

► Assessing the Impact of FDI on Decent Work

September 2023

Exploring KPIs for Foreign Direct Investment Impact Assessment

Key points

- After the COVID-19 pandemic, the financial gap in supporting the SDG goals has risen from \$2.5 trillion to \$4.2 trillion, emphasizing the vital role of foreign investments in achieving these targets.
- 88% of the IPAs identified SDG 8 as a primary focus area for the next five years; 65% of the agencies highlighted the need for KPIs linked to SDG 8 to assess the impact of FDI on decent work.
- SDG 8, on "Decent Work and Economic Growth", has witnessed limited progress toward its goal.
- This brief sets out possible KPIs and strategies for collecting the relevant data.

Introduction

Foreign Direct Investment (FDI) is pivotal in driving domestic growth and economic prosperity in host countries. As national and global development goals increasingly prioritize sustainability, viewing FDI through a sustainable development lens becomes imperative, and investment promotion agencies (IPAs) have a central role to play in this effort.

This brief begins with a concise overview of FDI's significance in achieving the United Nations Sustainable Development Goals (SDGs). After highlighting the importance of inclusive economic growth and decent work (SDG 8), the text will elaborate on the necessity of measuring FDI impacts on SDG 8 and unpack the topics covered. The discussion then extends to the broader themes of key performance indicators (KPIs), with the indicators presented at the end of the text. Lastly, the brief offers recommendations on best practices for measuring FDI impacts on SDG 8, illustrated by case studies of IPA initiatives.

The primary audience for this brief is IPAs, and it is conceptualized as a living document that will evolve into a comprehensive resource bank for the entire IPA community based on positive user experiences and knowledge-sharing.

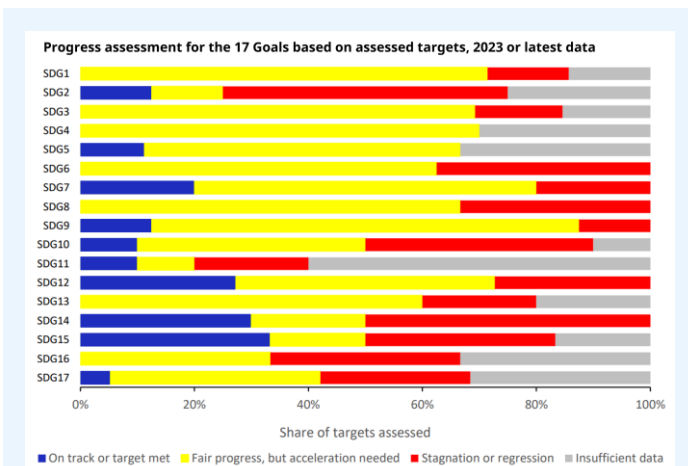


Driving Sustainable Development: The Crucial Role of FDI

Foreign investments are regarded as a critical enabler of sustainable investment, particularly in bridging the financial gap that exists in achieving the SDGs at the global level. To highlight the relevance of FDI concerning SDGs, the UN estimated in 2017 that the difference between the national-level investments and the resources needed to achieve the targets amounted to \$2.5 trillion. Furthermore, post-COVID-19 pandemic (COVID), this deficit has increased by 70%, amounting to \$4.2 trillion,¹ underscoring how essential foreign investments are to attain SDG targets.

However, it is also essential to note that progress on each goal is not uniform. SDG 8, "Decent Work and Economic Growth", the primary focus of this guide, has witnessed limited progress toward its target achievement (See Figure 1). The COVID-induced trade disruptions and the overall SDG financing gap have further impeded the progress rate, leading to stagnation or regression. The overall shortfall in attaining the targets of SDG 8 highlights the urgent need to address this deficit.

Figure 1: Limited Progress on SDG 8



[Report of the Secretary-General \(Special Edition\) on Progress towards the Sustainable Development Goals: Towards a Rescue Plan for People and Planet](#)

Several multilateral frameworks dealing with the given theme [can provide IPAs with guidance](#) on enhancing the sustainability-oriented perspective of their operations, mainly investment promotion and investor targeting. Some of these international recommendations include [UN Guiding Principles on Business and Human Rights](#), [ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy \(MNE Declaration\)](#), [OECD Guidelines for Multinational Enterprises on Responsible Business Conduct](#) and [WTO's Investment Facilitation for Development Agreement \(IFD Agreement\)](#),

While the majority of IPAs are adopting sustainable practices, there is an increasing need for tools to measure the sustainable development impact of inward FDI. The KPI toolkit presented in this brief for evaluating the decent work impact of FDI aims to complement other FDI impact frameworks.

