Sustainable FDI Policy Toolkit for the Western Balkans Six

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Background Information

Achieving sustainable economic development is about creating long-term economic growth and development without compromising the ability of future generations to meet their own needs. As such, it is the key component of the Sustainable Development Goals (SDGs) and meeting the green commitments requiring substantial financing. Alongside public and private investment, Foreign Direct Investment (FDI) is a vital resource for driving inclusive and sustainable development. With global FDI flows increasingly shifting towards developed markets, the WB6 need clear guidance to attract sustainable FDI that balances investor interests with the protection of people and the environment.

In the WB6 context, *sustainable FDI refers to foreign investments that, beyond investors' returns, contribute in a substantial and demonstrable manner to the economic, social, and environmental objectives of the investment host, as enlisted in key development policies and aligned with the SDGs, while ensuring no or minimal harm to the investment host.*[1]

As the WB6 work towards deeper regional integration and EU accession, it is necessary to ensure a level playing field for FDI – one that helps preserve natural resources, improve human well-being, and support technological progress, while driving economic growth. To fully realise the potential of FDI in this direction, strong investment policies and institutional capacity are needed to align investments with developmental ambitions.

In this context, the Sustainable FDI Policy Toolkit (the Toolkit) is developed aiming to provide a practical framework to support the implementation of *the Recommendation on Sustainable Foreign Direct Investment in the Western Balkans Six* developed by the Joint Investment Working Group (JWGI) under the facilitation of the Regional Cooperation Council (RCC) as part of the Common Regional Market Action Plan (2025-2028).

In the spirit of strengthening regional efforts to integrate sustainability into investment policy and promotion, the Toolkit was developed through a consultative process led by the JWGI. It builds on a gap analysis, which served as the background document and laid the groundwork for this initiative and the aforementioned Recommendation.

[1] As defined in the Recommendation on Sustainable Foreign Direct Investment in the Western Balkans Six

Purpose of the Toolkit

The *Sustainable FDI Policy Toolkit for the Western Balkans Six* (hereinafter: "the Toolkit") is a practical framework designed to support the implementation of recommendations for attracting and enhancing the impact of sustainable FDI across the region.

Developed in response to the *Recommendation on Sustainable Foreign Direct Investment in the Western Balkans Six*, this Toolkit draws inspiration from the OECD FDI Qualities Policy Toolkit to provide actionable guidance tailored to the WB6's unique context. It aims to align FDI with the SDGs, particularly those prioritised in the region, such as quality education (SDG 4), affordable and clean energy (SDG 7), decent work and economic growth (SDG 8), industry and innovation (SDG 9), reduced inequalities (SDG 10), and climate action (SDG 13).

The Toolkit is structured around seven key areas, following the recommendations, each addressing a specific aspect of sustainable FDI policy, from governance to regional collaboration, and includes guidance, examples, and assessment questions at the end of each section to support implementation.

The WB6 is working towards deeper regional integration and EU accession, making sustainable FDI a critical driver of economic growth, environmental protection, and social equity. The Toolkit recognises the region's diverse institutional capacities and economic structures, offering flexible recommendations, and therefore the Toolkit that can be adapted to the needs and dynamics of each WB6.

How to use the Toolkit?

The Toolkit divides the recommendations and their detailed approach into three levels, depending on the level of complexity to implement and timeline:

Level 1	Low level complexity and implementable immediately or in the short-term
Level 2	Mid-level complexity requiring time for preparation and/or adoption of relevant implementation regulation/laws
Level 3	High level of complexity requiring longer time of preparation and/or implementation

This does not mean that implementation of the recommendations cannot begin immediately. It merely reflects, in broad terms, the complexity and time required for full implementation.

I. The WB6 to strengthen sustainable investment governance

1. Establish a dedicated inter-ministerial mechanism within each of the WB6, or utilise existing investment councils, where available, to formulate sustainable FDI strategic framework and ensure cohesive oversight across competent institutions, particularly those responsible for economy, environment, finance, and labour.

To effectively govern sustainable FDI, each WB6 should establish a dedicated inter-ministerial committee or leverage existing investment mechanisms to develop a strategic framework and coordinate oversight across institutions responsible for economy, environment, finance, and labour.[2] Sustainable FDI requires a holistic approach that integrates economic, social, and environmental objectives, which often fall under different ministerial portfolios. In the WB6 context, where regional integration and EU accession are priorities, such a committee can harmonise approaches, making the region more attractive to sustainable investors by ensuring policy coherence and alignment with EU standards. In Finland, the *National Sustainable Development Coordination Network*, chaired by the Prime Minister's Office, brings together ministries such as Economic Affairs and Employment, Environment, and Finance to align policies for sustainable investment, ensuring that FDI support the sustainability goals and EU standards.[3]

Regular meetings, supported by a technical support unit should be established to ensure continuity and effective coordination. Engaging external stakeholders, such as the private sector and civil society, can enhance the framework's comprehensiveness.[4]

2. Enhance the capacity of governmental institutions responsible for investment to identify sustainable FDI opportunities and to gain deeper insights into investor priorities and strategies.

To enhance their capacity, public institutions should strategically identify and develop pipelines of investment projects aligned with the relevant SDGs.[5] Developing these pipelines of investment projects requires a structured approach involving identification of all potential investment projects, strategic prioritisation based on the economic development strategies, or other key development policies, understanding the connection between these projects and SDGs. These pipelines of projects can also have clear details on the stage at which the project is and regulatory preparation - which includes the pre-clearing of licenses and environmental

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[2] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf

[3] Prime Minister's Office, Finland. Coordination network for sustainable development. Retrieved from: https://kestavakehitys.fi/en/coordination-network

[4] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf

[5] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

impact assessments and conducting technical and financial feasibility studies to make them attractive to investors.[6] For example, the Industrial Development Agency (IDA) of Ireland's 2021-2024 strategy is framed by five pillars including sustainability and regional development, with defined metrics for winning investment in sustainability-related activities like climate change mitigation and the circular economy.[7]

Developing these project opportunities should be regularly channelled to Investment Promotion Agencies (IPAs) or other designated body/mechanism for the same purpose. IPAs should act as a focal point for knowledge and contacts within both the government and the private sector concerning sustainable investment.[8] This means expanding their network beyond traditional corporate investors to include development banks, institutional investors, and non-governmental organisations (NGOs) which can provide financial or technical support.[9] This facilitation is crucial for improving the link between investment promotion and sustainable development objective.[10] A practical example is the *Invest in Lyon (*an IPA from France), where the Lyon Area Economic Development Agency has developed a strategy aligned with the SDGs by focusing on investment projects with a positive social and environmental impact.[11] The agency has set specific performance targets, and according to the latest data for 2023, 70% of the projects it facilitated contributed to at least one of five defined types of impact (productive, societal, territorial, environmental, and cooperative).[12]

3. Involve local governments, private sector stakeholders, trade unions, civil society organisations, and communities in the development of sustainable FDI policies through structured stakeholder engagement mechanisms, public consultations, and inclusive social dialogue, prioritising groups most impacted by FDI projects.

Developing sustainable FDI policies requires a participatory approach where policies are developed with the involvement of all relevant stakeholders.[13] Inclusive decision-making processes, such as public consultations, existing public-private dialogue mechanisms, dedicated roundtables, and social dialogue, are essential for building consensus around policy reforms and ensuring they are better targeted and more effective. This approach helps align policies with the needs and expectations of citizens, businesses, trade unions, and the like,

[6] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[7] IDA Ireland. (2021). Driving recovery and sustainable growth 2021–2024: Draft Strategy. IDA Ireland. Retrieved from: https://www.idaireland.com/getmedia/69a2499c-ac2b-45b7-a342-e57bfb42a2de/IDA_STRATEGY_Draft_15.pdf
[8] United Nations Conference on Trade and Development (UNCTAD). (2023). Facilitating investment in the Sustainable Development Goals. Retrieved from: https://unctad.org/system/files/official-document/diaepcb2022d3_en.pdf
[9] United Nations Conference on Trade and Development (UNCTAD). (2023). Facilitating investment in the Sustainable Development Goals. Retrieved from: https://unctad.org/system/files/official-document/diaepcb2022d3_en.pdf
[10] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf
[11] Aderly.Our CSR initiatives. Aderly. Retrieved from: https://www.aderly.fr/en/about-us/our-csr-initiatives/
[12] Aderly. (2024).2023 results. Aderly. https://www.aderly.fr/en/2023-results/
[13] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

thereby enhancing legitimacy. For example, multiregional enterprises can offer insights into global trends and skills needs, while civil society and labour unions can highlight potential social and environmental impacts, ensuring a balanced policy outcome.[14] These mechanisms should include inclusive social dialogue to negotiate solutions to emerging issues driven or amplified by FDI, such as those related to the future of work and employment conditions.[15] For example, in Portugal, the SME agency, IAPMEI, implements the Open Days i4.0 initiative, which promotes the sharing of experiences between different market entities and stakeholders during dedicated events.[16]

Effective stakeholder involvement should be embedded within a "whole-of-government" institutional framework that ensures policy coherence.[17] Public institutions, especially IPAs or similar bodies, should act as intermediaries, channelling feedback from investors to policymakers and advocating for reforms that address identified bottlenecks.[18],[19] Crucially, this engagement should extend to direct stakeholders, which possess better knowledge of market needs and can help align economic strategies with development priorities.[20] Specific tools like Environmental Impact Assessments (EIAs) provide a formal mechanism for public consultation, allowing communities most impacted by FDI projects to voice concerns and contribute to mitigation strategies.[21]

4. Demonstrate sustainability in government operations and economic activities to serve as a model for responsible investment practices.

