

MONITORING AND EVALUATING SUSTAINABILITY IN INVESTMENT PROMOTION

Evolving practices in OECD member countries

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Foreword

This policy paper examines the evolving landscape of monitoring and evaluation (M&E) mechanisms among investment promotion agencies (IPAs) in OECD member countries, with a particular emphasis on the integration of sustainability metrics. It explores the developments, the depth and the effectiveness of these M&E systems in measuring sustainable investments across agencies through three main parts. The first section analyses global drivers shaping the evolution of M&E mechanisms. The second highlights best practices and emerging trends among IPAs, showcasing innovative approaches, methodologies, and data sources employed in sustainability-focused M&E. The final section proposes strategies for enhancing these mechanisms to better measure sustainability outcomes, complemented by additional case studies and innovative practices from selected IPAs. The analysis primarily draws on data collected through the 2023 *OECD survey on monitoring and evaluation of sustainable investment* conducted with 33 national IPAs in OECD member countries. It is further enriched by the 2024 OECD FDI Qualities Indicators and insights from the 2022 *OECD survey on sustainability scoring mechanisms*, as well as additional data and information.

This paper is part of the deliverables of the M&E workstream conducted under the aegis of OECD IPA Network over the past years. M&E has been a cornerstone of the Network's agenda, addressing various dimensions of agencies' M&E methodologies and tools. This ongoing focus has been further reinforced by a growing emphasis on sustainability, including key areas such as climate change, green technologies, skills development, gender equality, and regional development.

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Executive Summary

This paper examines the evolving landscape of monitoring and evaluation (M&E) mechanisms among investment promotion agencies (IPAs) in OECD member countries, with a particular emphasis on the integration of sustainability metrics. The analysis underscores the critical importance of incorporating sustainability measures into IPAs' M&E mechanisms in response to the global context. It highlights the significant progress achieved in this area while also identifying challenges and opportunities for further enhancement.

The global context is driving IPAs to integrate sustainability metrics into their M&E mechanisms.

- The global context, characterised by declining foreign direct investment (FDI), heightened geopolitical tensions and the growing focus on sustainability is pushing IPAs to adopt more selective and strategic approaches that align with broader public policy objectives.
- IPAs are evolving from merely attracting investment to an approach that ensures these investments contribute meaningfully to sustainability. Investment promotion and facilitation can help attracting investment that supports sustainable development, but their success relies on sound policies and a favourable investment climate aligned with broader sustainability objectives.
- To achieve these goals, IPAs in OECD countries are increasingly adopting sophisticated, data-driven strategies to monitor and evaluate their impact on the economy and society, with many agencies refining their M&E mechanisms to align with this shift.

M&E mechanisms for measuring sustainability in OECD IPAs are evolving, yet they remain often rudimentary and lack a consistent approach.

- IPAs are increasingly aligning their strategies with national sustainability goals, incorporating sustainability key performance indicators (KPIs) into their M&E frameworks. Nearly three-quarters of OECD IPAs have at least one sustainability KPI.
- Despite differences in how IPAs define sustainability within their specific policy and institutional contexts, certain dominant themes emerge in their KPIs, according to the OECD survey: quality of investment (e.g. high value and green projects), diversification, regional development, job quality, and research and development (R&D).
- On average, 38% of an IPA's total KPIs are dedicated to sustainability when categorised under these themes. The remainder consist of basic indicators, primarily measuring job creation, capital expenditure and IPA activities. When broken down by country, the emphasis on each category varies significantly.
- IPAs can track both input and outcome indicators. The former relate to IPA activities while the latter focus on the impact of the attracted investments. In the OECD, agencies commonly track basic outcome indicators, but are less likely to monitor sustainability outcomes. Over 90% of IPAs track basic outcome indicators, 72% include at least one sustainability outcome indicator, but only 6% track all sustainability themes.
- In their growing efforts to promote sustainable investment, over three-quarters of OECD IPAs have established explicit sustainability criteria to categorise projects, often based on internally developed definitions. Most of these criteria focus on the characteristics of individual investment projects, with sector-specific criteria also playing a significant role. These criteria are more frequently applied to

new investment projects than to existing ones, and are primarily used for targeting and monitoring, with less emphasis on evaluation.

