support and incentives in the field of green innovation. Government incentives, subsidies, and the development of green bonds have greatly increased the growth of the solar power market in India (Haralambie, 2023).

South Africa and Brazil have on the other hand had troubles with low-carbon innovation, and it was mainly caused by the inconsistencies in governance systems. Although the South Africa Renewable Energy Independent Power Producer Procurement Program (REIPPPP) has had some success, the lack of an aligned national policy and slow pace of implementation has not been able to realize its full potential of attracting FDI in renewable energy.

Barriers to Attracting FDI in Low-Carbon Sectors

Although some countries have been making progress, there are still some obstacles in the appeal of FDI in low-carbon sectors. Table 2 indicates that it is difficult to make investments in renewable energy and sustainable manufacturing in countries having weak carbon regulations.

The two countries, Brazil and South Africa, still struggle with challenges of stability of the policies and resistance of the green energy projects by the political leaders. There is uncertainty in the investments due to the absence of clear long-term policies, particularly with respect to carbon pricing. Despite the fact that in Brazil, the country plays an important role in sustainable agriculture, the governance system of the country is not completely oriented toward.

CONCLUSION

Summary of Findings

The study sought to investigate the connection between carbon emission, governance systems, and foreign direct investment (FDI) in the low-carbon industries in the developing economies. The results highlight the critical role of governance institutions in the attraction of green FDI and the innovation of low-carbon. The research concludes that the stronger the environmental governance and effective carbon risk management mechanisms in a country, the higher the chances of FDI in the sustainable sectors of the economy like renewable energy, green manufacturing and energy-efficient technologies.

Key insights from this study include:

- Quality of governance is a decisive factor of FDI in low-carbon industries. Those countries that have well established regulatory measures to control carbon emissions, price on carbon and investments to invest in greenery will attract more sustainable investments as seen with China and India.
- Carbon risk management is a critical part to minimize the uncertainty of the investors. The carbon trading schemes, carbon taxes and set emission reduction targets in countries with these schemes give a predictable investment climate that promotes long term investments in low-carbon technologies.
- Low-carbon innovation will flourish when governance regimes are in line with climate ambitions and economic growth policies. The triumph of China and India in developing green innovation by using regulation to support clean energy and green technologies exemplifies the significance of the coherent governance systems in promoting sustainable economic growth.
- Weak governance and carbon risk being inconsistent discourages green FDI, which is the case with South Africa and Brazil. The challenges experienced in these countries in terms of attracting sustainable investments are because of political opposition to the same, where there is no proper regulation of carbon rules, and long term policy lacks clarity

Implications for Policy

The results have a number of significant policy implications that can be used in developing economies that seek to improve their governance systems and appeal to greener FDI:

- Enhancing Carbon Risk Management: Developing nations should enact transparent pricing systems of carbon like carbon tax and emission trading programs to minimize carbon risk and give investors confidence to invest in low-carbon technologies. The policies which can minimize uncertainty with regard to carbon emission will assist in rendering these economies more appealing to foreign investors in sustainable activities.
- Policy Coherence and Long-term commitment: Governments are to incorporate sustainability in national economies development policies. This involves matching carbon policies with climate objectives and giving financial incentives on green technologies. The policy coherence is important in maintaining that governance structures enhance the innovation of low-carbon and facilitate a sustainable shape of growth over the long run. Indicatively, the adoption of green technologies in the national development plan in China has provided a conducive investment environment as far as FDI in the clean energy sector is concerned.
- Developing Incentives to Low-Carbon Innovation: Governments are supposed to provide subsidies, tax cuts, and investment gains on low-carbon industries renewable energy, green manufacturing and sustainable agriculture. Such incentives will be useful to promote domestic and foreign investment in new and green technologies.
- Public-Private Partnerships (PPPs): More than government subsidies, the nations must promote the concept of public-private partnerships (PPP) in the low-carbon industries. PPP can use not only governmental funds but also individual experience to develop a strong ecosystem of innovation in the low-carbon field, especially in areas like energy efficiency and sustainable infrastructure.

Future Research Suggestions

Although this paper brings important information on the role of governance in facilitating green FDI and low-carbon innovation, there are various areas that require additional study in future:

- Comparative Studies Across Regions: This research study mainly concentrated on Asian and African countries of choice.

Subsequent studies would be able to compare developing economies in other areas (e.g., Latin America or the Middle East) in order to investigate how the different regional contexts affect the relationship between FDI, carbon emissions and the nature of the governance schemes.

- Political risk implications on Green FDI: The political instability and shift in policies usually impacts the investment environment in developing countries. Future research might investigate how political risk is related to green FDI especially in those countries whose governance systems change.
- Longitudinal Analysis of Governance and FDI: Longitudinal analysis of governance and FDI would allow seeing a better picture of the long-lasting impact of governance changes on low-carbon innovation and sustainable development.
- Sector-Specific Analysis: It is possible to further examine the sector-specific effects of the governance on green FDI in future research. To give an example, renewable energy sector might require other forms of governance than sustainable agriculture or green manufacturing and looking into the differences would assist in adapting governance systems to the needs of particular industries.

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