Governments can demonstrate a commitment to sustainability and serve as a model for responsible investment by embedding high standards into their own operations, particularly through green public procurement and the management of Publicly Owned Enterprises (POEs).[22] This includes setting environmental and social criteria for public contracts in sectors

[14] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf

[15] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf

[16] OECD 2022. Strengthening FDI and SME Linkages in Portugal. Retrieved from: https://doi.org/10.1787/d718823d-en

[17] United Nations Conference on Trade and Development (UNCTAD). (2023). Facilitating investment in the Sustainable Development Goals. Retrieved from: https://unctad.org/system/files/official-document/diaepcb2022d3_en.pdf

[18] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf

[19] United Nations Conference on Trade and Development (UNCTAD). (2023). Facilitating investment in the Sustainable Development Goals. Retrieved from: https://unctad.org/system/files/official-document/diaepcb2022d3_en.pdf

[20] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf

[21] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf

[22] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

like transport and construction.[23] Furthermore, when POEs in strategic sectors such as energy and infrastructure operate with high levels of environmental and social responsibility, they set a benchmark for the entire industry. Ensuring a level playing field where both POEs and private firms, including foreign investors, compete under the same clear and fair rules is essential to drive market-wide efficiency and sustainability.[24] For instance, the Netherlands has implemented a plan with ambitious targets for 100% sustainable public procurement, using its operational demand to steer the market towards responsible investment practices.[25]

Beyond their direct operations, governments can champion market-wide frameworks that promote corporate responsibility and guide economic activities towards sustainability[26]. A key mechanism is the promotion of initiatives like Sustainable Stock Exchanges (SSEs), which encourage or require listed companies to enhance corporate transparency and performance on environmental, social, and governance (ESG) issues.[27] By supporting such initiatives, governments help align financial market signals with sustainable development objectives, making it easier to mobilise private capital for SDG-related projects.[28] Major European exchanges, such as Deutsche Börse, are partners in the UN Sustainable Stock Exchanges initiative, working with regulators and investors to improve corporate ESG disclosure, thereby shaping a market that attracts and rewards responsible foreign investment.[29]

5. Affirm active commitment of governments to sustainable FDI principles at regional and international levels to foster trust and align with global standards.

Governments can affirm their active commitment to sustainable FDI by their active participation in regional and international fora that shape global investment governance.[30] This includes engaging in initiatives like the WTO dialogues on investment facilitation for development[31] and promoting standards such as the OECD Guidelines for Multinational

[23] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf

[24] European Commission, Green Public Procurement, Good Practice Library. Retrieved from: https://green-forum.ec.europa.eu/green-business/green-public-procurement/good-practice-library/sustainable-procurement-plan-2021-2024-province-zeeland_en

[25] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

[26] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

[27] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

[28] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

[29] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

[30] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

[31] World Trade Organization. *The WTO*. Retrieved from https://www.wto.org/english/thewto_e/thewto_e.htm

Enterprises.[32] Furthermore, regional cooperation can be a powerful tool, with governments working together under the facilitation of the RCC to harmonise policies, facilitate region-wide sustainable infrastructure, and establish joint investment promotion mechanisms. The European Union serves as a prime example of such regional cooperation, where it develops bloc-wide frameworks like the EU Taxonomy for Sustainable Activities.[33] A regional taxonomy is also being developed in the WB6 under the CRM 2. This not only creates a large, predictable market but also sets clear sustainability benchmarks for investors operating within the EU and globally, influencing global investment patterns towards more responsible practices.[34]

Guiding Questions for Recommendation I and its Sub-recommendations:

1. Has a dedicated inter-ministerial committee or equivalent mechanism been established or utilised to coordinate sustainable FDI policies across key institutions, including regular meetings and stakeholder engagement?
2. Have public institutions developed capacities to identify SDG-aligned investment opportunities?
3. Are structured mechanisms in place for involving local governments, private sector, trade unions, and civil society in sustainable FDI policy development, such as public consultations and social dialogue?
4. Does the government demonstrate sustainability in its operations, such as through green public procurement, responsible POE management, and promotion of ESG standards in financial markets?
5. Has the government actively participated in regional and global forums to affirm commitment to sustainable FDI?

II. The WB6 to work towards a coherent sustainable FDI policy framework

1. Identify a primary guiding policy document for sustainable development, formulate sustainable development goals and objectives with clear priorities, timeframes, and measures to guide the sustainable FDI strategic framework development.

To effectively guide sustainable FDI, government policy should be grounded in a primary an overarching strategic document, such as a long-term development strategy. Such a comprehensive document formalises commitments to sustainable development, defines the role

[32] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf

[33] European Commission.EU taxonomy for sustainable activities. Retrieved from https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en

[34] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

of private and foreign investment, and provides a clear, strategic signal to both investors and public institutions. By integrating investment policy into a broader development vision, governments ensure coherence across different policy areas such as trade, taxation, environment and labour, and set out clear priorities for attracting investment. For instance, Germany's Sustainable Development Strategy provides a comprehensive framework that translates the global SDGs into its context, setting specific targets and measures across various policy fields, which in turn guides sectoral policies, including those related to investment and industry.[35]

This entails translating high-level goals into measurable indicators, not only for investment attraction but, more importantly, for assessing investment impact.[36] Such impact indicators can include direct contributions to GDP, capital formation, export generation, job creation, and specific social or environmental metrics, allowing for a thorough assessment of whether the investment is contributing to the desired sustainable development outcomes.[37] For example, IPA of Lithuania uses clear key performance indicators (KPIs) to guide its activities, including targets for job creation and the attraction of projects in high-value-added sectors, ensuring its operations are directly aligned with the economic development strategy.[38]

2. Review existing investment laws, investment frameworks, and regulations governing special economic zones with the view to enhancing their alignment with prioritised SDGs, where appropriate.

Upgrading investment laws and frameworks is vital to translating high-level sustainable development strategies into concrete, legally enforceable measures. This involves explicitly aligning the legal framework with prioritised SDGs, for instance, by specifying which sectors are open for investment or where restrictions apply based on legitimate development objectives. The legal framework should also enshrine the principle of "not lowering standards", ensuring that environmental, labour, and social regulations are not weakened to attract investment, thereby avoiding a "regulatory race to the bottom".[39] By implementing digital tools such as online windows for registrations and transparent information portals, governments can make it easier and more efficient for sustainable investors to comply with the legal framework in place.[40] For example, Portugal has upgraded its regulatory framework by introducing special

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35 Federal Government of Germany. (2021). Germany's National Sustainable Development Strategy. Retrieved from: https://www.bundesregierung.de/breg-en/federal-government/germany-s-sustainable-development-strategy-354566

36 United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

37 United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

38 Sztajerowska, M. and C. Martincus (2021). Together or apart: Investment Promotion Agencies' prioritisation and monitoring and evaluation for sustainable investment promotion across the OECD. Retrieved from: https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/investment/investment-insights-investment-promotion-prioritisation-oecd.pdf

39 United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

40 United Nations Conference on Trade and Development (UNCTAD). (2023). Facilitating investment in the Sustainable Development Goals. Retrieved from: https://unctad.org/system/files/official-document/diaepcb2022d3_en.pdf

regimes that offer investors simplified licensing procedures, conditional on the introduction of innovative and technology-based production processes.[41]

Regulations for Special Economic Zones (SEZs) present a powerful opportunity to align FDI with sustainability, as these zones, traditionally centred on export manufacturing, can be reoriented to act as “test beds” or “catalysts” for innovative and sustainable investment practices.[42] By doing so, SEZs can attract a new generation of investors focused on green technologies, circular economy models, and high-value-added services.

3. Create and regularly update a pipeline of sustainable FDI projects across sectors, clearly defining the expected FDI contributions to SDGs of highest or immediate priority.

To translate sustainability strategies into tangible investment opportunities, the relevant institutions should create and manage a pipeline of sustainable FDI projects. This requires shifting from reactive facilitation to the proactive and systematic identification and preparation of projects in SDG-relevant sectors such as renewable energy, sustainable infrastructure, and healthcare. A practical tool for this is the development of “SDG project profiles” for each opportunity. The creation of such detailed profiles requires significant preparatory work, including feasibility studies and technical audits, which can be supported by partnerships with international organisations or technical service providers.[43] For example, *Invest Estonia* employs a digital “electronic investment advisor” to generate customised value propositions, effectively identifying and packaging specific investment opportunities tailored to investor needs and aligned with the strategic priorities.[44]

A project pipeline should be a dynamic tool, regularly updated to reflect evolving market conditions, technological advancements, and evolving priorities. Once established, the investment pipeline should be promoted to a global audience, with digital tools playing a vital role in ensuring broad and effective outreach.[45] Governments and their IPAs can use online platforms, such as dedicated investment opportunity portals, to showcase the project pipeline to a global audience of potential investors.[46] The Investment Promotion Agency of Czechia, for example, offers online supply chain linkage programmes and a database of standardised manufacturing and IT company profiles to connect foreign investors with local partners and suppliers.[47]

[41] OECD 2022. Strengthening FDI and SME Linkages in Portugal. Retrieved from: https://doi.org/10.1787/d718823d-en
[42] United Nations Conference on Trade and Development (UNCTAD). (2023). Facilitating investment in the Sustainable Development Goals. Retrieved from: https://unctad.org/system/files/official-document/diaepcb2022d3_en.pdf
[43] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[44] Invest in Estonia. Retrieved from https://investinestonia.com/compare/
[45] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf
[46] United Nations Conference on Trade and Development (UNCTAD). (2023). Facilitating investment in the Sustainable Development Goals. Retrieved from: https://unctad.org/system/files/official-document/diaepcb2022d3_en.pdf
[47] CzechInvest. CzechInvest: Investment and Business Development Agency of the Czechia. CzechInvest. Retrieved from: https://www.czechinvest.org/en

4. Promote investor adherence to environmental, social, and governance (ESG) standards and Responsible Business Conduct (RBC) principles to ensure responsible investment practices.