- Despite evolving M&E mechanisms, sustainable investments remain a minority of IPAs' attraction efforts. According to self-reported data by IPAs, from 2020 to 2022, the number of assisted sustainable firms tripled and the number of projects doubled, yet they still account for just 7% of total investments. However, the lack of standardised definitions across IPAs prevents meaningful comparisons of the relative importance and evolution of sustainable projects across countries. For agencies aiming to benchmark or track progress internationally, developing common metrics and definitions is essential. Additionally, the self-reported nature of the data reveals significant discrepancies in how agencies measure sustainable investments, further complicating international benchmarking and the sharing of best practices.

Significant progress has been made by IPAs in developing M&E mechanisms for measuring sustainability in recent years, but further actions can be taken to improve them.

Key challenges for IPAs include misalignment between KPIs and strategic objectives, limited data access, inconsistent metrics and an incomplete understanding of sustainability impact. To address these, IPAs may consider the following:

- *Align KPIs with broader policy objectives, such as job quality, regional development and the green transition.* This would ensure consistency and provide clear direction to their activities, thereby strengthening investment promotion as an economic policy tool.
- *Improve access to both internal and external data to develop stronger KPIs.* IPAs can influence the quality and consistency of internally gathered data through strategically selecting the metrics to track, using their CRM systems to capture data effectively, training staff appropriately, and engaging with clients to collect valuable information. Subject to availability of resources and IPA capacity, surveys of clients may provide valuable insights. Establishing strategic partnerships with other public entities can also facilitate access to external administrative data, allowing for categorisation by foreign and domestic firms.
- *Focus efforts on broadening the scope of indicators to cover both inputs and outcomes, enabling IPAs to assess the impact of their sustainability efforts more effectively.* IPAs often struggle to assess their impact on attracting sustainable investment. Outcome indicators, particularly those focusing on sustainability characteristics, could help agencies measure performance and inform their targeting efforts.
- *Consider harmonising M&E metrics to foster transparency and comparability across IPAs, leveraging the OECD FDI Qualities Indicators framework.* To enhance cross-country comparability and identify improvements across IPAs, agencies could consider developing common metrics and definitions. For instance, aligning KPIs and sustainability criteria with the OECD FDI Qualities Indicators, which focus on areas where FDI can help achieve the sustainable development goals (SDGs). This framework could facilitate precise measurement and benchmarking in each area. Beyond that, agencies should further focus on obtaining more granular data aligned with their needs and using formal impact evaluations.

This paper is structured into three key sections: Section 1 analyses the global factors influencing the evolution of M&E mechanisms, Section 2 examines recent developments in M&E mechanisms focusing on sustainability measurement, and Section 3 proposes options for enhancing these mechanisms and measuring sustainability outcomes more effectively.

1 The global factors shaping M&E mechanisms

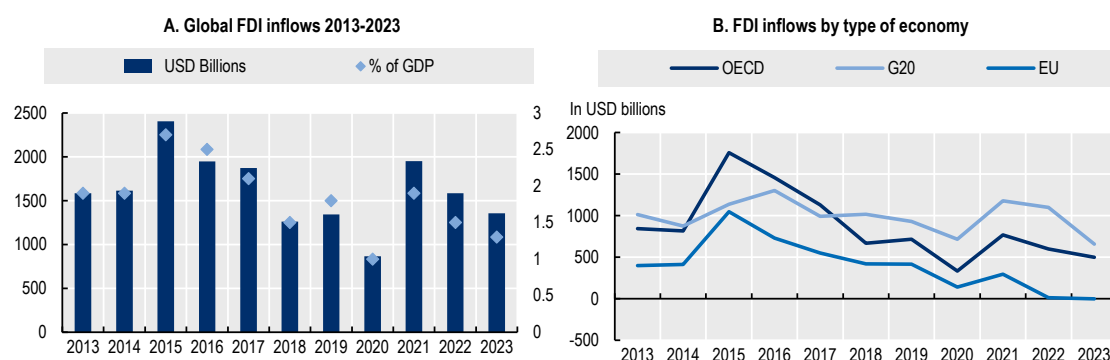
The global context is prompting IPAs to incorporate sustainability metrics into their M&E mechanisms. In today's global landscape of crises and economic turbulence, IPAs must adapt to focus their actions on attracting quality investments and maximising the impact of FDI on their societies. Effective M&E mechanisms are crucial for capturing and tracking their strategies and goals. This section outlines the broader forces influencing IPA monitoring and evaluation, including global FDI trends, geopolitical tensions, and the increasing importance of sustainability in government priorities and policymaking. It then highlights the latest advancements in measuring investment promotion effectiveness, in light of these global mega trends.

