

5th FDI Qualities Policy Network Meeting: Summary of proceedings

April 2021

This document summarises the key takeaways from the 5th FDI Qualities Policy Network Meeting, held virtually on 31 March 2021. The Secretariat is grateful for the active engagement of participants from across stakeholder groups. Participants and all stakeholders are kindly invited to offer written comments on the outcomes of the meeting as well as on the [consultation paper](#) of the FDI Qualities Policy Toolkit. Please send comments to martin.wermelinger@oecd.org by 31 May 2021 (extended deadline).

Background and objectives of the meeting

The objective of the 5th FDI Qualities Policy Network meeting was to discuss the [consultation paper](#) of the forthcoming FDI Qualities Policy Toolkit. The Policy Toolkit will provide guidance to OECD and partner countries on how to attract investment that boosts productivity and innovation (particularly of SMEs), quality jobs and skills, gender equality, and the low-carbon transition. It is planned as a deliverable for the OECD Ministerial Council Meeting 2022 and is a strategic component of OECD's efforts to support the 2030 Agenda and the Sustainable Development Goals (SDGs).

After a short introductory session on the [FDI Qualities Initiative](#) and the rationale, methodology and process of developing the Policy Toolkit, the meeting was organised in parallel breakout sessions to discuss each of the following sustainability clusters: productivity and innovation, job quality and skills, gender equality, and low carbon transition. For each breakout, the Secretariat delivered a short overview of the enabling framework conditions and policies and presented core elements of the forthcoming Policy Toolkit. Participants were asked to engage actively and focus their feedback on whether the most relevant policies and institutional dimensions are covered in the draft Policy Toolkit (consultation paper) and whether it provides relevant/practical questions to identify challenges and reform opportunities to enhance FDI's impact on sustainable development. The breakout session on gender equality was part of the OECD March on Gender initiative which involved many directorates across the OECD and events at the highest levels.

The 5th Network meeting gathered close to 150 participants from about 25 OECD and more than 20 partner countries. The group included policymakers from the Investment Committee, investment promotion agencies (IPAs), development partners, as well as other public agencies relevant for the discussion on the qualities of FDI; experts from 10 different international organisations (including ADB, AfDB, AU-NEPAD, EBRD, IDB, ILO, UNCTAD, UNESCAP, UNIDO and World Bank Group); representatives from the private sector, civil society and academia, including from the key OECD stakeholder groups (BIAC, TUAC and OECD Watch), as well as OECD experts from across the organisation.

The FDI Qualities Initiative receives political support from Ambassadors to the OECD of Finland, the Netherlands and Switzerland and selected high-level government representatives in partner countries. In the opening session of the Network meeting, Giancarlo Kessler, Ambassador of Switzerland, and Mamadou Lamine Keita, Président de l'Observatoire National des Investissements du Sénégal, underscored the importance of developing the FDI Qualities Policy Toolkit as an extension of the [OECD Policy Framework for Investment](#) (PFI) and a diagnostic instrument for assessing FDI impacts on the SDGs ([FDI Qualities Indicators](#)) and aligning policies for improving such impacts. In their closing remarks, Manfred Schekulin, Chair of the OECD Investment Committee, and Ana Novik, Head of OECD Investment Division, picked up on the political importance of this initiative and particularly welcomed the strong partnership with development partners in the development of the Policy Toolkit.

The Chair of the FDI Qualities Policy Network, Ralf van de Beek, and the OECD Secretariat are grateful for the strong political and technical engagement by participants from all stakeholder groups and for the continued financial support for the overall FDI Qualities work by the Netherlands and Switzerland and for specific thematic and regional components by the European Commission.

Feedback from stakeholders

Participants from all stakeholder groups participated actively in the meeting and delivered positive, constructive and critical interventions in the four breakout sessions. Stakeholders agreed that FDI is crucial for recovering from the COVID-19 crisis and achieving the SDGs. They also agreed that open markets and increased quantity of investment alone will not be sufficient

to tackle major societal and environmental challenges and that guidance for governments towards improved and coherent policies to maximise the quality impacts of investment is necessary. There is consensus across stakeholder groups that the OECD Investment Committee's effort to develop the FDI Qualities Policy Toolkit as an extension of the PFI is useful and timely both for OECD and partner countries.

Participants requested that the Policy Toolkit should not look at sustainability clusters in isolation but ensure policy coherence and discuss possible trade-offs across the four clusters and the SDGs more generally. Stakeholders also raised the concern that, even if appropriate policies are in place, they might not be enforced. Therefore, focus should also be on improved policy implementation. It was highlighted that the Policy Toolkit should follow the PFI's approach of providing a non-prescriptive diagnostic guide, with no aspirations to provide 'concrete guidance', which would seem to undermine the thesis that there is no one-size-fits-all; that distributional impacts will require tailored policy advice.