To ensure responsible investment practices, policymakers can move beyond voluntary encouragement and formally mandate investor adherence to Environmental, Social, and Governance (ESG) standards and Responsible Business Conduct (RBC) principles. This can be achieved by translating established international soft-law instruments into binding legislation.[48] A growing number of governments are enacting laws on mandatory human rights and environmental due diligence, which require companies to identify, prevent, and mitigate adverse impacts within their own operations and across their global value chains.[49] This legislative approach embeds the principle of due diligence, obligating companies to put in place mechanisms for identifying and managing risks, instead of reacting after damage has occurred. This is reinforced by recent legal developments. For example, a Dutch court ruling in 2021 ordered a multinational energy company to significantly cut its carbon emissions, basing its verdict on the legal duty of care derived from international RBC principles.[50]

Another key instrument for mandating responsible practices is the implementation of mandatory disclosure and reporting frameworks. Such regulations compel companies to be transparent about their ESG performance and how they manage sustainability-related risks, allowing regulators, investors, and civil society to monitor their conduct and hold them accountable. By enforcing such transparency, the framework creates a clear, standardised benchmark and mandates a form of ESG adherence that influences investment decisions across the single market and globally.

5. Develop relevant investment guidelines for government representatives engaging with investors to incentivise FDI contributions to SDGs, such as through knowledge transfer via educational programmes, training initiatives, or research and development investments.

To effectively incentivise FDI contributions to the SDGs, authorities should develop and equip their employees with clear investment promotion guidelines. Often, employees from different ministries are present in formats, events, and dialogues where opportunities to attract investors emerge. The core principle of these guidelines should be conditionality, explicitly linking government support, such as fiscal or financial incentives, technical support, SMEs and aftercare support, to specific and measurable sustainable development commitments from the investor.[51] The guidelines should be anchored in a transparent framework of pre-determined incentives, with flexibility to tailor incentives when possible. For example, the city-level investment promotion agency Invest Stockholm in Sweden provides a Gender Equality

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[48] CzechInvest. CzechInvest: Investment and Business Development Agency of the Czechia. CzechInvest. Retrieved from: https://www.czechinvest.org/en

[49] CzechInvest. CzechInvest: Investment and Business Development Agency of the Czechia. CzechInvest. Retrieved from: https://www.czechinvest.org/en

[50] Business & Human Rights Resource Centre. (2021). The Shell climate verdict: a major win for mandatory due diligence and corporate accountability. Retrieved from: https://www.business-humanrights.org/en/blog/the-shell-climate-verdict-a-major-win-for-mandatory-due-diligence-and-corporate-accountability/

[51] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

Toolbox, a practical tool designed to guide and incentivise companies, including foreign investors, to improve their contribution to gender equality (SDG 5).[52]

The guidelines should specifically instruct government officials to prioritise incentives for knowledge transfer and human capital development, as these create significant long-term value and spillover effects.[53] In the area of skills, the guidelines should specify how to obtain commitments by FDI for training initiatives. This can include not only firm-specific, on-the-job training but also broader, pre-employment training programmes that are designed to respond directly to the needs of new investors.[54] For example, government employees across departments are actively promoting knowledge transfer schemes in the UK. The UK offers several initiatives to promote technical skills to foreign direct investors. A government-funded workplace apprentice scheme offers participating firms £3000 per apprentice, subject to certain conditions, while its Kickstart Scheme provides funding for employers to create 6-month job placements for 16–24-year-olds. Once in the UK, foreign investors can avail themselves of a Knowledge Transfer Partnership (KTP) which provides a part-funded grant to support the salary of an 'associate' who is employed by an academic institution but seconded to work at a company for between one and three years to help transfer the latest academic thinking into a vocational context.[55]

6. Streamline policy frameworks to minimise administrative barriers and bureaucratic inefficiencies, enhancing the ease of sustainable FDI implementation.

To support the effective implementation of sustainable FDI, policymakers should optimise policy frameworks by removing administrative barriers and minimising bureaucratic inefficiencies. This is a core component of investment facilitation, which aims to improve the efficiency, transparency, and predictability of procedures for investors.[56] The main objective is to streamline the procedures for securing essential authorisations, permits, and licenses, thus lowering compliance costs and saving time for businesses.[57] A key mechanism for achieving this is the simplification and digitalisation of administrative processes, which involves mapping all investor-related procedures, identifying and eliminating redundant requirements, and then moving the streamlined process online.[58]

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[52] Stockholm Business Region AB. Welcome to a region of opportunities. Retrieved from https://www.stockholmbusinessregion.com/

[53] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

[54] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf

[55] OCO Global Report. (2022) Promoting technical skills to win foreign investment: Learning from other markets..https://www.worldskillsuk.org/wp-content/uploads/2022/02/Promoting-technical-skills-to-win-foreign-investment.pdf

[56] United Nations Conference on Trade and Development (UNCTAD). (2023). Facilitating investment in the Sustainable Development Goals. Retrieved from: https://unctad.org/system/files/official-document/diaepcb2022d3_en.pdf

[57] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf

[58] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

IPAs play a central role in driving these streamlining efforts. They should take a leading role in supporting government-wide efforts to streamline investment information, and provide easy entry (via updated links). A critical function is to enhance information transparency even before an investor begins formal procedures. This can be achieved through online tools like step-by-step eRegulations portals, which map out all legal and administrative requirements for establishing and operating a business.[59] For instance, the investment promotion agency Invest in Latvia utilises a multi-stakeholder online system to collect and channel relevant feedback to policymakers about regulatory hurdles faced by investors, ensuring that inefficiencies are identified and addressed.[60]

7. Strengthen judicial enforcement mechanisms to enhance investor confidence and foster collaborative partnerships in achieving prioritised SDG objectives.

To enhance investor confidence, particularly for long-term sustainable projects, governments should strengthen judicial mechanisms to enforce contracts fairly. For investors engaging in partnerships to achieve SDG objectives, such as in infrastructure or renewable energy, the assurance that their rights will be protected is a critical determinant of their investment decision. This requires that court proceedings for contract enforcement are transparent, objective, efficient, and equally accessible to all investors, both foreign and domestic.[61] When investors have confidence in the impartiality and effectiveness of the judiciary, they are more willing to commit significant capital to priority sectors. This is particularly crucial for Public-Private Partnerships (PPPs) in infrastructure, where a sound legal framework and mechanisms for enforcing complex, long-term contracts are key to success.[62]

Beyond strengthening formal court systems, governments can foster greater investor confidence by establishing proactive mechanisms for dispute prevention and resolution. Promoting the use of Alternative Dispute Resolution (ADR) methods, such as mediation and conciliation, can be highly effective.[63]ADR can resolve issues more quickly and at a lower cost than litigation, and is often better at preserving the long-term business relationships that are vital for ongoing sustainable projects. Furthermore, establishing an "investment ombudsman" or a dedicated focal point to handle investor complaints and grievances can help address potential conflicts before they escalate into formal legal disputes. For instance, the Netherlands promotes mediation for commercial disputes, with institutions like the Mediatorsfederatie

[59] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[60] Investment and Development Agency of Latvia (LIAA).Invest in Latvia. Retrieved from https://investinlatvia.org/
[61] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[62] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[63] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

Nederland (MfN) setting professional standards and providing a quality register of mediators, offering investors a structured and efficient alternative to court proceedings.[64]

Guiding Questions for Recommendation II and its Sub-recommendations:

1. Has a primary guiding policy document been identified that outlines sustainable development goals, priorities, and timeframes to guide FDI strategies?
2. Have investment laws, frameworks, and SEZ regulations been updated to explicitly align with prioritised SDGs?
3. Is there a regularly updated pipeline of sustainable FDI projects, with defined SDG contributions, promoted through digital platforms and partnerships?
4. Are ESG standards and RBC principles mandated for investors through legislation, due diligence requirements, and mandatory disclosure frameworks?
5. Have investment promotion guidelines been developed for government employees to incentivise SDG contributions, while streamlining administrative barriers?

III. The WB6 to prioritise investment incentives with sustainable development impacts

1. Where possible, revise existing investment incentives to eliminate those that undermine the achievement of the SDGs, such as those that compromise labour rights or environmental protection.

A critical first step in creating a sustainable FDI framework is to review and revise investment incentives to eliminate those with negative environmental and social impacts. The assumption that lowering environmental and labour standards is needed to attract investment is often flawed. Evidence suggests that such an approach can drive away high-quality, responsible investors that prefer stable and predictable regulatory environments.[65] A stronger focus on sustainable development therefore calls for a comprehensive review of existing subsidy programmes, which in some sectors like fossil fuels, agriculture, and fisheries can be environmentally harmful.[66] Furthermore, while revising incentives and measures, special attention should be given to avoiding measures that distort competitiveness (e.g. excessive tax breaks). A clear example of revising a framework to eliminate such harmful loopholes is the European Union's reform of its Posted Workers Directive, which established the principle of "equal pay for equal work" to prevent social dumping and protect labour standards across the single market.[67]

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[64] Mediatorsfederatie Nederland. (2025). *MfN-register*. https://mfnregister.nl/
[65] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf
[66] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[67] European Parliament and Council of the European Union. (2018). Directive (EU) 2018/957 of the European Parliament and of the Council of 28 June 2018 amending Directive 96/71/EC concerning the posting of workers in the framework of the provision of services. *Official Journal of the European Union, L 173/16*. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32018L0957

The revision process should be structured around a thorough audit of all existing incentive schemes across all levels of government to assess their alignment with sustainable development goals. This audit should evaluate each incentive's costs, including fiscal revenue foregone and potential economic distortions, against its actual benefits.[68] A key driver for this reform is the changing global context. Recent international tax reforms are reducing the effectiveness of traditional fiscal incentives, making high-quality investment facilitation and targeted support services even more critical tools for attracting sustainable FDI.[69] This process should be transparent, allowing policymakers and the public to scrutinise the costs and benefits of incentives – a core tenet of good governance in investment policy.[70]