Declining FDI trends in a global turbulent context

Global FDI has been declining since 2016, with the impact varying across regions (Figure 1). The COVID-19 pandemic caused a significant drop in 2020 and recovery has been slow. In 2023, FDI flows decreased by 7% to USD 1 364 billion, remaining below pre-pandemic levels for the second consecutive year (OECD, 2024^[11]).

Figure 1. Evolution of FDI flows

Annual FDI inward flows in USD billion



Note: Global inward and outward FDI should be equal, but in practice, discrepancies exist. 'Global FDI flows' refers to the average of both.

Source: OECD (2024^[11]), FDI in Figures 2024, [FDI-in-Figures-October-2024.pdf](#).

The decline in FDI has been accompanied by geopolitical challenges that have further influenced FDI, with investments now concentrated among geopolitically aligned countries, disrupting global value chains and increasing sourcing risks. Some OECD governments have responded – or are seeking to respond – by adopting reshoring, nearshoring, friend-shoring, and ally-shoring strategies. The fragmentation of capital

flows along geopolitical lines and the potential emergence of regional blocs present new challenges for the global economy (Ahn et al., 2023^[2]).

Trade-related tensions, such as tariff disputes, are also reshaping international investment patterns. Conflicts between major economies like the United States and China have created uncertainty, prompting investors to reconsider their locations (OECD, 2023). Additionally, the global emphasis on addressing climate change has led to stricter regulations and shifting investment priorities. While these changes have introduced obstacles for FDI and involve higher transition costs, they also offer tremendous opportunities in new sectors and activities.

The global decline in FDI and economic complexities have led to varied government responses (OECD, 2023). Some countries have opted for protectionist policies to safeguard local businesses, while others have increased subsidies and incentives in sectors like technology, semiconductors and green energy to attract FDI. These strategies aim to boost economic resilience but have also fragmented the global economic landscape, complicating international investment patterns.

These trends and challenges significantly impact IPAs. The decline in FDI creates an environment of fierce competition for attracting and retaining foreign investments, while evolving FDI realities push IPAs to enhance resilience by addressing gaps in value chains (OECD, 2023). This necessitates adopting strategic and innovative approaches, such as data-driven strategies, to make evidence-based decisions and offer innovative services to investors.

Growing importance of sustainability

In recent years, sustainability has become central in global and national economic priorities, influencing trade and investment policies. This shift reflects an increasing recognition of the pressing need to go beyond economic development and address social and environmental challenges. The adoption of the 2030 Agenda for Sustainable Development in 2015 marked a significant shift, with the SDGs aiming to harmonise economic, social and environmental dimensions. Countries worldwide have integrated these goals into national plans, aligning policies and institutions accordingly.

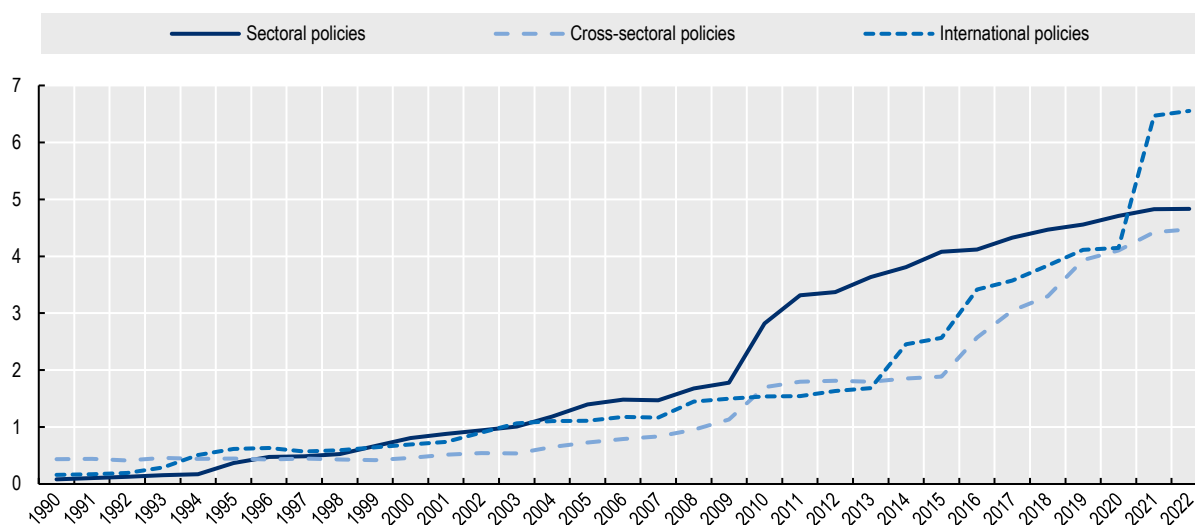
A key area of this transition is the implementation of regulations promoting sustainability. For example, the OECD's Climate Action Policy and Measures Framework (CAPMF) database shows a significant rise in sector-specific, cross-sectoral, and international policies incentivising emissions' reduction, especially since the 2016 Paris Agreement (Figure 2). These policies include carbon pricing, greenhouse gas emission targets and participation in global climate accords, demonstrating diverse government approaches to embedding sustainability into their agendas.

