Recommendation of the Council on Foreign Direct Investment Qualities for Sustainable Development
Background Information

The Recommendation on Foreign Direct Investment Qualities for Sustainable Development was adopted by the OECD Council at Ministerial Level on 10 June 2022 on the proposal of the Investment Committee (IC). The Recommendation aims to support governments in maximising foreign direct investment’s (FDI) contribution to sustainable development.

The OECD's work on FDI Qualities for Sustainable Development and rationale for the Recommendation

Achieving the Sustainable Development Goals (SDGs) and fulfilling the Paris Agreement climate change commitments requires substantial financing. Together with public and other private investments, FDI is an important source of finance for inclusive and sustainable development for OECD Members and non-OECD Members. Beyond the quantity of FDI, the qualities of FDI also matter. FDI facilitates progress toward the SDGs by increasing innovation, creating quality jobs, developing human capital, promoting gender equality and advancing decarbonisation. Yet the benefits of FDI do not always materialise, and impacts can differ across countries and regions and across areas of sustainable development. To realise the potential benefits from investment, policies and institutional arrangements play a critical role.

The FDI Qualities Policy Toolkit (“the Toolkit”), developed by the IC and launched in June 2022, aims to support governments in enhancing the impacts of FDI on sustainable development in the areas of productivity and innovation, job quality and skills, gender equality, and decarbonisation. It complements the OECD Policy Framework for Investment, providing broad policy directions for increasing the impact of FDI on sustainable development. The Recommendation embodies key high-level, action-oriented policy principles from the Toolkit, with a view to elevating these principles, drawing out the red thread that ties them together, and setting out a framework for implementation of the principles, use of the Toolkit, and for further developing the IC’s work on FDI Qualities.

A comprehensive and consultative development process

The Toolkit, from which the substance of the Recommendation was drawn, was developed with extensive consultation with OECD Member countries, international organisations, and a wide range of relevant stakeholders.

Further to this, in developing the Recommendation the IC also consulted with the following OECD bodies: Committee on SMEs and Entrepreneurship; Committee on Financial Markets; Committee on Fiscal Affairs; Development Assistance Committee; Development Centre Governing Board; Public Governance Committee; Regulatory Policy Committee; Trade Committee and its Working Party on Export Credits and Credit Guarantees; and Working Party on Responsible Business Conduct. The IC also consulted BIAC, TUAC, and OECD Watch on the Recommendation.

Scope of the Recommendation

The Recommendation is structured around the following key high-level policy principles/directions:

- **Governance**: Provide coherent strategic direction on fostering investment in support of sustainable development, and foster policy continuity and effective implementation of such policies.

- **Domestic policy and legal frameworks**: Take steps to ensure that domestic policy and legal frameworks support positive impacts of investment on sustainable development.

- **Financial and technical support**: Prioritise sustainable development objectives when providing financial and technical support to stimulate investment.

- **Information and facilitation services**: Facilitate investment for sustainable development opportunities by addressing information failures and administrative barriers.

- **Development co-operation**: Strengthen the role of development co-operation for mobilising FDI
and enhancing its positive impact in developing countries.

The Toolkit follows the same structure and provides detailed guidance for governments on enhancing the impacts of FDI in four areas of the SDGs, including productivity and innovation; job quality and skills; gender equality; and decarbonisation.

**Next steps**

Going forward, the Recommendation provides direction on the further development the FDI Qualities work. In this regard, the IC will serve as a forum for exchanging information on policies and experience with respect to the implementation of this Recommendation and for fostering dialogue with and among stakeholders, promote the use of the Toolkit for country and regional reviews, review and update the Toolkit over time, and continue monitoring the impacts of FDI by regularly updating the Indicators and possibly expanding them to other SDG areas.

The IC, in consultation with other relevant bodies, will report to the Council on the implementation of the Recommendation, its dissemination, and continued relevance in 2027.


Contact information: Martin Wermelinger, Head of Investment Qualities and Incentives, martin.wermelinger@oecd.org.
About the OECD

The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD Member countries are: Australia, Austria, Belgium, Canada, Chile, Colombia, Costa Rica, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Türkiye, the United Kingdom and the United States. The European Union takes part in the work of the OECD.

OECD Legal Instruments

Since the creation of the OECD in 1961, more than 500 legal instruments have been developed within its framework. These include OECD Acts (i.e. the Decisions and Recommendations adopted by the OECD Council in accordance with the OECD Convention) and other legal instruments developed within the OECD framework (e.g. Declarations, international agreements).

All substantive OECD legal instruments, whether in force or abrogated, are listed in the online Compendium of OECD Legal Instruments. They are presented in five categories:

- **Decisions** are adopted by Council and are legally binding on all Members except those which abstain at the time of adoption. They set out specific rights and obligations and may contain monitoring mechanisms.

- **Recommendations** are adopted by Council and are not legally binding. They represent a political commitment to the principles they contain and entail an expectation that Adherents will do their best to implement them.

- **Substantive Outcome Documents** are adopted by the individual listed Adherents rather than by an OECD body, as the outcome of a ministerial, high-level or other meeting within the framework of the Organisation. They usually set general principles or long-term goals and have a solemn character.

- **International Agreements** are negotiated and concluded within the framework of the Organisation. They are legally binding on the Parties.

- **Arrangements, Understandings and Others**: several other types of substantive legal instruments have been developed within the OECD framework over time, such as the Arrangement on Officially Supported Export Credits, the International Understanding on Maritime Transport Principles and the Development Assistance Committee (DAC) Recommendations.