2. Strengthen and target incentives towards investments that directly support the achievement of prioritised SDGs.

To maximise the SDGs impact of FDI, government bodies should shift from offering general, location-based incentives to a more strategic approach using targeted, "sustainability-based" incentives.[71] This involves two main strategies: first, targeting specific incentives towards investment in priority SDG-related sectors, and second, making general incentives conditional on the investor's measurable contribution to specific sustainability outcomes. These performance-based criteria can include commitments to local sourcing, R&D activities, job creation in disadvantaged regions, or achieving specific energy efficiency targets.[72] This targeted approach ensures that public support is directly channelled towards achieving development goals and attracting high-quality FDI that provides clear benefits beyond capital investment. For example, Denmark has successfully built a world-leading wind energy cluster by using a long-term strategy of targeted incentives, including R&D support and favourable market access rules, to attract and develop investment in this key renewable energy sector.[73]

The effective design of targeted incentives is crucial for their success. Governments should favour cost-based incentives over profit-based ones as they are more directly linked to specific sustainable activities. This can include enhanced tax deductions for expenditures on employee training or investments in energy-efficient machinery.[74] For instance, Austria's tax framework provides a clear example of a tiered, cost-based incentive. It offers a general investment allowance that allows companies to deduct 10% of the acquisition cost of new assets, but this

[68] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[69] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf
[70] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf
[71] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[72] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[73] International Energy Agency. (2023). *Energy Policy Review: Denmark 2023*. International Energy Agency. https://iea.blob.core.windows.net/assets/9af8f6a2-31e7-4136-94a6-fe3aa518ec7d/Denmark_2023.pdf
[74] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf

deduction is increased to 15% for investments in assets classified as ecologically sustainable, creating a direct financial advantage for green investments.[75]

3. Explore options to better link investment incentives with sustainability criteria, with the aim of encouraging financial and non-financial support that contributes measurably to prioritised SDG outcomes.

To effectively link investment incentives with sustainability criteria, the WB6 can adopt performance-based mechanisms that tie financial and non-financial support to verifiable contributions to prioritised SDGs. This involves structuring incentives, such as tax credits, grants, or subsidies, to reward investors which meet specific sustainability benchmarks, such as reducing carbon emissions, promoting gender equality in employment, or improving resource efficiency. Non-financial incentives, like expedited permitting processes and access to government-funded training programmes, can also be conditional on achieving measurable sustainability outcomes. Embedding conditionality, governments ensure FDI aligns with SDGs like affordable and clean energy (SDG 7), decent work and economic growth (SDG 8) or climate action (SDG 13), while optimising public resources and enhancing investor accountability through regular monitoring and impact assessments.

Implementation requires clear guidelines, robust monitoring systems, and collaboration with stakeholders to define and verify sustainability metrics. Investors could be required to submit sustainability impact plans as part of the incentive application process, with clawback mechanisms for non-compliance. For example, Sweden's Green Industrial Transition initiative offers tax relief and grants to companies investing in sustainable technologies, such as low-carbon production or renewable energy, conditional on achieving specific environmental targets like reducing greenhouse gas emissions by a set percentage. In 2023, this programme supported over 50 projects, attracting EUR 1.2 billion in FDI while contributing to Sweden's net-zero goals, demonstrating how targeted incentives can drive SDG-aligned investments while fostering innovation and economic growth.[76]

4. Introduce dedicated incentives to encourage linkages between foreign investors and domestic companies, universities, and research centres in sustainable investment areas, fostering knowledge transfer and innovation.

To stimulate innovation and high-value knowledge transfer, incentives should also be specifically targeted at fostering collaboration between foreign investors, universities, and public research centres. This can be achieved through fiscal incentives, such as enhanced tax credits for collaborative R&D expenditures, which directly lower the cost for a foreign firm to partner with a university in the place where the investment takes place on developing new sustainable technologies.[77]

[75] PwC Austria. (2023, 27 April). *Austrian Income Tax Guidelines Amendment Decree 2023 published*. PwC Steuernachrichten. https://steuernachrichten.pwc.at/en/blog/2023/04/27/austrian-income-tax-guidelines-amendment-decree-2023-published/

[76] Organisation for Economic Co-operation and Development (OECD). (2022). Climate policies and Sweden's green industrial revolution https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/12/climate-policies-and-sweden-s-green-industrial-revolution_2a3ecaa2/c0f4fa26-en.pdf

[77] Organisation for Economic Co-operation and Development (OECD). (2023). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf

By bringing together multiregional enterprises (MNEs), innovative start-ups, and academic research institutions, a dynamic environment that promotes both formal and informal knowledge sharing can be fostered. Governments can offer specific incentives to foreign firms that establish R&D facilities within these parks and commit to collaborative actions, such as sponsoring joint research projects with public institutions, or participating in mentorship programmes for entrepreneurs, thereby ensuring that FDI contributes directly to building the investment host's long-term innovation capacity.[78]

5. Provide technical assistance and financial support to domestic SMEs to help them integrate into FDI value chains aligned with SDG priorities, including through meeting sustainability standards, obtaining international certifications, and fostering innovation to enhance their competitiveness.

To effectively integrate domestic SMEs into FDI value chains aligned with SDG priorities, governments should provide targeted technical assistance designed to close the capability gap between local firms and multiregional enterprises. To improve the long-term competitiveness of domestic SMEs, authorities should combine pro-business regulations with targeted initiatives that promote access to essential firm-level assets like expertise, funding, technological innovation, and digital transformation.[79] A key mechanism for this is the use of supplier development programmes, which assess the needs of local firms and provide targeted coaching and training in areas like quality control, management strategy, and product certification to meet international standards.[80] These programmes can be supplemented with technology extension services (TES) to improve the use of "new-to-firm" innovation by SMEs, facilitating the adoption of existing technology through diagnostic assessments and technical assistance.[81] A clear example of such technical support is the Internationalisation Academy in Portugal, which provides training programmes and online courses developed in collaboration with universities in Portugal and business schools to equip companies with the knowledge required to understand and comply with international product certification standards and procedures.[82]

In parallel with technical assistance, targeted financial support is crucial for enabling SMEs to undertake the necessary investments to link with foreign firms. Governments can address the financing challenges of SMEs by providing a range of instruments, including direct grants, subsidised loans, and credit guarantee schemes specifically for technology upgrading and

[78] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf
[79] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf
[80] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf
[81] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf
[82] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf

innovation.[83] For example, tax relief measures can be granted to support innovative start-ups and young high-growth firms, helping them expand their business operations and join global value chains. A prominent example is France's R&D tax credit (*Crédit d'Impôt Recherche* - CIR), which allows young innovative companies to receive a significant tax credit on their R&D expenditures.[84] This incentive directly lowers the cost of innovation, making it more feasible for domestic start-ups to develop the advanced capabilities needed to become attractive partners for foreign investors in high-tech sustainable sectors.

Guiding Questions for Recommendation III and its Sub-recommendations:

1. Have existing investment incentives been reviewed and revised to eliminate those that undermine SDGs, such as by weakening labour rights or environmental protections?
2. Are incentives targeted towards SDG-aligned investments, using performance-based criteria like local sourcing, R&D or energy efficiency?
3. Do dedicated incentives exist to encourage linkages between foreign investors and domestic entities, such as universities and research centres, for knowledge transfer and innovation in sustainable areas?
4. Is technical assistance and financial support provided to domestic SMEs, through programmes like supplier development, training, and grants to integrate them into SDG-aligned FDI value chains?
5. Have judicial enforcement mechanisms been strengthened, including ADR and ombudsman roles, to build investor confidence in SDG-focused partnerships?

IV. The WB6 to focus on investment promotion of sustainable FDI opportunities

1. Clearly define and strengthen the roles of Investment Promotion Agencies (IPAs) and Special Economic Zone (SEZ) authorities within the sustainable FDI governance framework.

To effectively integrate sustainability into the FDI governance framework, the roles of IPAs and Special Economic Zone (SEZ) authorities should be defined and strengthened. IPAs should be given a formal mandate to serve as the main point of contact between the government and investors, with responsibilities that go beyond basic promotion to include an essential role in advocating for policy reforms that improve the investment climate. This involves channelling feedback from investors to policymakers to address regulatory bottlenecks and improve the overall business climate.[85] SEZ authorities, in turn, need to move beyond being mere administrators of zones to becoming active promoters of sustainable industrial development.[86]

[83] AICEP Portugal Global.Academia Internacionalizar. Retrieved from https://www.portugalexporta.pt/agenda/academia-internacionalizar
[84] Bpifrance. (2025). *Le crédit d'impôt recherche (CIR)*. Retrieved from: https://bpifrance-creation.fr/encyclopedie/aides-a-creation-a-reprise-dentreprise/aides-a-linnovation/cir-credit-dimpot-recherche
[85] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf
[86] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

Achieving this requires a strategic integration of sustainability principles into their core functions, positioning them not just as service providers but as proactive enablers of environmentally responsible and socially inclusive investment.[87] A clear definition of roles prevents duplication and ensures that the IPA's promotion strategy and the SEZ place-based offerings are complementary and mutually reinforcing.[88]

For SEZ authorities, this means developing the expertise to seek and facilitate investment in green technologies, circular economy models, and high-value-added services. This can be achieved by providing them with the necessary tools and training to promote responsible investment, including support services for adopting environmental best practices and shared renewable energy facilities within the zones.[89] Crucially, a formal mechanism for collaboration between IPAs and SEZ authorities is needed to align their respective promotion efforts, share market intelligence, and present a unified and coherent value proposition to investors, as promoted by initiatives like the Global Alliance of Special Economic Zones (GASEZ).[90]

2. Strengthen IPAs and SEZs capacity to understand and prioritise promotion of sustainable FDI through targeted promotions and campaigns.

To effectively promote sustainable FDI, IPAs and SEZ authorities should first strengthen their internal capacity to understand and prioritise relevant opportunities. This requires moving beyond traditional investment attraction metrics to developing in-house expertise on sustainable development issues and specific SDG-related sectors. A key step is for IPAs to define specific SDG criteria and targets to filter and rank prospective investment projects, allowing them to prioritise their services and resources.[91] For example, investments that align with the prioritised SDGs in the Recommendations and this adjacent Toolkit can rank higher. This internal capacity building also means training staff to understand the specific needs of SDG-oriented investors, who may require different kinds of support and information compared to traditional investors.

