

# Preface

The COVID-19 pandemic and its devastating human, social and economic consequences have challenged efforts to achieve the Sustainable Development Goals (SDGs) and the commitments made in the 2016 Paris Agreement. This global crisis has increased the risk of slowing down, or even reversing, progress to make our societies and economies more resilient, inclusive and sustainable. Russia's war against the people of Ukraine has thrown the trajectory of the recovery into doubt, weakened economic prospects and generated further uncertainty. In this context, a key challenge for the international community is to mobilise significant financial resources to accelerate the implementation of the 2030 Agenda for Sustainable Development and ensure that plans for a “decade of action” to advance the SDGs are not side-tracked.

The OECD FDI Qualities Policy Toolkit offers a framework for governments to leverage the catalytic role of foreign direct investment (FDI) in financing the SDGs and supporting an inclusive and sustainable recovery and future growth. FDI is an important source of finance for developed and developing economies. It provides technological and financial resources necessary to improve living standards, boost employment, trigger innovation and deliver green growth. However, FDI does not always go where it is most needed and its impacts on sustainable development are not always positive. To harness investment for inclusive and sustainable economic growth, a comprehensive framework is necessary to guide government actions and more closely align investment policy with sustainability objectives.

Drawing on good practices from different policy areas and country contexts, this Toolkit helps governments to identify policy and institutional reforms that can enhance the positive contribution of FDI to four broad SDG areas: productivity and innovation; job quality and skills; gender equality; and decarbonisation. Together with the OECD FDI Qualities Indicators, launched in 2019, it helps policy makers ask appropriate questions about their economy, institutions and policy settings to measure the sustainable development impacts of FDI and devise whole-of-government approaches to investment policy reform.

The Toolkit is drawn from the long-standing premise underpinning the OECD's approach to investment policy; that open, transparent and non-discriminatory investment policies are the foundation for an investment climate conducive to sustainable development. Strong institutions and effective governance frameworks help maintain a predictable investment environment that can build trust and facilitate investor compliance with societal expectations and the SDGs. The Toolkit also explores the complementary role that targeted and SDG-aligned policy interventions can play alongside these foundational policy principles to modulate the qualities and impacts of investment as well as potential trade-offs among sustainable development outcomes. Aligning domestic and international regulations with sustainable investment goals is crucial. Environmental regulations and labour standards can influence investors' performance and are increasingly being adapted to address the cross-border sustainability footprint of multinational enterprises. A wide range of SDG-aligned business support policies are also warranted to address market failures that may hinder sustainable investment decisions such as environmental externalities, skills mismatches, gender employment and wage gaps.

Policy guidance provided throughout this report complements the OECD's longstanding expertise in shaping investment policies to improve the economic, social and environmental impact of private investment, including through the OECD Policy Framework for Investment and the OECD Guidelines for

Multinational Enterprises. This Toolkit also forms part of the OECD's strategy to help governments turn ambitious climate and sustainability commitments into real action and outcomes by making available the right data, metrics and analytical tools to support policy decisions. This Member-driven initiative draws on the valuable feedback of OECD and partner countries and the active engagement of a wide network of other stakeholders in this international policy community.

With strong support from OECD Members and Partners, we are convinced that the OECD FDI Qualities Policy Toolkit will help to mobilise additional financing in support of the 2030 Agenda for Sustainable Development, inform policy pathways to optimise the strength and quality of the recovery and help deliver global net-zero emissions by 2050.



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