Measuring Decent Work: More & Better Jobs for Everyone

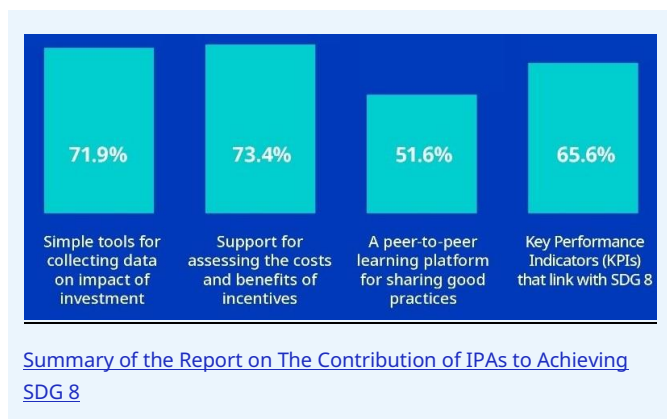
The ILO developed the concept of decent work to reflect the aspirations of workers worldwide. Decent work focuses on creating quality jobs in the economy that safeguard workers' rights and lead to an inclusive and sustainable future. In addition to playing a critical role in SDG 8, the major aspects of decent work are also reflected in other SDGs, including ending poverty and hunger (SDG 1); good health and quality education (SDG 4); gender equality (SDG 5); reduced inequality (SDG 10); climate action (SDG 13); and peace and justice (SDG 16).

The significance of decent work was also highlighted in a [survey of IPAs](#) conducted by ILO and the World Association of Investment Promotion Agencies (WAIPA) in 2022, wherein 88% of the participants mentioned SDG 8 as a key focus area for the next five years (See Figure 2). Since foreign investment flows do not automatically guarantee better quality jobs for the local population, assessing their impact on decent work conditions in the host country is essential. In the survey, 71.9% of respondents wanted

¹(OECD, n.d.) Closing the SDG Financing Gap in the COVID-19 era. <https://www.oecd.org/dev/OECD-UNDP-Scoping-Note-Closing-SDG-Financing-Gap-COVID-19-era.pdf>

simple tools for collecting data on the decent work impact of investments, and around 65% of the IPAs expressed the need for KPIs linked to SDG 8 to measure the impact of FDI on decent work.

Figure 2: Type of Support that IPAs find useful



IPAs: Key in Advancing SDGs

IPAs—municipal, regional, and national—are a key conduit for the flow of information between government and foreign investors. In this facilitation role, they are uniquely placed to help shape FDI policies which accelerate inclusive economic growth and decent work. However, this requires data to accurately assess the effectiveness of existing policies and identify where improvements are needed.

KPIs are vital tools to assist IPAs in measuring the quality of inward FDI and its impact on inclusive economic growth and decent work. However, the limited scale of development of KPIs for SDG 8, coupled with challenges such as data collection, have to date hindered their widespread adoption. This brief addresses the existing knowledge deficit by presenting user-friendly KPIs to evaluate the impact of FDIs on decent work and some strategies IPAs have employed to collect data.

As sustainable investments gain prominence internationally, IPAs worldwide have increasingly attempted to assess and enhance the sustainability contribution of FDI. Many IPAs reference the SDGs for devising their targets for impact measurement. The successful adoption of such indicators can help IPAs verify the claims made by foreign investors, thereby mitigating greenwashing concerns and attracting genuine and committed investors.

The aim of this brief is to support IPAs in developing a more systematic and data-driven approach to promoting decent work in their communities, countries, or regions. For simplicity, this brief will primarily address national IPAs, but the guidance is equally applicable to sub-regional IPAs. Regional IPAs, may consider promoting the use of these indicators among the local IPAs, which could serve as a strong selling point in a regional investment promotion strategy. Furthermore, the knowledge-sharing component envisaged by this brief will further aid in the widespread adoption of the FDI impact assessment practices.

Why IPAs should play a leading role in measuring impact

IPAs primarily gather information as part of a dialogue with potential investors, which often includes the investor's projections of the development impacts the proposed project will bring. Social development impacts—jobs and business opportunities for the local community— often play an important role in decisions to approve investments and the incentives provided.

However, governments often do not check whether these promised social development impacts are realized. This is not because they do not care about job and business opportunities, but because there is a gap between dialogue and data. In some countries obtaining the data is the problem, either because little is collected generally or because the system used to gather the data does not distinguish between foreign-owned and domestic companies. In many other countries, the gap lies not in whether data exists, but rather in the collectors of the data and those who are making and carrying out FDI policies.

IPAs—as the public face and main communications conduit of the government concerning FDI—can fill this gap. IPAs, in dialogue with investors and local communities, can identify priority indicators to track the contribution of FDI to SDG 8. And in partnership with the various organizations collecting the data, the IPA can start to track performance.