This involves moving beyond promoting the location alone and instead highlighting SDG projects that are well-prepared and attractive to investors.[92] IPAs can use their websites and online platforms to provide investors with information on the enabling environment and

[87] United Nations Conference on Trade and Development (UNCTAD). (2023). Facilitating investment in the Sustainable Development Goals. Retrieved from: https://unctad.org/system/files/official-document/diaepcb2022d3_en.pdf
[88] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[89] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[90] United Nations Conference on Trade and Development (UNCTAD). (2023). Facilitating investment in the Sustainable Development Goals. Retrieved from: https://unctad.org/system/files/official-document/diaepcb2022d3_en.pdf
[91] United Nations Conference on Trade and Development (UNCTAD). (2023). Facilitating investment in the Sustainable Development Goals. Retrieved from: https://unctad.org/system/files/official-document/diaepcb2022d3_en.pdf
[92] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

specific opportunities in SDG-related sectors.[93] A clear example of effective technical support and investment promotion is Invest in the Netherlands, which received recognition for its innovative online efforts to position the economy as a dynamic and interconnected life sciences hub. Its digital campaigns successfully highlighted the Netherlands' favourable investment climate in the health sector, providing comprehensive information on strategic policies, research infrastructure, and the availability of skilled professionals.[94][95]

3. Establish mechanisms to ensure that IPAs regularly receive up-to-date information on sustainable FDI projects across sectors.

To ensure that IPAs regularly receive up-to-date information on sustainable FDI projects, governments should establish formal institutional mechanisms that embed the IPA within the strategic planning and coordination framework. An effective mechanism for this is to grant the IPA a formal and influential seat on high-level, inter-ministerial councils or committees responsible for overseeing development strategies and priority SDG sectors.[96] This provides the agency with direct, top-down access to strategic information on government-conceived projects. This strategic channel should be complemented by bottom-up information flows, requiring strong coordination with authorities which are closer to specific land, infrastructure, and community-level investment opportunities.

Beyond formal governance structures, practical operational mechanisms are needed to manage the day-to-day exchange of project-level data. A key tool for this is the creation of an integrated, government-wide digital data hub for information-sharing and project coordination.[97] For example, the United Kingdom's Department for International Trade launched such a system to provide centralised project information, facilitating continuous working relationships and data exchange between the central, regional, and authorities involved in project approval and implementation.[98] One effective approach is staff secondment, whereby officials from relevant sectoral ministries are temporarily assigned to the IPA.[99] This practice builds deep institutional linkages, facilitates the transfer of tacit knowledge and technical expertise, and ensures the IPA has a direct line of communication to understand the nuances of sustainable projects, making their promotion efforts far more credible and effective.

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[93] United Nations Conference on Trade and Development (UNCTAD). (2023). Facilitating investment in the Sustainable Development Goals. Retrieved from: https://unctad.org/system/files/official-document/diaepcb2022d3_en.pdf

[94] Invest in Holland. Doing business here. Retrieved from https://investinholland.com/doing-business-here/

[95] HealthHolland. (2021). Announcement: Invest in Holland has won the United Nations Investment Promotion Award. Retrieved from: https://www.health-holland.com/news/2021/10/announcement-invest-holland-has-won-united-nations-investment-promotion-award

[96] United Nations Conference on Trade and Development (UNCTAD). (2023). Facilitating investment in the Sustainable Development Goals. Retrieved from: https://unctad.org/system/files/official-document/diaepcb2022d3_en.pdf

[97] United Nations Conference on Trade and Development (UNCTAD). (2023). Facilitating investment in the Sustainable Development Goals. Retrieved from: https://unctad.org/system/files/official-document/diaepcb2022d3_en.pdf

[98] Department for International Trade. (2021). From database to data-driven decision making. Retrieved from: https://digitaltrade.blog.gov.uk/2021/01/20/from-database-to-data-driven-decision-making/

[99] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

4. Improve investment promotion and targeting by actively participating in events dedicated to sustainable FDI.

Active participation in international conferences, seminars, forums, and workshops dedicated to sustainable investment is crucial for networking with a diverse and targeted group of stakeholders. These events allow officials to move beyond engaging only with traditional corporate investors and to build relationships with a wider ecosystem of entities essential for SDG projects. At these events, IPAs can organise pre-arranged one-on-one meetings and B2B matchmaking sessions, where they can present specific opportunities from their project portfolio, not just to potential investors, but also to potential technology partners and suppliers. This direct engagement is vital for building trust and understanding the specific needs of different types of capital.

This is an opportunity to learn first-hand about the risk-return profiles investors expect from SDG-related projects and the types of government support and risk-sharing tools that are most effective. Global gatherings are designed precisely as platforms that enable high-level dialogue, exchange of ideas, and the creation of new partnerships among policymakers, investors, and other stakeholders from around the world.[100] Moreover, the knowledge and relationships developed through international forums provide IPAs with the tools needed to host focused promotional events, including investor days or industry-specific roadshows, allowing them to showcase high-potential sustainable investment opportunities to a strategically targeted audience.[101]

5. Develop investor journey roadmaps that clearly outline the steps for sustainable FDI from concept to implementation, ensuring a smooth and transparent process.

To ensure a smooth and transparent process for sustainable FDI, governments should develop and publish detailed investor journey roadmaps. The first step in creating such a roadmap is to map and clarify all mandatory administrative procedures an investor should follow, from initial company registration and obtaining permits to paying taxes and hiring workers.[102] Once mapped, these procedures should be rigorously analysed to eliminate redundant steps and simplify requirements, a process which can often reduce the number of administrative interactions by more than half.[103] This streamlined journey is then made fully transparent to investors through online digital platforms, which serves as a public inventory detailing every step, form, cost, legal basis, and contact point for all required procedures.[104]

[100] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[101] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[102] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[103] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[104] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

The IPA should ensure the roadmap includes dedicated pathways for priority SDG sectors, providing clarity on sector-specific regulations and available incentives. The roadmap is more than a static document; it serves as an interactive digital tool designed to guide investors seamlessly towards a transactional easily accessible portal. By guiding investors through a clear, predictable, and efficient digital journey, governments build trust, enhance the credibility of their institutions, and significantly improve their attractiveness for the high-quality, long-term sustainable investments needed to achieve their development goals.

Guiding Questions for Recommendation IV and its Sub-recommendations:

1. Have the roles of IPAs and SEZ authorities been clearly defined and strengthened within the sustainable FDI governance framework?
2. Have IPAs and SEZs built capacity to prioritise and promote sustainable FDI through staff training, SDG criteria for projects, and targeted campaigns?
3. Are mechanisms in place for IPAs to receive regular updates on sustainable FDI projects, such as inter-ministerial seats, digital data hubs, and staff secondments?
4. Does the government actively participate in international events dedicated to sustainable FDI, including networking, matchmaking?
5. Have investor journey roadmaps been developed and published, outlining streamlined steps for sustainable FDI, with digital tools and sector-specific pathways?

V. Where possible, the WB6 to undertake a reform of their International Investment Agreements (IIAs) through the lens of a new generation of IIAs, with a view to integrating sustainability considerations

1. Embed explicit clauses in the preamble and substantive provisions of new and renegotiated IIAs to uphold environmental sustainability, labour rights, and responsible business conduct (RBC), aligned with international standards.

To align new and renegotiated International Investment Agreements (IIAs) with modern sustainability imperatives, governments should include clauses in both the preamble and the substantive provisions that uphold environmental, social, and labour standards. The preamble of an IIA is a crucial starting point. While traditionally focused on creating favourable conditions for investment, a new generation of treaties uses the preamble to explicitly state that attracting responsible investment which contributes to sustainable development is a core objective of the agreement.[105] This sets the interpretive context for the entire treaty, signalling to arbitral tribunals that investor protection should be balanced with the investment host's development goals and the right to regulate in the public interest. This foundational statement

[105] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

can be further strengthened by clarifying that the treaty's objectives should be pursued in compliance with the parties' other international obligations, including those related to human rights and environmental protection.[106]

Beyond the preamble, the substantive chapters of IIAs should be reformed to include specific, enforceable provisions on RBC and investor obligations. Modern agreements are increasingly moving beyond a framework that only confers rights on investors to one that also outlines their responsibilities.[107] This can be achieved by incorporating clauses that require investors to comply with all laws of the recipient at every stage of the investment, from entry to post-operation. A more advanced approach, reflecting the latest developments in RBC, is to require investors to conduct thorough due diligence to identify, prevent, and mitigate environmental and social risks associated with their investments.[108] The most progressive treaties include specific, thematic sustainability provisions directly in the text. A notable example is the 2019 model Bilateral Investment Treaty of the Netherlands, which contains an explicit provision on gender equality, recognising the importance of incorporating a gender perspective to promote inclusive growth and support the economic integration of women.[109] By embedding such explicit clauses, IIAs can be transformed from pure investment protection tools into active instruments for promoting sustainable development.

2. Incorporate carve-outs and exceptions in IIAs to preserve the right of the government to regulate in pursuit of public interest objectives, such as climate action, social equity, and public health, reflecting best practices from the new generation of IIAs.

To preserve the government's right to regulate in the public interest, new and renegotiated IIAs should incorporate specific mechanisms that create "policy space" for legitimate public objectives. One of the most direct and effective tools for this is the use of "carve-outs" or exclusions from the scope of the treaty. This involves explicitly identifying and removing entire policy areas or sensitive sectors from the treaty's obligations from the outset.[110] By doing so, government measures within these carved-out areas cannot be legally challenged by investors under the agreement. For example, a modern IIA can be designed to exclude key policy areas such as public procurement, taxation, subsidies, and grants, as well as sensitive sectors like essential social services (e.g. health, education), cultural industries, or natural resources.[111] This

[106] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[107] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[108] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf
[109] De Brabandere, E. (2021). The 2019 Dutch Model Bilateral Investment Treaty: Navigating the Turbulent Ocean of Investment Treaty Reform. ICSID Review - Foreign Investment Law Journal. 338 Retrieved from: https://doi.org/10.1093/icsidreview/siab014
[110] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[111] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

is particularly important for developing markets that may need to provide preferential treatment to domestic investors or SMEs as part of their industrial development strategies.