The shift towards sustainability has redefined FDI, viewing it not just as a driver of economic growth but also as a catalyst for sustainable development. By prioritising investments that enhance environmental sustainability, social inclusiveness and economic resilience, countries can build stronger economies.

Governments are now increasingly focusing on the quality over the quantity of investments. The OECD FDI Qualities Initiative supports governments by providing indicators and a policy toolkit to promote sustainable investment and maximise the positive impacts of FDI. This initiative focuses on four clusters related to the SDGs: productivity and innovation, quality job creation and upskilling, gender equality and decarbonisation (Box 1).

Figure 2. Average degree of policies incentivising emissions reduction in OECD countries

On a scale from 0 to 10¹



Source: Nachtigall, D. et al. (2022^[3]), The climate actions and policies measurement framework: A structured and harmonised climate policy database to monitor countries' mitigation action, <https://doi.org/10.1787/2caa60ce-en>

Box 1. The FDI Qualities Initiative

The **OECD FDI Qualities Initiative** is about improving the impact of investment on sustainable development and focuses on four areas of the SDGs: productivity and innovation; employment, job quality and skills; gender equality; and low-carbon transition. The initiative comprises three components:

- The **FDI Qualities Indicators**, originally developed in 2019, seek to measure the sustainable development impacts of FDI in host countries. Considering the country-specific context, policymakers can use FDI Qualities Indicators to assess how FDI supports national policy objectives, where challenges lie, and in which areas intervention is needed. The newest version of the indicators is from 2024.
- The **FDI Qualities Policy Toolkit** helps governments identify priorities for policy and institutional reforms to enhance the impacts of investment on sustainable development. For each area of sustainable development covered, it describes how to assess the impacts of FDI and provides policy recommendations related to governance, domestic and international regulation, financial and technical support, and information and facilitation services.
- The **FDI Qualities Policy Network** provides a platform to engage in policy dialogue and stakeholder consultations with development partners, international organisations, businesses, civil society and academia.

The **OECD Council Recommendation on FDI Qualities** draws on these three core elements and is the first government-backed agreement to help policy makers to leverage FDI to finance the SDGs and optimise the strength and quality of the recovery.

Source: (OECD, 2022^[4])

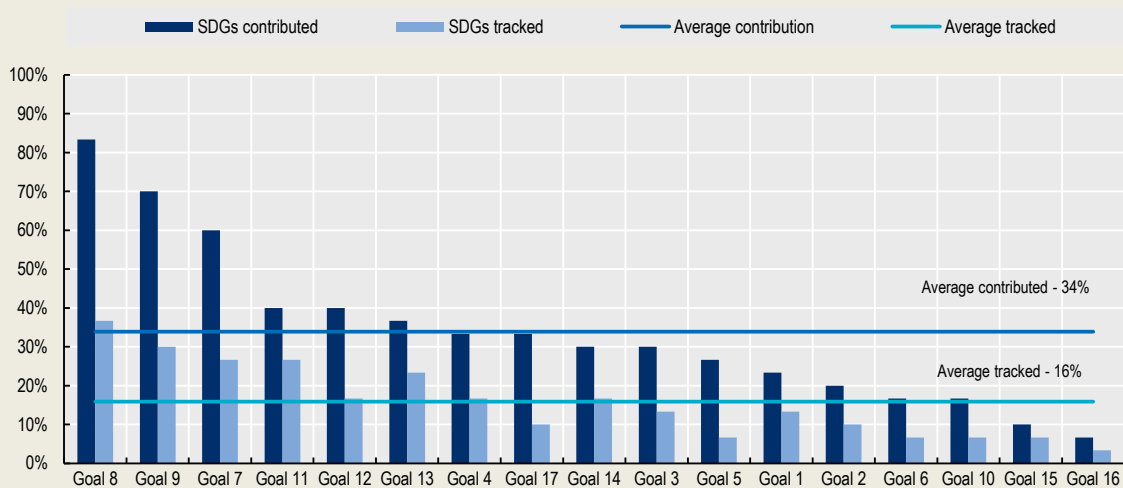
Investment promotion and facilitation can be a powerful tool for attracting investment and support sustainable development (OECD, 2015^[5]; OECD, 2022^[6]). But their success hinges on the quality of investment-related policies and the overall investment climate (OECD, 2022^[6]). Countries focusing on quality over quantity are thus not only removing FDI restrictions and providing high protection to investors, but also actively promoting investments that maximise economic, social and environmental benefits for the host economy.