It was welcomed that, as a next step, the OECD Secretariat engages in policy mapping and pilot studies in selected OECD and partner countries to derive useful insights that can inform and improve the Policy Toolkit and, if possible, allow developing a policy database that could help compare policies and sustainability outcomes.

It was appreciated that a strong partnership with development partners (the OECD Development Assistance Committee) is being established and that a dedicated component providing a diagnostic guide for development partners in line with the Policy Toolkit is developed. While some stakeholders welcomed the linkages of the FDI Qualities agenda with the OECD Future of Treaties agenda, it was requested that concrete examples where international trade and investment agreements have been shown to be relevant tools for impacting SDGs are identified, before concluding that these agreements play a role for the SDGs. On the other hand, some stakeholders questioned the potential of investment agreements to provide positive contributions and were concerned that they may themselves prevent positive investment impacts from happening.

Breakout session 1a: Policies for improving FDI impacts on gender equality

Participants in this breakout welcomed the OECD's effort to identify the role of FDI for gender equality and the in-depth discussion of possible policies to improve the impact of FDI on gender-related labour market outcomes. Policymakers and experts from across stakeholder groups engaged in an interactive discussion in which the following key points emerged:

- The framework for assessing the impact of FDI on gender equality in the labour market is useful, but some additional dimensions should be considered, such as the role of religion and culture and the informal economy. Moreover, the current set of policy questions, included in the draft Policy Toolkit, could be expanded to improve the assessment of causal impacts of FDI on gender equality.
- The policy areas covered in the Policy Toolkit are relevant, but important areas such as education, health, taxation and home country policies are missing. The Policy Toolkit should also better highlight the interlinkages between different policies and place more emphasis on policy measures for which there is strong evidence of effectiveness in achieving gender objectives.
- The questions and framework presented in the Policy Toolkit seem to help as an initial scoping for a mapping of policies. However, it is not clear how the mapping will be used to provide recommendations and assistance to countries. A key challenge is related to the distinction between de jure policies and de facto practices, where there are often wide divergences. In this respect, it would be useful to include some content on how to look at the de facto state and potentially measure implementation gaps.

Break-out session 1b: Policies for improving FDI impacts on carbon emissions

Participants in the breakout session supported the direction of the draft Policy Toolkit on improving FDI's carbon impacts, and offered some insightful comments and contributions to the discussion, particularly on how to extend or improve the proposed Toolkit. Some key points that were made include the following:

- It's important to ensure the four clusters of the FDI Qualities policy toolkit are not considered in isolation, but rather in recognition of potential tensions and trade-offs across the clusters. For instance, the impacts of decarbonisation on workers in the fossil fuel industry should be taken into consideration in order to ensure a just transition.
- Making greater links between the Policy Toolkit on improving FDI's carbon impacts and the OECD Due Diligence Guidance for Responsible Business Conduct can strengthen both tools.
- It will be important to find a way to tailor the policy guidance to the country context, not just in terms of ticking boxes, but in terms of designing the right policy mix for that context and also addressing questions related to implementation of these policies.
- The proactive policies for improving FDI's carbon impacts should be given most emphasis in the Policy Toolkit. Some areas for expanding the scope of these operational measures include: impact assessment, impact and reporting and

how to do it optimally; communication and publicity of carbon choices, conditionality of certain forms of support; outward investment and related measures to influence its carbon impacts; and circular economies.

Break-out session 2a: Policies for boosting FDI impacts on job quality and skills

The discussants in the break-out session appreciated the draft chapter on the job quality and skills cluster of the Policy Toolkit. They noted the balanced approach between policies promoting job quality and skills development and those seeking for labour market efficiency to ensure positive gains from FDI and limit potential adverse effects. Participants also suggested several points to be added or deepened to enrich the discussions in the cluster:

- Ensure policy coherence with the other sustainability clusters. This included to explore further the link between the gender cluster and skills development and address potential contradictory messages with the productivity and innovation cluster on job quality and labour market flexibility. It was highlighted that conflicting outcomes of FDI may happen, but what matters is to be informed about these potential outcomes to take informed policy decisions. One purpose of the Policy Toolkit is to provide the tools to policymakers to anticipate or address such trade-offs.
- Elaborate more on some policy instruments of the Policy Toolkit. Suggestions included to: highlight further the relevance of proactive skills policies to foster vertical relationships and address potential adverse impacts of FDI on low-skilled workers; clarify the role of labour market institutions, including labour unions, in investing in human capital to encourage investment and attract skill-enhancing FDI; put more emphasis on the enforcement angle of labour provisions and commitments in international treaties (e.g. adherence to ILO core labour conventions); reinforce the references to due diligence in the context of multilateral initiatives such as the MNE Guidelines.
- Expand or adjust the scope of the Policy Toolkit. Suggestions included to: mention the educational ecosystem as it is the basis developing the right skills; mention public-private partnership schemes as well as data governance and sharing as ways to better align workforce capacities with market needs and the jobs of the future; take into consideration how the COVID-19 pandemic is affecting the transmission channels of FDI impacts on job quality and skills, particularly how relocations by foreign firms could influence job creation around the world; link FDI impacts on job quality and skills more directly with countries' wider objectives of economic diversification and upgrading.