A second crucial mechanism is the inclusion of general public policy exceptions clauses. Unlike carve-outs, which remove a policy area entirely, these exceptions allow a government to justify a measure that might otherwise violate a treaty provision, as long as it is taken in good faith to achieve a legitimate and pre-defined public policy objective.[112] The scope of these clauses is critical and should cover measures necessary for the protection of human rights, public health, social equity, and the environment. Best practices suggest that treaties should define the required link (nexus) between the government's measure and its objective, and include safeguards to prevent abuse, ensuring the measure is not a form of "disguised restriction on international trade or investment".[113] The EU-Canada Comprehensive Economic and Trade Agreement (CETA) is a prominent example of this modern approach, as it includes provisions that explicitly affirm the right of each party to regulate within its territory to achieve legitimate policy objectives, such as the protection of health and the environment.[114]

3. Negotiate IIAs that explicitly affirm the respective commitments to relevant international frameworks, such as the Paris Agreement, the United Nations Framework Convention on Climate Change (UNFCCC), core International Labour Organization (ILO) Conventions, and the Universal Declaration of Human Rights, and support the effective implementation of these obligations where applicable.

To ensure comprehensive policy coherence and reinforce a government's commitment to global standards, new and renegotiated IIAs should explicitly affirm the parties' existing obligations under other key international frameworks. A core feature of a modern, sustainable IIA is to ensure that its provisions for investment protection do not undermine the government's commitments in other critical areas of international law, such as human rights, labour, and environmental protection.[115] This is a direct response to the risk of policy fragmentation, where a narrow focus on investor rights could unintentionally constrain government's ability to implement its broader international duties. This can be achieved by embedding clauses that reaffirm the parties' commitments to relevant multilateral agreements. By formally acknowledging and integrating these other international obligations, IIAs become more balanced instruments that are aligned with the overall sustainable development strategy.

In practice, this involves incorporating direct and unambiguous references to specific international instruments within the text of the investment treaty. For example, to address climate change, an IIA can include a provision where each signatory commits to the effective implementation of the United Nations Framework Convention on Climate Change (UNFCCC)

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[112] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

[113] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

[114] European Commission (2021). The EU-Canada Comprehensive Economic and Trade Agreement (CETA). Retrieved from: https://ec.europa.eu/trade/policy/in-focus/ceta/

[115] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

and the Paris Agreement. The EU-UK Trade and Co-operation Agreement is a clear example of a recent treaty that contains such a commitment, linking the investment relationship directly to climate action goals.[116] Similarly, to uphold social standards, IIAs can include provisions that commit governments to maintain and implement internationally recognised labour standards, most prominently those found in the core International Labour Organization (ILO) Conventions.

4. Negotiate or renegotiate IIAs to ensure that domestic environmental and labour laws are not weakened to attract investment.

To ensure that the pursuit of foreign investment does not lead to a degradation of domestic legal protections, new and renegotiated IIAs should include explicit "not lowering of standards" clauses. This is a fundamental principle of a new generation of IIAs, designed to counteract the risk of a "regulatory race to the bottom", where there is a temptation to weaken the environmental or labour laws to appear more attractive to investors.[117] This principle is grounded in evidence suggesting that high-quality, long-term investors are not primarily attracted by weak standards. Evidence suggests that lowering labour standards does not facilitate, and may even discourage, FDI.[118] By incorporating a "not lowering of standards" clause, a powerful signal is sent that the development model is based on competitiveness through high standards.

These provisions should be comprehensive, explicitly covering both environmental protection and internationally recognised labour rights, and should apply to all laws and regulations nationwide, including within any Special Economic Zones.[119] The objective is not to freeze the regulatory framework, but to prevent the specific act of lowering standards for the purpose of attracting investment. Furthermore, these clauses can be complemented by provisions that encourage active cooperation between the treaty parties to enhance environmental and labour protection.[120] For example, the Japan-Switzerland Free Trade Agreement contains a specific provision in its investment chapter that prohibits the lowering of labour standards for the purpose of attracting investment.[121]

5. Incorporate clauses in IIAs that require investors to conduct thorough due diligence to identify, prevent, mitigate, and account for environmental and social risks and impacts associated with their investments.

[116] European Commission**.**EU–UK Trade and Cooperation Agreement. Retrieved from: https://commission.europa.eu/strategy-and-policy/relations-united-kingdom/eu-uk-trade-and-cooperation-agreement_en

[117] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

[118] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

[119] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf

[120] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

[121] Ministry of Foreign Affairs, Japan. (2009, 19 February). Agreement on Free Trade and Economic Partnership between Japan and the Swiss Confederation (Chapter 9, Article 101). Retrieved from https://www.mofa.go.jp/region/europe/switzerland/epa0902/agreement.pdf

A key evolution in modern IIAs is the shift from a purely government-centric model to one that includes investor responsibilities, most notably through the incorporation of due diligence requirements. This involves including clauses that encourage or require investors to establish processes to identify, prevent, mitigate, and account for the environmental and social risks and impacts associated with their investments.[122] This approach transforms the concept of RBC from a voluntary, “soft law” principle into a more concrete expectation within the treaty framework. By encouraging due diligence, IIAs can play a role in ensuring that investors are not just passive recipients of protection, but active participants in managing the sustainability footprint of their operations and supply chains.[123]

The operationalisation of due diligence in IIAs can take several forms. A “soft” approach would be to include a best-endeavour clause that encourages investors to comply with universally recognised standards like the UN Guiding Principles on Business and Human Rights and to carry out corporate due diligence. A stronger approach would be to link investor’s compliance with these standards to the benefits they receive under the treaty. For instance, an IIA could specify that an arbitral tribunal may consider investor’s non-compliance with due diligence obligations when interpreting protection standards like “Fair and Equitable Treatment” or when determining the amount of compensation due to the investor. This creates a powerful incentive for responsible conduct. Furthermore, due diligence can be integrated into specific sectors through targeted guidance; for example, the OECD-FAO Guidance for Responsible Agricultural Supply Chains integrates gender as a cross-cutting theme in supply chain due diligence, providing a model for how IIAs could promote responsible investment in priority SDG sectors.[124]

6. Include provisions in IIAs holding investors liable, under the laws of the investment host, for actions or decisions related to their investments that cause significant harm.

To create a more balanced and equitable international investment regime, a new generation of IIAs should include provisions that strengthen investor accountability for significant harm caused by their operations. While traditional IIAs focus exclusively on obligations of the investment host, modern treaty practice is beginning to explore mechanisms that address investor responsibilities more directly. The new generation of IIAs should be in line with the structural ISDS Draft-Reform elements developed by the UNCITRAL.[125] A key mechanism in

[122] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf

[123] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf

[124] Organisation for Economic Co-operation and Development (OECD) & Food and Agriculture Organization of the United Nations (FAO). (2016). OECD-FAO Guidance for Responsible Agricultural Supply Chains. OECD Publishing. Retrieved from https://mneguidelines.oecd.org/oecd-fao-guidance.pdf

[125] Procedural Rules Reform and Cross-cutting Issues UNCITRAL https://uncitral.un.org/en/proceduralrulesreformandcrosscuttingissues

this regard is to empower the investment host to bring counterclaims in ISDS proceedings.[126] This would allow a government, when faced with a claim from an investor, to file a counterclaim for damages arising from the investor's violation of domestic laws, such as those related to environmental protection or labour rights.

A complementary approach can be seen where the origin of the investment host is monitoring its companies and regulates their foreign activities.[127] This is reflected in the growing adoption of mandatory human rights and environmental due diligence legislation, which requires companies to identify, prevent, and mitigate adverse impacts across their global value chains, such as the latest EU directive on corporate sustainability due diligence and EU regulation on prohibiting products made with forced labour on the Union market.[128] While IIAs traditionally do not impose such direct obligations, they can encourage this trend by including provisions for cooperation between treaty parties to facilitate access to justice. This could involve commitments on legal cooperation and intraregional enforcement of judicial decisions. By exploring these innovative approaches, IIAs can support a system where investor rights are balanced with meaningful responsibilities and accountability for their actions.

7. Participate proactively in multilateral discussions to reform IIAs, ensuring that the WB6 adopt global best practices for sustainable investment frameworks.

To ensure that their investment policies remain aligned with global best practices, the WB6 should participate in the ongoing multilateral discussions on the reform of IIAs. The international investment regime is in a state of dynamic evolution, with a clear trend towards making treaties more conducive to sustainable development. Engaging in these global forums allows participants to contribute to shaping the future of investment governance, learn from the experiences of others, and ensure that their own reform efforts are consistent with emerging international consensus. Multilateral platforms such as UNCTAD and the OECD provide crucial venues for this policy dialogue, offering technical expertise, capacity building, and a space for peer-learning among negotiators.[129],[130]

Active participation in these forums provides several concrete benefits. It allows policymakers to stay ahead of the latest innovations in treaty design, from new approaches to dispute

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126 United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

127 United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

128 Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859 https://eur-lex.europa.eu/eli/dir/2024/1760/oj/eng and Regulation (EU) 2024/3015 of the European Parliament and of the Council of 27 November 2024 on prohibiting products made with forced labour on the Union market, amending Directive (EU) https://eur-lex.europa.eu/eli/reg/2024/3015/oj/eng.

