

Sustainable FDI Indicators

Heather Taylor-Strauss
Economic Affairs Officer
Investment, Enterprise and Development Section
Trade, Investment and Innovation Division
UN ESCAP
taylor21@un.org

Presentation Overview

1. Sustainable FDI – 2030 Agenda
2. FDI Indicators
3. UN ESCAP General FDI Indicators
4. UN ESCAP Sector-based FDI Indicators
5. Conclusion

1. Sustainable FDI

- **FDI and the 2030 Agenda**

- Directly contribute to:
 - SDG 7 on renewable energy
 - SDG 8 on sustainable and inclusive growth and decent work
 - SDG 9 on Industry and Innovation
 - SDG 17 on means of implementation
- Indirectly to nearly every other goal!

- **How?**

- Capital inflows / foreign exchange
- Transfer of technology
- Transfer of knowledge & skills (managerial, technical)
- Access to markets / customers (e.g. through production chains)
- Competitiveness
- Employment

What is sustainable FDI?

- Addresses 4 dimensions of sustainable development – economic, social, environmental, governance
- Sustainable FDI vs. FDI for Sustainable Development

2. FDI Indicators

Existing Indicators

- Kline (2012)
- Sauvan and Mann (2017)
- OECD FDI Qualities

UN ESCAP Indicators

- Tool to quantify sustainable development impacts of FDI projects
- Two sets of indicator templates: General and Sector Specific

3. UN ESCAP General Indicators

General indicators are created for a set of SDGs which can potentially be impacted by all/any investment project(s).

1. The SDGs impacted are identified, and then translated into specific quantifiable indicators
2. The quantifiable indicators measure the contribution of an investment project to each, individual, identified SDG.
3. The indicators with similar characteristics are grouped into clusters based on the four sustainable development dimensions: economic, social, environmental, governance.

3. General indicators: example

Clusters	Indicators	Measure
ECONOMIC	Job Creation	Number of jobs created
	Capital Investment	FDI inflows minus capital and profit
	Technology Transfers	Transfer mechanisms include in-house training for local employees; workshops or mentoring programs open to suppliers or other local businesses; sharing production specifications and quality control methodology with local suppliers; licensing patented products or processes to local companies; and loan or lease of equipment.
ENVIRONMENTAL	Resource Management	Presence of a conservation, protection, or recycling technique within an FDI project for the project site
	Pollution Controls	Commitments for pollution controls like the one existed in its home country as well as industry “best practices”.
	CO2 Emissions	Comparing the generated CO2 emissions per unit of output to the host country level in the IEA database
SOCIAL	Skills Enhancement	Number of workers trained, and type of training being offered by MNEs under a skills enhancement programme
	Labor Rights	MNE's commitments to key labor rights including freedom of association, collective bargaining, non-discrimination, and workplace safety
GOVERNANCE	Responsible Business Conduct	Adoption of International Standards of Responsible Business Conduct
	Transparency	External transparency through monitoring, auditing or personnel systems facilitates beneficial access to information regarding corporate policies and operations

3. General Indicators

Scoring Strategy

- Raw data available to measure each indicator is different
- To make each indicator comparable, i.e. normalized, a multiple binary scoring strategy was used
 - Indicators are given scores of 0, 1, or 2 depending on a threshold value.

Threshold Strategy: How to assign it?

Example:

Social dimension - healthcare

MNE provides 'adequate' medical support to workers

Investment is then scored in the following way:

No healthcare coverage = 0

Healthcare coverage < 80%, score = 1

Health care coverage provided > 80%, score = 2

3. General indicators: weighting scheme

Clusters	Indicators	Weight
Economic	Job Creation	0.1
	Capital Investment	0.1
	Direct Payments	0.1
	Technology Transfers	0.1
	Investment in Infrastructure	0.1
Environmental	Resource Management	0.1
	Pollution Controls	0.1
	Co2 Emissions	0.1
	Renewable Energy	0.1
	Environmental Protection Budget	0.1
Social	Skills Enhancement	0.08
	Labor Rights	0.08
	Healthcare Coverage	0.08
	Wage	0.08
	Skill Intensity	0.08
	Gender Employment Equality	0.08
Governance	Responsible Business Conduct	0.1
	Transparency	0.1
	Local Management	0.1
	Supply Chain Standards	0.1
	Stakeholder Dialogue	0.1
Total		2.00

4. Sector based indicators

Why?

- Each country has different SDG sector priorities
- Example: mining and oil sectors and environmental considerations
- Additional sector based indicators can adjust weights based on importance to sector

How?

2 ways:

1. Those mentioned in the country's National Development Strategy
2. Consultations/surveys with ministries involved in national planning

*stakeholder consultations also important

4. Sector based indicators: Agricultural Sector

- Investment can: create employment , bring expertise, financing capacities and marketing networks
- But it can also have adverse social and environmental impacts
- Sector indicators aim to ensure that the investment in is sustainable and responsible.

Agriculture sector specific indicators are:

1. Land Productivity
2. Water Usage
3. Management of Pesticides

For each of these indicators, threshold values can be decided, and they can be placed into one of the four clusters.

Ex: Land productivity belongs in the economic cluster

5. Conclusion - Obstacles

- Sustainable development policy
- Data availability
- Financial resources
- Monitoring, reporting, accountability
- Political support

5. Conclusion

- Full template for the indicators, including those for other sectors, can be found [here](#)
- Next steps:
 - Currently working with Bhutan, Mongolia and Papua New Guinea to develop country and sector specific indicators for investments in essential oils, mining, and tourism
 - E-learning course
 - National capacity building with IPAs across ESCAP member States
 - Align with work on defining sustainable FDI in ASEAN
- Final thought: Deciding whether the investment is sustainable enough or not, is something that the host countries must judge for themselves - what is the threshold of the total score below which they will not allow investment in the country.

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