The importance of tracking performance is potentially fivefold:

1. Showcase the current contribution of FDI

Tracking FDI contributions to SDG 8 can help to build greater support for government efforts to attract

companies from abroad (as well as domestic investment for IPAs whose mission is to increase both foreign and domestic investment). Greater support for attracting investment can, in turn, help build public support for investment promotion, including the use of incentives.

2. Facilitating Inward Flow of FDI as a Sustainable Hub

The global recognition of IPAs' sustainable development policies, based on the impact measurement results, further promotes the country as a hub of sustainable investment. This favourable branding enhances the country's reputation and further attracts high-quality inward investments. Therefore, the adoption of KPIs for impact measurement can have a positive long-term effect by facilitating sustained FDI inflows, thereby reducing the IPA's burden to actively seek further investments. A steady flow of foreign investment enables IPAs to focus on specialized activities in the subsequent stages of the investment lifecycle, such as aftercare and advancing sustainability assessments, further strengthening the country's perception as a desirable destination for quality investments.

3. Efficient Budget Allocation Based on Impact Assessment Data

Impact assessment data enables IPAs to allocate their budget more efficiently across ongoing policies. For resource-strapped IPAs, impact measurement helps prioritize policies that require support and reconfiguration. IPAs can allocate their limited resources effectively by strategically identifying the areas needing support. Conversely, IPAs with sufficient funds can implement an incentive model based on positive outcomes achieved by their policies while simultaneously improving less optimal policies. Therefore, by leveraging the impact measurement data, IPAs can ensure that their budget allocation maximizes achieving sustainable targets and fosters efficient use of available resources.

4. Identify areas for improvement

Impact measurement data offers insights into opportunities, challenges, and areas requiring a policy revamp, enabling IPAs to make informed decisions and align their efforts with sustainable goals. FDI impact

assessment empowers IPAs to refine their strategies based on the current progress and challenges related to sustainable investments. By comparing foreign investors' actual contributions to sustainable development with their initial projections, IPAs gain valuable insights to revise their sustainable policies. In case of shortcomings, the assessed data can help identify the existing challenges that could be addressed in the subsequent reinforcement of the overall approach. Conversely, positive outcomes indicate the effectiveness of current policies, allowing IPAs to maintain continuity and build on successful practices.

5. Highlight the leadership role of the IPA in achieving SDG 8

There are both short-term and long-term benefits to the IPA as well. Impact measurement enables IPAs to highlight the vital importance of their work in fostering sustainable development. By leveraging the positive results obtained through impact measurement, IPAs can effectively showcase their instrumental role to key stakeholders, including governments, international partners, and investors. IPAs can build on this proven track record to expand their work by seeking essential resources, tools, and partnerships with relevant stakeholders.

Longer-term, IPAs can gain the trust and confidence of the government and the public to realize the full potential of their vital role in achieving sustainable development. IPAs often are assigned a very limited role in the overall economic and social development of the country. At the same time, they are the "face" of government for investors and often the main or only institution which can provide policymakers with a more comprehensive picture of how investors are contributing to sustainable development priorities. An IPA can establish a leadership role in broader FDI strategic thinking and policy development by coordinating data collection for a clearer picture of FDI impacts and organizing dialogues to highlight progress and identify areas for improvement. This shift from a "policy taker" to a "policymaker/influencer" can, in turn, further the IPA's success in attracting FDI as policy gets fine-tuned with a greater awareness of the critical role IPAs play in the process.

Getting Started

Overall, measuring impact is vital for IPAs as it allows them to assess the contributions of foreign investments towards sustainability goals, reflect on their current contribution and think more strategically about their future role. It is up to each IPA to decide which objectives are most salient for its mission and the development priorities of its country. An IPA may embrace all five objectives, while another may gather data to demonstrate the contribution of investment but not necessarily lead dialogues to discuss the findings and implications or seek to influence FDI policy. Yet another may see the various objectives as an evolving process building up to a more visible leadership role. All these approaches are valid and important contributions to SDG 8.

What to Measure

The [ILO MNE Declaration](#) is the only ILO instrument that provides direct guidance to domestic and foreign enterprises regarding inclusive, responsible, and sustainable workplaces. It is tripartite because it was jointly developed and unanimously adopted by the government, employer, and worker representatives of all 187 ILO member states.

Under this Declaration, foreign investors are expected to contribute positively to economic and social progress and the realization of decent work for all; and to minimize and resolve the difficulties to which their various operations may give rise. Therefore, the themes outlined below are based on established global benchmarks of good practices expected from foreign enterprises and other stakeholders such as government and workers' organizations. The themes include:

1. Sustainable Economic Development
2. Employment Opportunities
3. Social Protection
4. Skills Development
5. Job Quality
6. Industrial Relations
7. Gender Equality
8. Safe and Healthy Working Environment
9. Productivity and Innovation
10. Responsible Business Conduct
11. Government Policies

Each of these themes is discussed below, explaining their relevance in assessing the impact of FDI on Decent Work.