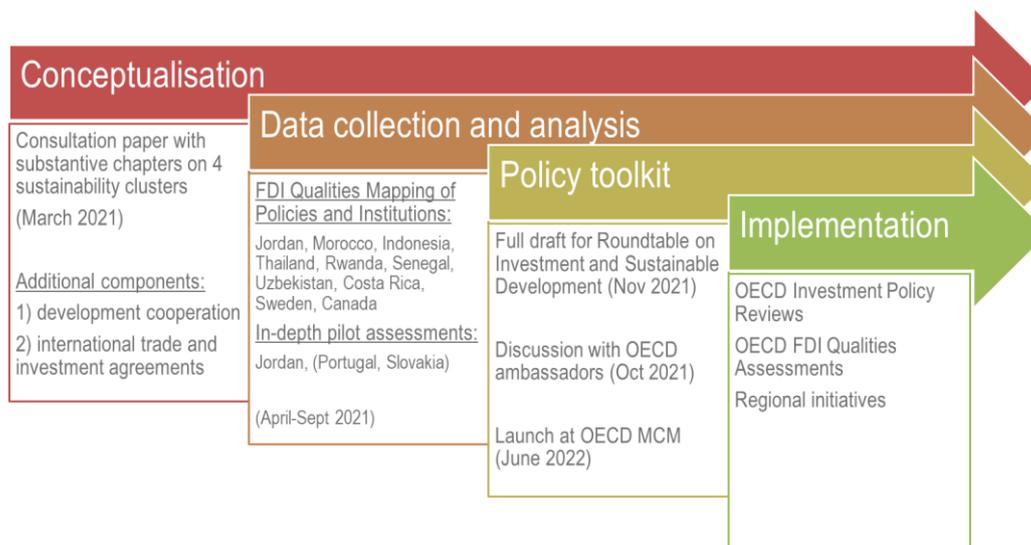
Break-out session 2b: Policies for boosting FDI impacts on productivity and innovation

Participants in the break-out session welcomed the OECD's efforts to examine the role of FDI for productivity and innovation and the in-depth discussion of institutions and policies that can help governments attract productivity-enhancing FDI and strengthen knowledge and technology spillovers on small and medium-sized enterprises (SMEs). Participants made some insightful comments and suggestions on how to ensure that the Policy Toolkit considers the most relevant policy dimensions and identifies challenges and reform opportunities, including the following:

- Industrial policy considerations could be incorporated in the Policy Toolkit to take into account the increasing digitalisation of several industries and its effects on aggregate and sectoral productivity and innovation. Policies that enhance human capital could be also further explored to help governments improve domestic workforce skills in FDI-intensive sectors and attract foreign human capital.
- Alongside policies that aim to upgrade the technological and innovation capabilities of domestic SMEs, the Toolkit could allow policymakers to equally investigate the role of large domestic firms in developing supply chain linkages with foreign investors and assess their contribution to aggregate productivity growth.
- Participants also stressed the need to ensure consistency in the diagnostic assessment and establish a causal link between policy inputs and their outcomes. The benchmarking methodology and the indicators used for the country assessments should be fine-tuned to allow for the comparison of policy mix trends across different countries, and to cope with the fact that innovation and technological development are dynamic in nature.
- The need for greater coherence with the other sustainability clusters was also emphasised by certain participants. It is important to further explore policy links between labour market regulations, skills and innovation policies to address potentially conflicting impacts of FDI.

Next steps

The Secretariat will move from the conceptualisation to the data collection and analysis phase by conducting a detailed FDI Qualities policy and institutional mapping in 10 mostly developing countries (see figure) and engaging in an in-depth country assessment of Jordan. Supported by stakeholders, the effort to pilot the work in countries will help to inform and improve the draft policy toolkit. The full draft of the Policy Toolkit, including insights from pilot country work, will be discussed at the 4th high-level Roundtable on Investment and Sustainable Development, tentatively scheduled for 2 November 2021. The Policy Toolkit will then be further revised and prepared as a deliverable for the OECD Ministerial Council Meeting in 2022.



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