



**Asia-Pacific
Economic Cooperation**

2022/SOM3/CTI/014

Agenda Item: XI a

Inclusion and Sustainable Issues: Foreign Direct Investment Qualities - Presentation

Purpose: Information
Submitted by: OECD



**Third Committee on Trade and Investment
Meeting
Chiang Mai, Thailand
26-27 August 2022**



FDI Qualities
Initiative

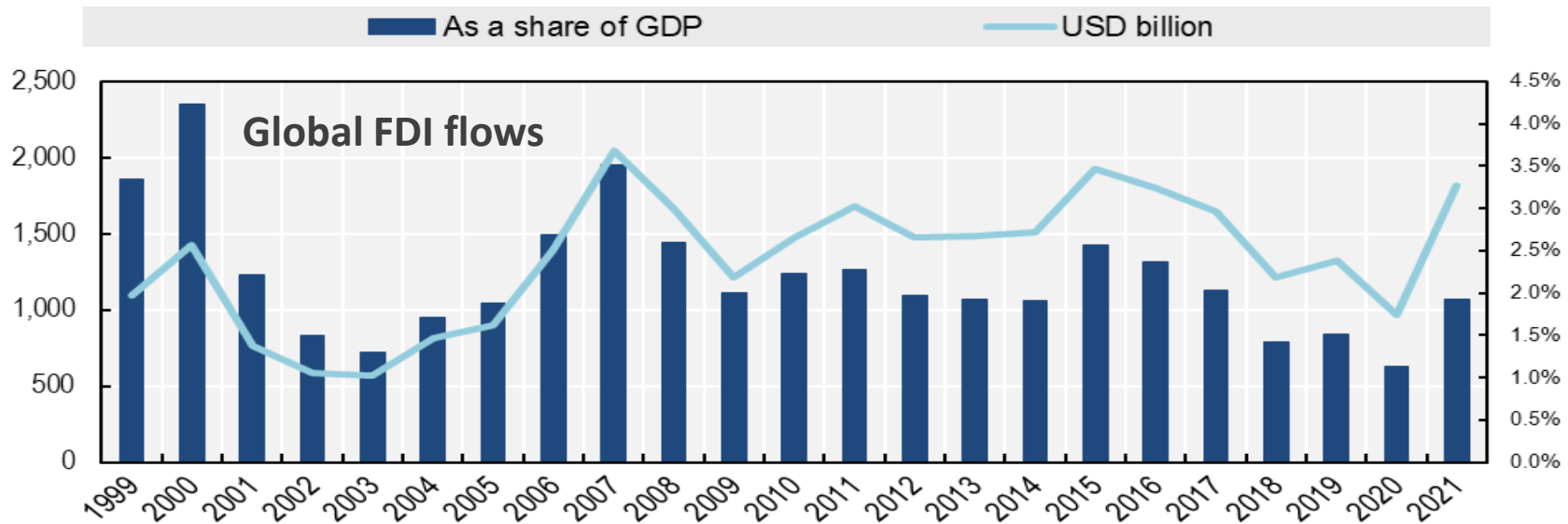
Inclusion & Sustainable issues: FDI Qualities