1. Sustainable Economic Development

As previously discussed, the impact assessment of inward FDI on a country's growth has traditionally concentrated on economic parameters. However, given the current emphasis on FDI impacts on the SDGs and decent work, it is essential to consider the sustainability policies of foreign enterprises. It requires examining economic variables, such as value and type of investment, together with sustainability parameters like flows to SDG-aligned sectors. This theme, therefore, analyses foreign enterprises' overall economic and sustainability approaches to establish their impact on decent work conditions in the host economy.

2. Employment Opportunities

The creation of job opportunities is one of the most tangible outcomes resulting from FDI flows. In addition to hiring workers for their primary operations, foreign enterprises also generate employment opportunities for local suppliers through domestic linkages. Hence, foreign enterprises significantly impact the employment dimension in the host country. This theme, therefore, assesses the extent and nature of employment created by foreign enterprises in the economy to determine the quality of sustainable FDI.

3. Social Protection

Protecting workers against economic and health uncertainties by providing essential goods and services is crucial in determining overall job quality. Social protection benefits give workers a sense of security. The reduced stress levels enable them to contribute more efficiently to their assigned tasks. This theme, thus, analyses the coverage of social protection benefits provided by foreign enterprises to their workers to assess the impact of inbound FDI on decent work. It encompasses economic and medical social benefits by examining the coverage of pension plans and health insurance, respectively.

4. Skills Development

Training the workforce is a vital element that enhances sustainable development in the host country. Skill development of the workforce leads to holistic growth for major economic stakeholders in the country. Training

recent graduates, apprentices and reskilling the current workforce provide them with more opportunities for productive jobs. Additionally, enterprises benefit from improved efficiency, often reflected in the final output. Moreover, a skilled workforce enables IPAs to attract further investments requiring skilled workers. Therefore, this theme is crucial in evaluating the training imparted by foreign enterprises to its workers and the level of skill intensity within the workforce.

5. Job Quality

Wage levels and working hours significantly shape job quality. Fair wages allow workers to sustain themselves adequately, while decent working hours support a healthy work-life balance and workers' wellbeing. Enterprises greatly benefit from enhanced workers' productivity, given their ability to access more nutritious food options and regularly rejuvenate outside of work, leading to optimal task performance. Hence, it is essential to evaluate wages and working time prevalent in foreign enterprises to assess the impact of FDI on creating decent work.

6. Industrial Relations

Effective industrial relations are built on social dialogue between management and workers. The goal is to address workers' concerns where feasible and practicable, significantly enhancing their overall job experience. Enterprises that foster good industrial relations benefit from increased productivity by reducing the risk of operational disruptions. The economy, in general, benefits from welfare gains arising from a productive and satisfied workforce. Therefore, it is crucial to assess the prevalence of workers' rights in foreign enterprises regarding labour unionisation, collective bargaining, and the effectiveness of their grievance mechanism to examine the impact of FDI on decent work.

7. Gender Equality

It is fundamentally important to ensure gender equality at the workplace under the broader theme of equal opportunity and fair treatment of workers. Enterprises that adopt policies to improve women's participation across workforce levels tend to benefit from greater diversity and nuanced exchanges of ideas. The increased roles played by women in enterprises contribute to broader sustainable

growth at the national and regional levels. Wage disparity and lower career progression opportunities are some of the barriers that face the women workforce. Hence, to assess the role of FDI in creating equal opportunity for women under the umbrella of decent work, it is necessary to analyse the extent of women's workforce participation, potential wage gaps, and opportunities for career advancement within foreign enterprises.

8. Safe & Healthy Working Environment

Ensuring safe and healthy working conditions is a crucial element of decent work. All enterprises must adopt good practices that protect workers' lives during emergencies. Appropriate safety measures reduce job-related risks for the workers, and reduced accidents and illnesses increase productivity. Therefore, assessing the nature of safety policies adopted by foreign enterprises is essential for determining the decent work impact of FDI.

9. Productivity and Innovation

Foreign Investment is commonly associated with increased productivity and innovation levels in the host country, given the transfer of the latest foreign technologies and effective management practices between subsidiary enterprises. In sectors like pharmaceuticals, inward FDI also enhances domestic firms' innovative capacity, enabling them to engage in research & development (R&D) through spillover effects. As a result, the domestic workforce benefits from the creation of productive jobs, a critical element of the decent work principle. Hence, it is crucial to examine the extent of productive and innovative operations adopted by foreign enterprises in their respective business area, including their suppliers, to evaluate the impact on decent work.