129 United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

130 Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf

settlement to best practices for safeguarding the right to regulate.[131] For example, the WTO's informal dialogue on investment facilitation for development is a key multilateral process where participants are collectively developing new rules to make investment processes more transparent and efficient, with direct implications for attracting sustainable FDI.[132] UNCTAD's biennial World Investment Forum serves as the premier global platform for high-level, multi-stakeholder dialogue on investment for development, bringing together policymakers, investors, and civil society to launch new initiatives and build consensus on reform pathways.[133]

Guiding Questions for Recommendation V and its Sub-recommendations:

1. Do new or renegotiated IIAs include explicit clauses in preambles and provisions upholding environmental sustainability, labour rights, RBC, and alignment with international standards?
2. Are carve-outs and exceptions incorporated in IIAs to preserve government rights to regulate for public interest objectives like climate action and public health?
3. Do IIAs affirm commitments to international frameworks such as the Paris Agreement, UNFCCC, ILO Conventions, and human rights declarations, supporting their implementation?
4. Have IIAs been negotiated to prevent weakening of domestic environmental and labour laws to attract investment, including "not lowering standards" clauses?
5. Do IIAs require investors to conduct due diligence for environmental and social risks, with provisions for accountability and liability under laws of their origin?

VI. The WB6 to establish FDI sustainable impact monitoring and evaluation

1. Establish a review process to ensure that sustainable FDI strategic framework's measures are effectively implemented and integrated into broader assessments of investment policy effectiveness.

To ensure the effective implementation of a sustainable FDI strategic framework, it is crucial to go beyond static policy design by establishing a dynamic review process anchored in a strong monitoring and evaluation (M&E) system. This involves creating a permanent institutional capacity, such as a dedicated evaluation unit, to track progress and assess performance against the strategy's stated objectives. Such an M&E framework should employ a mix of methodologies, combining the use of quantitative Key Performance Indicators (KPIs) with qualitative tools such as investor surveys, benchmarking exercises, and stakeholder

[131] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[132] World Trade Organization. *The WTO*. Retrieved from https://www.wto.org/english/thewto_e/thewto_e.htm
[133] United Nations Conference on Trade and Development (UNCTAD). World Investment Forum. Retrieved from: https://worldinvestmentforum.unctad.org/

consultations to provide a holistic view of policy effectiveness.[134] It should include *ex ante* assessments to predict the potential impacts of new policy measures, and regular *ex post* evaluations to determine the actual results and identify any unintended consequences or implementation bottlenecks.[135]

The findings from this dedicated review process should be formally integrated into broader assessments of overall investment policy effectiveness to create an evidence-based feedback loop for continuous improvement. The purpose of M&E is not simply to produce reports but to ensure that lessons learned are channelled back to high-level decision-making bodies, such as the inter-ministerial committee overseeing the FDI strategy, to inform corrective actions and future policy design. This ensures that policymaking is dynamic and can be adapted to changing economic and development circumstances. The review process should therefore assess not only the outcomes of policy measures but also the actual enforcement of rules and regulations across all administrative levels, ensuring that the intended reforms are effectively implemented in practice.[136] A strong example of this integrated approach is the European Union's Cohesion Policy framework. For each programming period, EU Member States are required to establish a detailed performance framework with clear indicators and milestones, and to conduct regular, independent evaluations. The results of these evaluations are then used to adjust implementation and to design the subsequent generation of policies, demonstrating a clear and effective link between a review process and the broader assessment of policy effectiveness.[137]

2. Regularly evaluate the progress of FDI projects against defined timeframes using measurable indicators (e.g. job quality, carbon emissions reductions, gender equity) to assess alignment with sustainable development outcomes.

Consistent evaluation of individual FDI projects is vital to shift the focus from basic capital inflow measurements towards understanding their actual contribution to sustainable development objectives. This requires a granular approach where progress is measured against pre-defined, time-bound, and quantifiable indicators that reflect the specific SDG priorities. The selection of these impact indicators is a critical step. A comprehensive framework should cover a range of economic, social, and environmental metrics.[138] Economic indicators can include direct contributions to GDP, value of capital formation, and net export generation. Social indicators should go beyond the simple number of jobs created to include measures of job quality, such as wage levels, typologies of employee skill levels, and specific metrics on

[134] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf
[135] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf
[136] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[137] European Commission. (2021). Performance, monitoring and evaluation of the European Regional Development Fund, the Cohesion Fund and the Just Transition Fund in 2021-2027. Publications Office of the European Union. Retrieved from: https://ec.europa.eu/regional_policy/en/information/publications/evaluations-guidance-documents/2021/performance-monitoring-and-evaluation-of-the-european-regional-development-fund-the-cohesion-fund-and-the-just-transition-fund-in-2021-2027
[138] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

the employment of women and disadvantaged groups. Environmental indicators should track concrete outcomes, such as reductions in GHG emissions, improvements in energy and water efficiency, and the adoption of circular economy practices.[139]

This requires a combination of quantitative data, which can often be sourced from statistics offices or social security data, and qualitative information gathered directly from investors through regular surveys and aftercare consultations. The institutional capacity to collect, analyse, and report on these indicators is crucial. IPAs are well-positioned to lead this effort, integrating SDG-related questions into their regular investor surveys and aftercare programmes. For example, in Croatia, the Investment Promotion Act links incentives directly to performance. The level of aid, typically a reduction in corporate income tax, is tiered according to the size of the investment and the number of new jobs created. Investors are contractually obligated to maintain the investment and the jobs for a specified period after the project is completed. Government bodies monitor compliance with these conditions, ensuring a direct and verified link between public support and measurable development outcomes.[140]

3. Report regularly on the progress of sustainable FDI projects within the sustainable FDI governance framework and to relevant government bodies, ensuring timely information sharing and awareness of impacts and challenges.

Effective monitoring depends on the creation of formal reporting mechanisms that ensure the progress of sustainable FDI projects is regularly communicated to all relevant government institutions. The primary audience for these reports is the high-level, inter-ministerial governance body responsible for the sustainable FDI framework.[141] This body requires regular, concise, and evidence-based updates to make informed strategic decisions, ensure accountability, and maintain political momentum.

To enable consistent information sharing, the integration of digital tools is essential. The IPA, in its role as the central facilitator, can manage a sophisticated Customer Relationship Management (CRM) system that is updated with the latest data from investor aftercare and monitoring activities.[142] This system can be used to generate regular, automated reports and dashboards for key government stakeholders, providing a real-time overview of the FDI pipeline and the performance of established projects against their SDG commitments.[143] This ensures that all relevant ministries and agencies have access to the same consistent and up-to-date information. For instance, the Government of Germany utilises a comprehensive monitoring system for its Sustainable Development Strategy. A key part of this is the

[139] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[140] Narodne novine. (2022). *Zakon o poticanju ulaganja* (NN 63/22, 136/24). Zakon.hr. Retrieved from: https://www.zakon.hr/z/829/zakon-o-poticanju-ulaganja
[141] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf
[142] United Nations Conference on Trade and Development (UNCTAD). (2023). Facilitating investment in the Sustainable Development Goals. Retrieved from: https://unctad.org/system/files/official-document/diaepcb2022d3_en.pdf
[143] United Nations Conference on Trade and Development (UNCTAD). (2023). Facilitating investment in the Sustainable Development Goals. Retrieved from: https://unctad.org/system/files/official-document/diaepcb2022d3_en.pdf

Deutschland-Monitor, an online portal that provides publicly accessible data and indicators on regional development and quality of life. This system serves as a powerful tool for internal policy coordination and public reporting, ensuring that progress towards the government goals is transparently tracked and that disparities are identified, allowing for more targeted and effective policymaking.[144]

4. Create mechanisms to incorporate input from local communities, NGOs, and industry stakeholders to refine FDI strategic framework and promote inclusive, sustainable outcomes.

To ensure that the sustainable FDI strategic framework is not only effective but also legitimate and inclusive, governments should create structured mechanisms to incorporate input from a wide range of non-governmental stakeholders. This involves moving beyond top-down policymaking to a more participatory approach where non-governmental organisations (NGOs), trade unions, industry representatives and similar have a meaningful voice in shaping and refining the strategy. This is particularly important for managing the social and environmental impacts of large investment projects, where local communities are the most directly affected. Public consultations, stakeholder workshops, and the inclusion of civil society representatives on advisory boards are all effective mechanisms for gathering this crucial input.[145]

For example, during the development of central or regional development plans that guide FDI, public consultations can help identify local priorities and concerns. Once projects become operational, setting up local grievance mechanisms or multi-stakeholder monitoring committees can offer communities a structured platform to voice concerns and participate in identifying and resolving issues.[146] IPAs can play a key role in facilitating this dialogue, acting as a trusted intermediary between investors, the government, and local stakeholders.[147] A clear example of a formalised stakeholder feedback mechanism is the European Commission's Have Your Say portal. This online platform allows citizens, businesses, and NGOs to provide direct input on new EU laws and policies, including those related to trade, investment, and sustainability.[148]

5. Implement public reporting systems to disclose FDI project outcomes, enhancing transparency, accountability, and stakeholder trust in sustainable investment efforts.

To build public trust and enhance accountability, the results of FDI impact monitoring should be made publicly available through transparent reporting systems. While internal government

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[144] Deutschland-Monitor. *Deutschland-Monitor. Retrieved from:* https://deutschland-monitor.info/

[145] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf

[146] United Nations Conference on Trade and Development (UNCTAD). (2023). Facilitating investment in the Sustainable Development Goals. Retrieved from: https://unctad.org/system/files/official-document/diaepcb2022d3_en.pdf

[147] United Nations Conference on Trade and Development (UNCTAD). (2023). Facilitating investment in the Sustainable Development Goals. Retrieved from: https://unctad.org/system/files/official-document/diaepcb2022d3_en.pdf

[148] European Commission. (2025). *Have your say*. https://ec.europa.eu/info/law/better-regulation/have-your-say_en

reporting is essential for policy management, public disclosure of project outcomes is crucial for demonstrating a genuine commitment to sustainable development and for holding both the government and investors accountable for their performance.[149] This involves publishing regular, accessible, and easy-to-understand reports on the aggregate contribution of FDI to SDG priorities.