APEC Committee on Trade and Investment meeting
26-27 August 2022

Ana Novik, Head of Investment, OECD

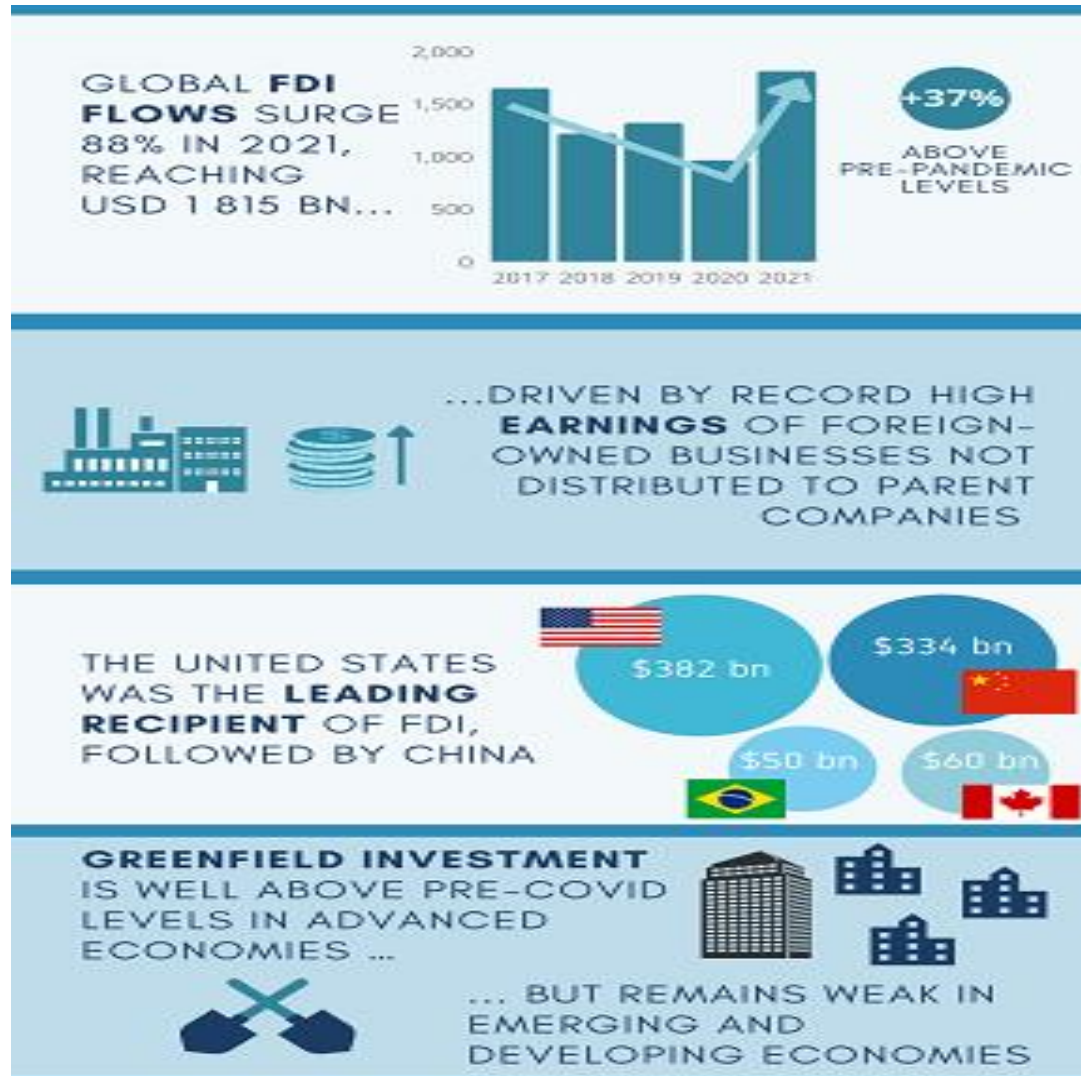


Why sustainable investment is a top global priority?





FDI flows reach highest level in five years but outlook quite uncertain



- **Q1-2022: global FDI flows continue on their upward trajectory**, increasing by 28% compared to Q4-2021. Global FDI flows reached their highest quarterly level in the past five years
- **APEC economies top recipients worldwide** in Q1-2022, with **China, the United States and Australia** being the top 3
- Outlook for rest of 2022 remains quite uncertain



Not only quantity.....FDI Qualities: OECD tools on sustainable investment

The **FDI Qualities Initiative** provides governments with the tools to encourage **sustainable investment**

FDI Qualities Indicators



Measure impact and outcomes across countries and SDGs

FDI Qualities Policy Toolkit



Identify the right policy mix and institutional setting

FDI Qualities Network



Engage with national and global stakeholders

OECD Council Recommendation on FDI Qualities

- ✓ Commitment to using policy and institutions to increase sustainable investment and deliver on the 2030 SDGs
- ✓ First government-backed agreement to help policy makers to leverage FDI to finance the SDGs and optimise the strength and quality of the recovery

Check out our website: [OECD FDI Qualities Initiative](https://www.oecd.org/investment)



Not only quantity.....FDI Qualities Indicators 2022: measuring sustainable investment



30% of global investments in renewables were foreign investment in 2020. But in some countries considerable **FDI goes into fossil fuel-based electricity** generation



Foreign firms are **60% more likely to invest in R&D** and **twice as likely to use new technologies** but in **developing countries FDI is concentrated in low-tech and low-productivity** sectors.