10. Responsible Business Conduct (RBC)

Foreign enterprises that adopt RBC practices in their own operations enhance their direct sustainability impacts. Enterprises increasingly extend their RBC efforts to supporting their suppliers to fully respect their workers' rights. Furthermore, as part of their community engagement initiatives, enterprises undertake developmental projects such as training sessions for local communities. As a result, foreign enterprises can contribute to decent work beyond their direct operational

sphere, including encouraging and incentivizing companies to formalize. Therefore, observing the type and nature of RBC policies adopted by foreign enterprises can create provide insights and opportunities for further engagement and collaboration with investors in a RBC framework.

11. Government Policies

The policy framework governing FDI flows can significantly enhance the quality impact of inward foreign investments by incorporating specific sustainable goals. For instance, government policies aimed at diversifying local economies for investment promotion facilitate sustainable FDI flows into the less developed regions and sectors, thereby ensuring the widespread creation of decent jobs. Therefore, given the crucial role of government policies in shaping the flow of FDI, it is imperative to examine the measures adopted to encourage sustainable investments.

How to Measure

Having highlighted the relevance of selected decent work themes for sustainable investments, this section explains the importance of data, provides examples of good practices for measuring FDI impact, and provides a broader conceptual assessment framework for IPAs, especially those in the least developed countries (LDCs), to integrate impact measurement into their existing operations.

Data is Key!

IPAs require access to data regarding the operations of foreign-owned enterprises to gauge the effects of foreign investments on the economy and ascertain sustainable development outcomes.

IPAs adopt two overarching strategies to assimilate relevant firm-level data for assessing the sustainable development impact of FDI. This includes primary **data collection** through surveys (telephonic, electronic, or in-person during site inspection) overseen by either in-house representatives or third-party surveying firms. Alternatively, IPAs have also forged **partnerships** with stakeholders such as national ministerial agencies and international developmental organisations that have requisite firm-level data required by the IPA.

Numerous factors influence an IPA's choice to adopt a data-gathering process. These factors include, among others, the availability of resources, particularly focusing on budget considerations, the timeliness of the project, and the need for a thorough investigation.

Preferably, primary data collection is the optimal route. The method involves well-crafted survey questionnaires that yield comprehensive and up-to-date data for assessing FDI impact. Furthermore, this data enables a detailed evaluation of FDI across each decent work parameter, empowering the IPA to enhance and adjust its sustainable investment promotion strategy.

Although primary data collection offers numerous advantages for impact assessment, it also requires resources that IPAs may not have, in particular in LDCs. Aside from its high costs, primary data collection is also time-intensive, making it less ideal for IPAs with tight deadlines. Consequently, IPAs might discover value in collaborating with domestic and international partners to extract relevant data from their projects, which can subsequently be utilised in evaluating the sustainable impact of FDI.

Subsequent sections provide best practices for both these data-gathering approaches.

Good Practices: Primary Data Collection

1. London & Partners: Prioritizing Quality Job Creation as an Assessment Benchmark

Since 2011, London & Partners has been monitoring London's inward FDI flows and business expansion. The agency's approach goes beyond the conventional measurement of FDI inflows. It emphasises the quality of foreign investment to gauge its overall impact on the region. An integral aspect of this approach is the focus on high-quality job creation as a metric for assessing incoming FDI. The quality of job creation, therefore, also becomes a benchmark for L&P to evaluate its own investment promotion strategies, aiming to create more meaningful employment opportunities.

The agency has established an evaluation framework that gauges the sustainability quotient of new investments. Only those investments that align with sustainable impact and demonstrate quality job creation move forward.

Furthermore, beyond the initial setup phase, London & Partners actively contributes to enhancing the sustainable impact of FDI-based enterprises by facilitating the recruitment of the local workforce in an inclusive manner. This ensures that FDI-backed job creation is accessible to marginalized segments of the population, thereby truly contributing to the principle of decent work for all.

2. Business France: Assessing “Green” Investment

While the following best practice primarily focuses on the impact of FDI on the environment, it can also be adapted to evaluate the decent work impacts of foreign investment.

Business France has made significant advancements in promoting the green economy. Alongside attracting investors in green technology, the IPA also emphasizes the evaluation of the green aspect of all new investments. Business France has devised a set of comprehensive questions directed at potential investors, aiming to determine their impact on the enterprise and the broader economy. Based on the collected information, the IPA provides recommendations for transitioning to more sustainable practices where applicable.

Therefore, integrating sustainable-focused inquiries during the initial stages of investment ensures that the targeting and establishment of high-quality investments are optimized. Moreover, specific suggestions provided by the agency for each new investment further enhance the sustainable impact of the given FDI on the economy.