Reflecting these broader policy trends, IPAs can play a pivotal role in the successful implementation of this growing policy focus and have been adjusting their priorities accordingly. IPAs must align their strategies with national sustainability goals, ensuring that the investments they attract contribute to sustainable development. Many agencies report having started to align their strategic objectives with the SDGs (Box 2). This shift indicates a stronger mandate from governments for IPAs to actively incorporate sustainability aspects into their objectives and demonstrates their contributions in this area.

Box 2. IPAs' contribution to the SDGs

IPAs increasingly report tracking their contribution to the SDGs, but which SDGs are most common? As shown in the figure below, goals 8, 9 and 7 – relating to the promotion of economic growth and employment; building of resilient infrastructure, supporting industrialisation and fostering innovation; and ensuring access to modern clean energy – are most frequently cited (by 83%, 70% and 60% of OECD IPAs, respectively). A consistent data-based tracking of IPAs' contribution to SDGs remains a challenge, however, on average, only 16% have in place specific indicators to track their contribution to SDGs, and the degree of tracking differs between SDGs. For example, only about one fifth of agencies reporting to contribute to the SDG on climate change use a pre-defined indicator to track progress; and 7% of agencies reporting to contribute to gender equality do so in this area.

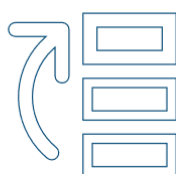
Figure 3. IPA contribution and tracking of SDGs



Source: Sztajerowska and Volpe Martincus (2021^[7]), Together or Apart: Investment Promotion Agencies' Prioritisation and Monitoring and Evaluation Strategies for Sustainable Investment Promotion Across the OECD Countries, [investment-insights-investment-promotion-prioritisation-oecd.pdf](#)

By promoting investments that support sustainable goals and drive inclusive economic growth, IPAs can become key players in the global shift towards a more sustainable and resilient economy. The 2023 *OECD survey on monitoring and evaluation of sustainable investment* shows that the median OECD IPA rated the importance of addressing sustainability at 9/10, up from 7/10 in 2021 (Figure 4).

Figure 4. Importance of sustainability to OECD IPAs



In 2023, a median OECD IPA ranked importance of sustainability at 9/10 compared to 7/10 in 2021.

Source: OECD based on OECD survey on monitoring and evaluation of sustainable investment, 2023 and OECD survey on sustainability scoring mechanism, 2022.

Advancing monitoring and evaluation in investment promotion

The growing emphasis on sustainability in government strategies has increased the demand for data to track progress towards the SDGs (United Nations, 2023^[8]). This trend is reflected in IPAs, which are increasingly focused on measuring and evaluating their contributions to sustainable development. Declining FDI, geopolitical tensions and a stronger focus on sustainability have led many governments to expand or adapt IPA objectives. Agencies are now requested to address broader public policy objectives through their activities and promoting sustainable investments for reasons that go beyond just economic aspects (OECD, 2022^[9]). This includes innovation, digitalisation, regional development, inclusiveness, the low carbon transition, environmental protection, gender equality and value chain resilience.