FDI most often flows into **sectors which employ smaller shares of women** but foreign firms tend to **hire more women** than comparable local firms



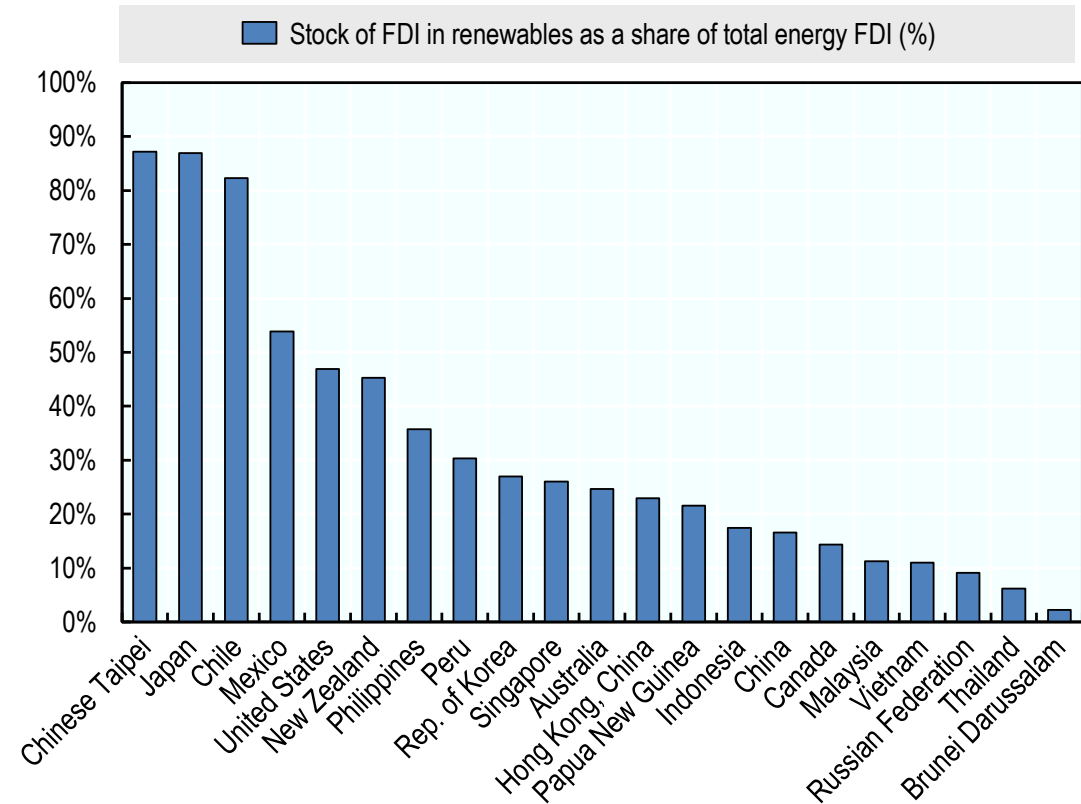
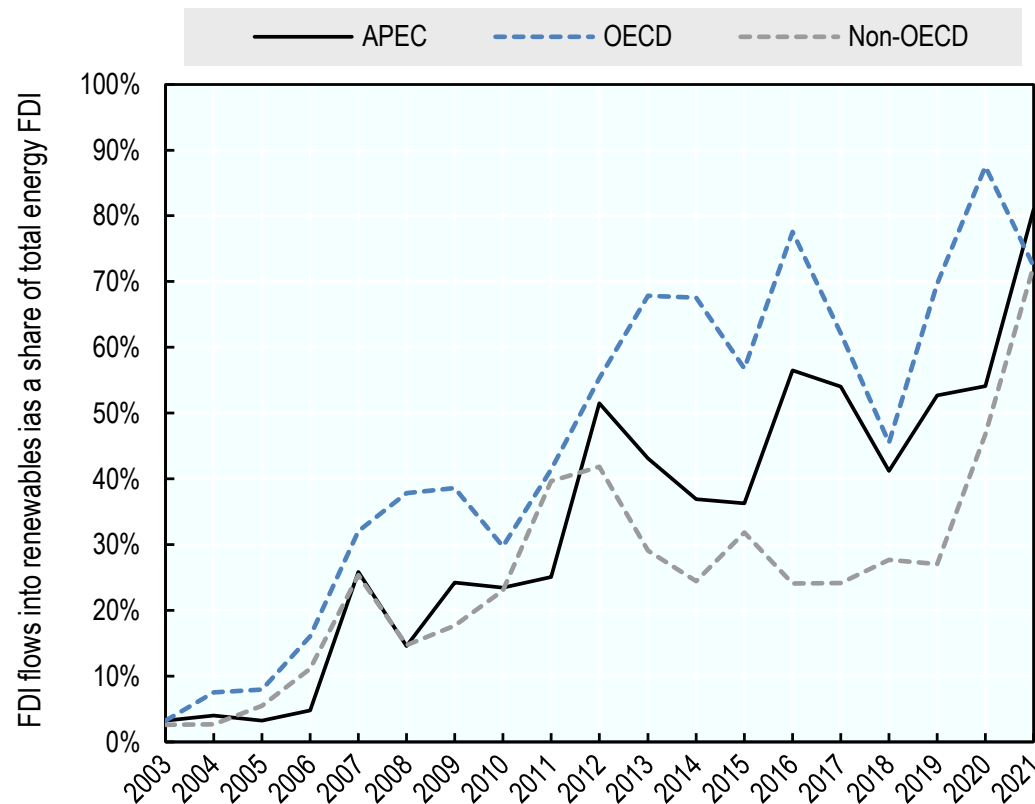
FDI creates around **180,000 direct jobs** every month and contributes to **higher living standards and upskilling** but the **benefits are often not equally shared** across society