3. Invest India: Measuring the Sustainability of Investible Projects to Attract Investors

Unlike the earlier case studies, Invest India adopts a distinct sub-approach by evaluating investible projects that seek foreign investment. This unique strategy allows the agency to assess the project's inherent sustainable impact on the broader economy, independent of the foreign investor's influence. Furthermore, the presence of data-supported sustainable investible projects is likely to attract foreign investors committed to making positive social contributions.

Invest India's dedicated online platform, Investment Grid, showcases a curated selection of sustainable investment opportunities in the country. The entire project pipeline is

prepared by assessing the sustainability impact of initially selected projects through an evaluation framework. This framework encompasses 21 sustainability indicators spanning economic, social, environmental, and governance dimensions. Social indicators include labour rights, skills development, public health benefits, income equality, entrepreneurship, and housing.

Other pertinent indicators related to decent work include local business linkages, technology transfer, exports, and supply chain standards. Each indicator is assigned a weighted score (1, 2, or 3) based on priority, with the total score being 40. Projects that attain a minimum of 30 or 75% are deemed sustainable.

Partnerships

1. CINDE: Aligning Sustainable KPIs through National Collaboration

The Costa Rican Investment Promotion Agency (CINDE) strategically employs KPIs focusing on key SDG themes, including decent work and economic growth, gender equality, industry innovation and infrastructure, and quality education. Examples of these indicators include job creation, number of projects, diversification of origin of FDI, and net new jobs held by women and youth employment, among others.

A notable facet of CINDE's approach is its close collaboration with the National Social Protection Agency. This partnership is instrumental in acquiring gender-disaggregated data that is subsequently scrutinized in the context of the aforementioned indicators. This information has been particularly vital in providing insights into gender disparities in job opportunities and domestic linkages. Moreover, it enables the government to monitor progress towards SDG 8, including aspects tied to inclusive economic growth.

2. UNIDO: Empowering IPAs through Impact Assessment in Capacity-Building

As United Nations Industrial Development Organization's (UNIDO) Invest in ACP (African Caribbean and Pacific) project, operating at the meso-level within the region, stands as a testament to its commitment. The project aims to enhance productivity in the entire value chain by

improving firms' competitive standing. This, in turn, leads to sustainable job creation and economic growth. An integral component of the project involves conducting FDI investor surveys at the firm level across select beneficiary nations like Dominica, Ethiopia, Ghana, Kenya, and Zambia.

The evaluation of qualitative impacts of FDI on the host country includes themes like the creation of decent and value-adding jobs, skill augmentation of the workforce, enhancement of domestic firms' competitiveness, and improved market access. The resultant data is analysed to evaluate FDI performance and impact within the context of each IPA's distinctive policy goals. The final analytical insights enable IPAs to fine-tune policies and strategies on sustainable FDI. Additionally, the project facilitates investment profiling and existing investor data management through the Digital Investment Profiling System (DIPS), a web application.

3. InvestChile: Supporting Enterprises to Self-Measure Impact

InvestChile wanted to highlight the additional value of FDI on Chile's environment, economy, and social fabric. Overcoming the challenge of data availability, InvestChile engaged directly with enterprises to spotlight their impact.

In 2020, InvestChile launched the "Measure What Matters" initiative. This project provides FDI-backed enterprises a platform to showcase their contributions to human resource development, community involvement, and broader sustainable development goals. This initiative actively encourages foreign companies operating in Chile to adopt "triple impact good practices," encompassing economic, social, and environmental dimensions. The program extends free-of-charge support over a 4-month period to enhance participation. It aids participating enterprises in identifying potential socio-environmental risks and devising effective management strategies to address these risks.

Conceptual Framework

In addition to the good practices pertaining to data collection and partnerships with relevant stakeholders discussed above, almost all IPAs have the option of embedding quality assessment measures within their existing operations.

To elaborate, during one of the initial stages of an investment lifecycle- investment attraction and arguably one of the most important ones, IPAs can add sustainability-oriented questions and requirements as part of the planning and setup stage. This would help an IPA to gauge the extent of the potential impact of the FDI on the economy based on the investor's envisioned sustainable outcomes.

Additionally, while IPAs reach out to existing investors during the aftercare stage to seek feedback, address their concerns and, more importantly, encourage re-investments into existing or new projects, it can also be a good time to seek information on the fulfilment of the initially planned sustainable goals. Even in situations where the aftercare is not undertaken intensively due to a shortage of staff or lack of response from the existing investors, IPAs would still benefit from getting a holistic impression of the sustainable impact of their attracted FDI into the economy.