This broader objective requires IPAs to be more selective and integrate new considerations into their M&E systems. These systems are an essential management and product development tool, allowing improvements over time (Sztajerowska, 2019^[10]). Effective M&E mechanisms provide insights into the efficacy of IPA strategies and operations (Sztajerowska, 2019^[10]; OECD, 2018^[11]). Thus, they must be adaptable to effectively measure and evaluate the IPA's contribution to the execution of newly implemented strategies and considerations. IPA performance has been long measured mainly by the number of projects and associated jobs created and capital expenditure. The shift towards quality investments is introducing complexities in measuring IPA contribution, including due to data scarcity, varying definitions across countries and over time, and lack of international co-ordination.

2 Developments in M&E mechanisms for measuring sustainability

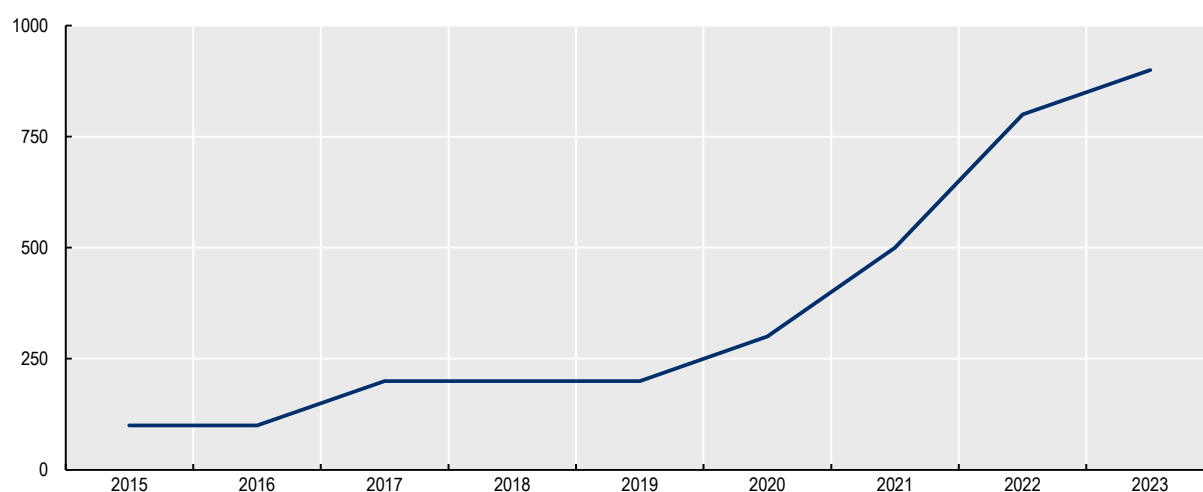
M&E mechanisms for measuring sustainability in OECD IPAs are emerging and progressing quickly, yet they lack depth and a consistent approach. Although IPAs are increasingly adopting sustainability KPIs, there is significant variation among agencies. Common themes that emerged in sustainability KPIs include investment quality, diversification, regional development, job quality and R&D. While IPAs generally follow similar methods for tracking sustainability, the reliance on self-reported data highlights the need for standardised metrics. This section outlines the use and integration of sustainability KPIs by IPAs, describes their tracking methods and examines the practical aspects of implementing these metrics in their M&E systems.

IPAs are increasingly using sustainability KPIs

KPIs play a crucial role in IPA M&E systems, allowing to align investment promotion actions with strategic goals. They provide a clear focus for operational activities through precise measurement. This report reveals an increasing adoption of sustainability-focused KPIs among IPAs, as shown in Figure 5. OECD IPAs are also increasingly developing sophisticated tools like sustainability scoring mechanisms to assess the sustainability impact of investments (OECD, 2022^[9]).

Figure 5. The growing role of sustainability KPIs in OECD IPAs

Index of agencies reporting at least one KPI related to sustainability (2015=100)



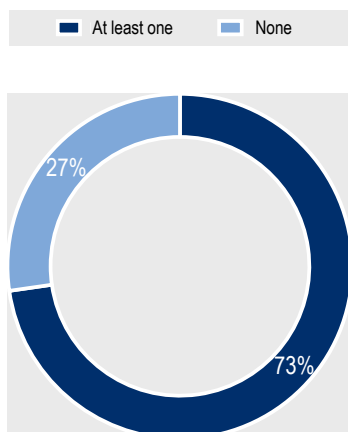
Note: Sustainability KPIs are indicators related to the quality of investment and going beyond basic indicators related to the size of investment, number of jobs and number of projects. N = 33 IPAs

Source: OECD survey on monitoring and evaluation of sustainable investment, 2023.