Source: [OECD FDI Qualities Indicators 2022](#)



FDI Qualities Indicators in APEC: Measuring FDI impact on decarbonisation

- At USD 85 billion, FDI accounted for 30% of global new investments in renewables in 2020
- FDI is increasingly shifting toward renewable energy in **APEC**, but with wide variation across economies





FDI Qualities Recommendation & Policy Toolkit: Key principles



Provide coherent strategic direction on sustainable investment and ensure effective implementation



Ensure that regulations encourage positive impacts of investment on sustainable development



Prioritise financial and technical support that addresses market failures and helps build capacities



Address information failures and administrative barriers that discourage sustainable investment



Strengthen the role of development co-operation to mobilise sustainable investment



Tailoring key principles to different sustainable development areas: decarbonisation

<p>Principle 1: Provide strategic direction and promote policy coordination and coherence on investment and climate action</p>	<p>Governance</p>	National strategies and plans
		Oversight and coordination bodies
		Public consultation, data, M&E
<p>Principle 2: Ensure that domestic and international investment regulations and standards reinforce climate objectives</p>	<p>International agreements & standards</p>	International agreements on climate change
		International agreements on RBC
		Environmental provisions BITs & RTAs
	<p>Domestic regulations</p>	Legal framework for investment
		Environmental standards & requirements
		Regulatory incentives
<p>Principles 3: Stimulate investment and build technical capabilities related to low-carbon technologies, services and infrastructure</p>	<p>Financial support</p>	Carbon pricing instruments
		Subsidies and tax relief for green investments
		Public procurement of green investments
	<p>Technical Support</p>	Business & supplier development services
		Green technology parks
		Training and skills development services
<p>Principle 4: Address information failures and administrative barriers to level the playing field for low-carbon investors</p>	<p>Information & facilitation services</p>	Green investment promotion & facilitation
		Public awareness campaigns
		Corporate environmental disclosure

- Scope: all sectors
- Target: advanced and developing economy governments
- International focus: bilateral and multilateral agreements
- Development co-operation and technical assistance is the focus of the Companion Guide for Development Co-operation (to be launched in October)



The key principle on regulations covers both domestic and international policy



Ensure that regulations encourage positive impacts of investment on sustainable development



1. Foster an investment climate based on open, transparent and non-discriminatory investment policies, the rule of law and integrity, the prevention of corruption, the promotion of responsible business conduct, and quality regulation.
2. Align domestic legal and policy frameworks – including in areas of productivity and innovation, job quality and skills, gender equality, and decarbonisation – with sustainable investment objectives.
3. Align international investment and trade agreements with sustainable investment objectives, including by ensuring appropriate domestic policy space and social dialogue to achieve these objectives (complement with the OECD Treaty work: “The Future of Treaties” (track I and II)).
 - *Treaties should be part of a coherent policy mix*
 - *Nature, design, context and implementation of substantive provisions and dispute settlement arrangements can be of key importance for investment impacts*
 - *Include sustainable issues in treaties*



RBC updates

- Welcoming APEC focus on RBC
- OECD developments on RBC
 - OECD Guidelines for Multinational Enterprises
 - Practical implementation of RBC due diligence, including e-Learning Academy, regional projects and resources
- OECD RBC Ministerial
- Important to ensure coherence and alignment



Thank you



Contact

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For further information

Investment Policy Reviews

www.oecd.org/investment/countryreviews.htm

FDI Qualities Initiative

www.oecd.org/investment/sustainable-investment/

Investment Incentives Database

<https://oe.cd/il/4vR>

Investment Promotion Agency Network

<https://www.oecd.org/investment/investment-promotion-and-facilitation.htm>