It is important to note that this conceptual framework is primarily based on the routine operations commonly performed by IPAs. However, practical implementation may require adjustments tailored to the specific functions of IPAs, including its priority goals, the sector of potential FDI and other contextual factors. Therefore, this framework is provided as general guidance for IPAs to adopt sustainable practices in their business operations, taking into account their unique conditions and characteristics.

As discussed above, the FDI impact assessment, even when based on this initial data from the investment attraction and aftercare policy stages combined, will create a positive multiplier effect. The respective IPA would benefit from an image as a sustainable investment hub, resulting in a greater influx of dedicated sustainable investors. Additionally, there would be enhanced support from international and national stakeholders for expanding activities based on the empirical evidence.

While good practices related to data collection were discussed earlier, the sustainable practices in the aftercare stage are highlighted in the following case. However, it should be noted that while all the examined case studies focused on specific stages, the discussed conceptual assessment framework will have the most value if

implemented in both the investment promotion and aftercare stages, regardless of the scale.

InvestChile: Renewed Focus on Sustainability in Aftercare

During COVID, InvestChile received a lot of expressions of interest concerning increasing linkages with domestic enterprises and contributing to women's economic empowerment and gender equality. InvestChile thus decided to move past the traditional aftercare of investment promotion to focus instead on sustainability-oriented services.

As part of transforming its aftercare services to support sustainable investment, InvestChile formed partnerships with Chambers of Commerce, NGOs, regional institutions such as the European Union (EU) and multilateral organizations such as the ILO and the UN to achieve shared goals.

Conclusion

FDI has historically played a significant role in driving economic growth in host regions, particularly in developing LDCs. Since SDGs are increasingly prioritized at the global and national levels, it has become prudent to adopt a comprehensive sustainable approach within the realm of investments. This approach should extend beyond the traditional quantity aspect of foreign investment and incorporate the quality of FDI, thereby assessing its impact on job creation.

Moreover, with a staggering financial deficit of \$4.2 trillion required to achieve SDG goals post-COVID, FDI is gaining substantial recognition as an effective catalyst for sustainable growth, including the creation of decent jobs. Given the enhanced relevance of quality investment, there is an urgent need for a standardized impact measurement tool to assess the sustainability quotient of incoming FDI. IPAs have already echoed the crucial role of impact measurement tools for their future operations in a joint report published by ILO and WAIPA in 2022.

Beyond assessing the quality of incoming FDI, the impact assessment tool offers numerous advantages to IPAs. These benefits encompass enhancing the image of a country or region as a hub for sustainable investments, facilitating efficient budget allocation, and refining policies based on analysed data. Moreover, IPAs can leverage this data to emphasize their pivotal role in attracting sustainable investors to government and other stakeholders, potentially securing additional support to expand their operations.

In the pursuit of advancing the SDGs, particularly SDG 8, through foreign investments, this brief has introduced a foundational set of KPIs to evaluate FDI impact. These KPIs can be further refined over time based on the experiences of IPAs. The development of these KPIs is guided by the ILO's MNE Declaration, which encourages foreign investors to have a positive impact on the host country and ensure the creation of decent work for all. The parameters are categorized into themes such as Gender Equality, Job Quality, Skills Development, and Social Protection, among others.

Recognizing the challenges faced by resource-strapped IPAs in conducting primary data collection for FDI impact assessment, this brief also incorporates best practices from other IPAs that have established partnerships with stakeholders. These partnerships will guide the former in achieving their initial objectives more effectively.

Lastly, this brief is designed as a dynamic document, and therefore, the IPA community is recommended to actively engage with existing partners and forge new alliances, particularly for knowledge-sharing. Experiential insights from such collaborations will enrich this document and contribute to the common goal of creating more and better job opportunities for everyone.

List of KPIs segregated by broader sustainability themes

Broad Theme	Indicator	Target information
1. Sustainable Economic Development	Amount of Investment	Value of total investments
	Type of Investment	Greenfield/ Brownfield/ M&A
	Local re-investment of profits	% of profits reinvested
	Flows into SDG-specific sectors	No. of SDG-specific sectors prioritized
		Top prioritized SDG-specific sector
	Exports	Value of goods/services exported or earmarked for exports
Value of goods/service exported		
2. Employment opportunities	Direct job creation—full time equivalent (FTE)	No. of direct jobs created
		% or no. of new jobs taken by local employees
		% or no. of workers with short-term contract
	Type of jobs created for local workforce	% or no. of unskilled / semi-skilled jobs created
		% or no. of subcontracted jobs created
		% or no. of supervisory jobs
		% or no. of management jobs
	Advancement opportunities for local recruits	% or no. of local workers who were promoted
	Local Sourcing	No. of apprenticeships provided
		% of contracts with local enterprises
Diversity and inclusion	No. of direct local partners and/or suppliers	
	% or no. of youth employed	
	% or no. of women employed	
3. Social Protection	Retirement	% or no. of people with disabilities employed
		% of workers provided a pension on retirement
	Paid maternity and paternity leaves for workers	No. of paid maternity and paternity leaves provided to employees
		% of workers with ready access to medical care
	Medical	% of workforce that benefits from company-sponsored health/medical insurance
		No. of paid leave days provided
	Accident or injury protection	Amount of medical coverage available for treatment of an accident or injury
Maternity protection	Measures taken to support a maternity-friendly work environment	
	Cash benefit paid for maternity (as % of wage)	
	Are workers entitled to paid breaks to breastfeed?	