IPAs are the natural leaders for this public reporting function. They can use their official websites and annual reports to publish key findings and success stories, which not only enhances transparency but also serves as a powerful investment promotion tool. Showcasing the positive and verified SDG impacts of existing investments signals to other responsible investors that the investment host is a credible and desirable destination for sustainable projects. A key tool for this is the development of an online public dashboard that provides regularly updated data on the performance of the FDI portfolio against key sustainability metrics. An excellent example of a mandatory public reporting system is the European Union's Corporate Sustainability Reporting Directive (CSRD). This directive requires large companies operating in the EU to publicly report on their environmental and social impacts according to a detailed set of standards. While this is a corporate disclosure requirement, it creates a wealth of publicly available standardised data on the sustainability performance of major investors, which significantly enhances transparency and provides a powerful tool for governments and stakeholders to monitor the outcomes of FDI.[150]

Guiding Questions for Recommendation VI and its Sub-recommendations:

1. Has a review process been established, including an M&E system with KPIs and methodologies, to assess the implementation and integration of sustainable FDI measures into broader policy evaluations?
2. Are FDI projects regularly evaluated against time-bound indicators for alignment with sustainable outcomes, such as job quality, emissions reductions, and gender equity?
3. Is there regular reporting on sustainable FDI progress to governance bodies and stakeholders, using tools like CRM systems for timely information sharing?
4. Do mechanisms exist to incorporate input from local communities, NGOs, and industry stakeholders to refine the FDI strategic framework?
5. Have public reporting systems been implemented to disclose FDI project outcomes, enhancing transparency and trust through dashboards and annual reports?

VII. The WB6 to foster joint regional sustainable FDI appeal

[149] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[150] European Commission. (2025). *Corporate sustainability reporting*. https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en

1. Develop a unified WB6 regional branding strategy to position the region as a cohesive and sustainable FDI destination, emphasising shared commitments to prioritised SDGs, green commitments and alignment with EU standards.

To enhance their collective attractiveness, the WB6 should develop a unified regional branding strategy that positions the entire region as a sustainable investment destination. This requires moving beyond individual promotion to a collaborative approach that highlights the region's combined strengths and shared commitment to sustainability.[151] Such a strategy should be built around a common narrative that emphasises the region's alignment with EU standards, its progress on green commitments, and its focus on priority SDGs. This unified brand serves as a powerful signal to international investors that the WB6 offers a predictable, integrated, and forward-looking investment environment. The development of this brand should be a collaborative effort, involving IPAs and relevant ministries from the entire region to ensure a consistent and mutually reinforcing message. For example, such brand and strategy can showcase regional clusters, value chains and complementarities across the region.

The credibility of the regional brand should be rooted in concrete policy actions and the complementary strengths of the constituent members. The strategy should showcase how the region functions as an integrated value chain. For example, the branding can highlight regional clusters in sustainable sectors, such as renewable energy or sustainable agriculture, which are region-wide.[152] Furthermore, the strategy should emphasise the harmonisation of investment-related regulations and standards across the WB6, which simplifies operations and creates a more seamless regional market.[153] Joint promotional campaigns could showcase the creation of regional investment compacts, built on integrated investment agreements, designed to support collaborative infrastructure development and enhance regional absorptive capacity.[154]

2. Strengthen the role of the JWGI under the coordination of the RCC as a platform for sharing good practices regarding sustainable FDI.

To move from dialogue to action, the Joint Working Group on Investment (JWGI) should be strengthened into a dynamic platform for the sharing of good practices and peer-to-peer policy learning regarding sustainable FDI. This involves transforming the JWGI from a periodic meeting forum into an active continuous mechanism for collaborative policy development in the area of sustainable FDI. Its mandate should be expanded to include the regular exchange of

[151] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

[152] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

[153] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

[154] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

information on reform efforts, the successes and challenges of implementing new policies, and the effectiveness of different approaches to attracting and managing sustainable investment.[155]

The operational model for this enhanced platform can be inspired by well-established international peer-learning frameworks. For example, the JWGI could adopt a peer review system, similar to the one used by the OECD for its Investment Policy Reviews, where participants review and are reviewed by their peers on specific policy areas related to sustainable FDI.[156] This process would involve in-depth analysis, fact-finding missions, and the development of concrete, non-binding recommendations for policy improvement.[157] The findings of these reviews could then be discussed within the JWGI to identify common challenges and develop joint solutions. Furthermore, the platform should be used to develop and maintain a regional repository of good practices, including case studies, policy documents, and expert contacts, which would serve as a practical resource for all members.

3. Coordinate joint WB6 investment promotion efforts at international forums to attract sustainable FDI, showcasing regional cooperation and complementary strengths.

The WB6 should coordinate their investment promotion efforts at international forums to present a unified and more compelling value proposition to global investors. Instead of competing individually, IPAs should collaborate to showcase the region as an integrated economic space with complementary strengths. IPAs from WB6 can share investment priorities with each other to leverage complementary investment opportunities and support each other. Furthermore, WB6 can use joint promotion via IPAs and similar bodies focused on presenting a regional pipeline of sustainable investment projects in areas like renewable energy infrastructure or sustainable tourism.[158]

Effective joint promotion requires careful planning and a clear division of labour. The IPAs should agree on a common messaging framework that highlights the unique advantages of the region as a whole, while also detailing the specific opportunities available in each individually. This allows investors to see both the big picture of the regional market and the specific entry points that best suit their needs. A central element of this approach is the ability to showcase regional value chains, where a foreign investor can leverage the specialised capabilities of the WB6 in their regional operations.[159] For example, the Visegrad Group (V4) - Czechia, Hungary, Poland, and Slovakia - have a long history of coordinating their investment

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[155] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf
[156] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf
[157] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf
[158] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[159] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf

promotion efforts.[160] Their IPAs often present the V4 as a single highly integrated hub for advanced manufacturing, showcasing how investors can benefit from a deep and interconnected regional supplier base.

4. Facilitate regional partnerships among WB6 governments, chambers of commerce, and academic institutions to develop joint sustainable FDI proposals, leveraging the CRM2 to enhance collective attractiveness.

To move beyond simple promotion and create a truly integrated regional ecosystem for sustainable investment, the WB6 should facilitate deep, functional partnerships between their governments, business communities, and research institutions. This involves creating formal mechanisms for collaboration that are designed to generate joint, high-value investment proposals. For example, governments may establish a regional R&D fund that co-finances collaborative research projects between universities and companies from different WB6, focused on developing solutions for shared sustainability challenges.[161]

The ultimate goal of these regional partnerships is to develop and attract investment into regional clusters and science and technology parks focused on sustainable innovation.[162] These collaborative platforms would co-locate MNEs, innovative local SMEs, and top academic talent from across the WB6, creating a fertile environment for formal and informal knowledge exchange. To facilitate this, the WB6 could establish a joint task force to identify and develop proposals for such regional centres of excellence, leveraging the Common Regional Market (CRM) framework to ensure the free movement of researchers, students, and skilled workers. A strong model for this type of collaboration is the European Union's Horizon Europe programme. This framework funds and facilitates the creation of region-wide research and innovation consortia, bringing together universities, research institutes, and businesses of all sizes from across the EU to work on joint projects that address key societal challenges, including the green and digital transitions.[163]

5. Where possible, work towards harmonisation of WB6 investment policies to ensure consistent sustainability standards and a level playing field across the region, minimising harmful competition and fostering mutual support in attracting FDI aligned with the prioritised SDGs.

For integrated and attractive regional investment area, the WB6 should work towards the gradual harmonisation of their investment policies and sustainability standards. The existence of six different sets of rules and regulations creates complexity and transaction costs for investors looking to operate across the region and can also lead to harmful competition. This harmonisation should focus on areas that are critical for sustainable investment, such as environmental standards, labour regulations, and corporate governance requirements. The goal

[160] Visegrad Group. (2015, 12 October). *Memorandum of Understanding for Regional Cooperation in the Areas of Innovation and Startups*. International Visegrad Fund. Retrieved from: https://www.visegradgroup.eu/home/documents/2015/memorandum-of

[161] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf

[162] Organisation for Economic Co-operation and Development (OECD). (2022). FDI Qualities Policy Toolkit. Retrieved from: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/06/fdi-qualities-policy-toolkit_673fa37b/7ba74100-en.pdf

[163] European Commission. (2025). *Horizon Europe*. Retrieved from: https://research-and-innovation.ec.europa.eu/funding/funding-opportunities/funding-programmes-and-open-calls/horizon-europe_en

is not to create a single rigid legal system, but to establish a common floor of high standards, aligned with those of the EU, which would apply across the entire region.[164]

When the WB6 individually compete against each other by offering ever more generous tax breaks or by lowering regulatory standards, it often leads to a "race to the top" in incentives and a "race to the bottom" in standards, which can erode the tax base and undermine SDGs.[165] The ultimate model for this type of regional discipline is the European Union's State Aid framework. These legally binding rules, enforced by the European Commission, strictly limit the ability of Member States to grant subsidies that distort competition within the single market.[166]

Guiding Questions for Recommendation VII and its Sub-recommendations:

1. Has a unified WB6 regional branding strategy been developed to position the region as a sustainable FDI destination, emphasizing SDGs, green commitments, and EU alignment?
2. Has the JWGI been strengthened under RCC coordination as a platform for sharing good practices and peer-learning on sustainable FDI?
3. Are joint investment promotion efforts coordinated at international forums, showcasing regional cooperation, pipelines, and complementary strengths?
4. Have regional partnerships been facilitated among governments, chambers, and academic institutions to develop joint sustainable FDI proposals, leveraging CRM?
5. Is there progress towards harmonising WB6 investment policies to ensure consistent sustainability standards, minimise harmful competition, and foster mutual support?

[164] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[165] United Nations Conference on Trade and Development (UNCTAD). (2015). Investment Policy Framework for Sustainable Development. Retrieved from https://unctad.org/system/files/official-document/diaepcb2015d5_en.pdf
[166] European Commission. (2025). *State aid control*. Competition Policy. https://competition-policy.ec.europa.eu/state-aid_en

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