By integrating sustainability metrics into their M&E frameworks, IPAs can measure and assess if their efforts contribute not only to economic growth but also to environmental and social well-being. This also allows them to report these efforts to relevant stakeholders. This approach can be a first step in demonstrating a commitment to achieving long-term sustainable development objectives. Almost three-quarters of OECD IPAs have at least one KPI related to sustainability (Figure 6).

Figure 6. Importance of sustainability in KPIs of OECD IPAs

Share of IPAs with sustainability KPIs

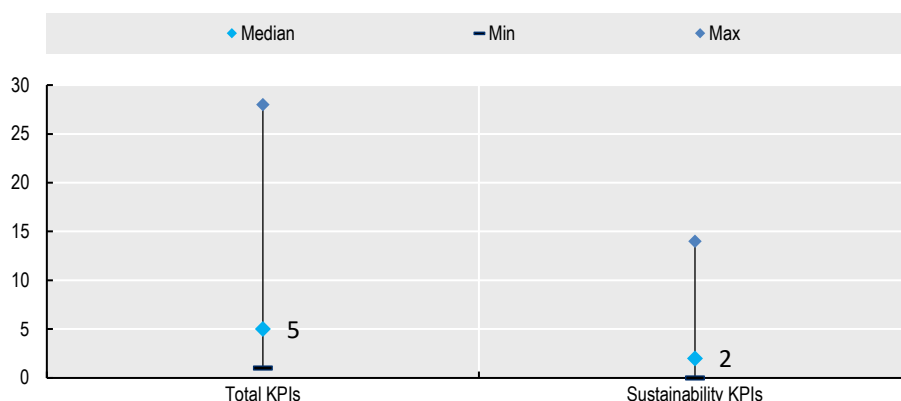


Note: Figures reflect the data provided by IPAs. Any information not disclosed by IPAs is not represented in these results. The same applies to the following figures. N = 33 IPAs

Source: OECD survey on monitoring and evaluation of sustainable investment, 2023.

The median OECD IPA has five KPIs overall, two of which address sustainability, making up 40% of the overall KPIs (Figure 7). While some agencies have as many as 14 different indicators relating to sustainability, there are also IPAs that do not have any sustainability KPIs in place. The categorisation of KPIs into “sustainability” and “other” is based on direct replies from IPAs in the 2023 *OECD survey on monitoring and evaluation of sustainable investment*, detailed in Box 3. This aims to standardise agency metrics within a common framework, facilitating comparisons in the absence of universally applied KPIs.

Figure 7. Number of total and sustainability KPIs of OECD IPAs



Source: OECD survey on monitoring and evaluation of sustainable investment, 2023.






Box 3. Sustainability KPIs categories

The categorisation of sustainability KPIs is derived from responses to the 2023 OECD survey on monitoring and evaluating of sustainable investment. IPAs provided their KPIs, which were classified into three groups: basic, activities and sustainability KPIs.

Basic KPIs include traditional metrics like the number of jobs created, capital expenditure, and the number of projects. Activities refer to the tasks IPAs undertake to attract investment, such as generating leads, assisting firms or projects, measuring client satisfaction and other related activities.

Sustainability KPIs focus on the impact on sustainable development that the attracted investments can generate. They are divided into five themes: quality of investment, diversification, regional development, quality of jobs and R&D. The table below outlines each category along with the topics included.

Table 1. Sustainability KPIs themes

 Quality of investment	 Diversification	 Regional development	 Quality of jobs	 R&D
KPIs related to high value-added projects, achieving the SDGs and fostering green investment	KPIs related to the development of supply chain and other linkages, exports focus and sector prioritisation	KPIs related to projects or firms located in less developed or remote regions	KPIs related to above average salaries, number of specialist jobs created	KPIs related to projects or firms investing in R&D and fostering innovation

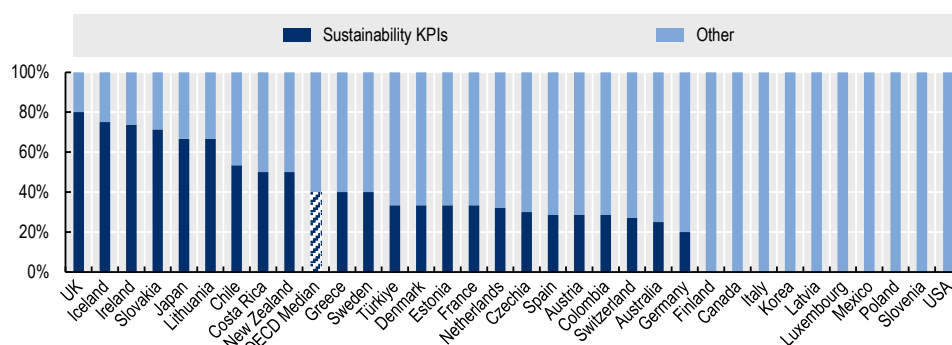
Source: OECD elaboration based on OECD survey on monitoring and evaluation of sustainable investment, 2023