	Employment Security	% or No. of workers with a contract (≥ six months)
		% or No. of unskilled workers with a contract
		Average contract duration of unskilled workers
		% or No. of skilled workers with a contract
		Average contract duration of skilled workers
4. Skills Development	Workers' Training	No. of workers trained across diff positions No. of training sessions organised: on-the-job, classroom training, mentorships, etc.
	Skill Intensity	Current overall skill level of the workforce: Skill Shortage/ Skill Surplus/ Just right No. of regular working hours for an employee per week
	Working Hours	No. of maximum hours an employee can work overtime % or No. of employees that worked overtime in the last year
5. Job Quality	Wages	Average wage of the workers (excluding management positions) minimum wage given per hour/week/month (in USD or local currency) minimum wage given per hour of overtime (in USD or local currency)
		% of jobs for which the remuneration is publicly listed
		Other benefits
	Access to Internet services	% or No. of employees that are provided with phones, computers/laptops, data, etc.
	Housing	Quality of any housing provided
	Teleworking	% or No. of employees working remotely No. of days an employee can work remotely per week/month
	Workers' privacy	Does workforce benefit from cybersecurity & personal data protection provisions?
6. Industrial Relations	Freedom of Association	% of workers who are members of a trade union
	Collective Bargaining	% of workers covered by a collective bargaining agreement
	Consultation in the workplace	No. of consultative meetings held with workers' organization last year
	Grievance mechanisms	% or No. of workers that made use of the grievance mechanism last year
7. Gender Equality	Employment of women	% of workers who are women
		% of supervisors who are women
		% of technical specialists who are women
		% of senior management who are women

		% of women-led business partners
	Gender wage gap	Average wage given to women compared to average wage given to men (at the same level of work)
	Career Progression	No. of measures taken to ensure equality in career advancement across genders
	Broader contribution to women's employment	No. of trainings/workshops conducted for women in technical fields and management
8. Safe & Healthy Working Environment	OSH Policy of prevention	No. of measures taken improving OSH measures at the workplace
	Health and safety training hours	No. of safety training sessions organized in a month/year
	On-site emergency medical service	No. of medical staff available on-site
	Safety Equipment	Are all employees provided with all personal protective equipment (PPE) (helmets, goggles, gloves, etc)
	Breaks	No. of rest breaks workers can take each day
		Maximum permissible duration of break time per day
9. Productivity and Innovation	Product/Process Innovation	No. of new technological changes introduced to improve operation
	R&D expenditure	% or amount of capital put towards R&D
	Technology Transfer	% of current operations utilizing technology from the parent FDI company
	Support to suppliers	No. of technical assistance sessions organized for suppliers
10. Responsible Business Conduct (RBC)	Public commitment	No. of current priority commitments of the company
		Preferred medium for sharing policy matters with Public, Govt and Partners
		Assistance or incentives provided for business partners to formalize.
	Contributions	No. of training sessions organized for classroom training and mentorships, in particular for underrepresented group
		No. of community developmental/infrastructural projects undertaken
	Policy Framework	% or No. of the company policies that are based on national laws and int standards
		No. of policies enacted to ensure non-discrimination among workers
		No. of due diligence assessments undertaken in a year
Due diligence	No. of national laws and international labour conventions used as benchmarks in the assessment	

	Transparency in Supply Chain	No. of direct suppliers included in the foreign company’s due diligence assessment
		No. of workshops aimed at improving suppliers’ compliance measures
11. Review of Government FDI Policies impacting inclusive economic growth	Diversifying local economies to reduce dependence	% of direct suppliers which undertake & share their due diligence assessments
		No. of new sectors explored & tapped into in a community
	Increasing flows to communities lacking employment opportunity	No. of carbon-extraction-dependent communities diversified to other livelihoods
		% or No. of jobs provided to workers from the rural region in the last year
		% or No. of jobs provided to workers from the Indigenous community in the last year
	Export administration capacity increased	% or No. of jobs provided to workers from other Impoverished communities in the last year
		Spillovers to domestic producers
	Diversifying origin of FDI to reduce dependence	Investor base was diversified within how many source countries
No. of countries that became new source countries		