Indicators that are not classified as sustainability KPIs are grouped under the "other" category, which includes basic indicators, activities, and unclassified KPIs.

There is a significant variation among sustainability KPIs from OECD IPAs (Figure 8). For instance, agencies in the UK, Iceland, Ireland and Slovak Republic generally have a higher percentage of KPIs related to sustainability, representing more than 50% of their KPIs. In contrast, IPAs in Canada, Italy, Korea, Latvia, Luxembourg, Mexico, Poland, Slovenia and the United States do not use specific sustainability KPIs.²

Figure 8. Distribution of sustainability and other KPIs among OECD IPAs

As % of total KPIs



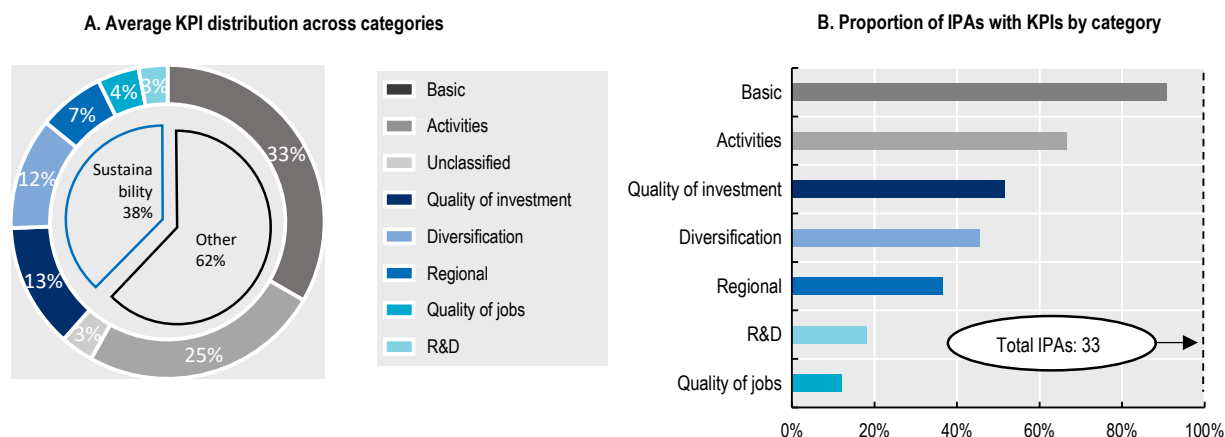
Note: The “other” category aggregates basic indicators, activities and unclassified KPIs. N = 33 IPAs
 Source: OECD survey on monitoring and evaluation of sustainable investment, 2023.

IPAs use different sustainability KPIs, but certain themes prevail

While there are differences on how IPAs define sustainability in their specific policy and institutional contexts, certain dominant themes emerge in their KPIs. These emerging themes are quality of investment, diversification, regional development, quality of jobs, and R&D. When considering all KPIs from OECD IPAs, one can observe that the use of sustainability KPIs remains low. On average agencies allocate 13% of their KPIs to investment quality, 12% to diversification, 7% to regional development, 4% to job quality and 3% to R&D (Figure 9, Panel A). Most KPIs remain basic indicators (33%) – tracking number of jobs and capital expenditure – and IPA activities (25%).

IPAs focusing on sustainability could benefit from a more balanced adoption of metrics, particularly in underrepresented areas such as job quality and R&D. Most IPAs use basic indicators (91% of OECD IPAs) and activity-based indicators (67%) as KPIs (Figure 9, Panel B). Among sustainability KPIs, the most commonly adopted are quality of investment (52%) and diversification (45%), followed by regional development (36%). Less than a fifth of IPAs have indicators on R&D (18%) and quality of jobs (12%). The lower adoption may suggest that these areas are often more challenging to measure.

Figure 9. KPI distribution across categories and IPAs

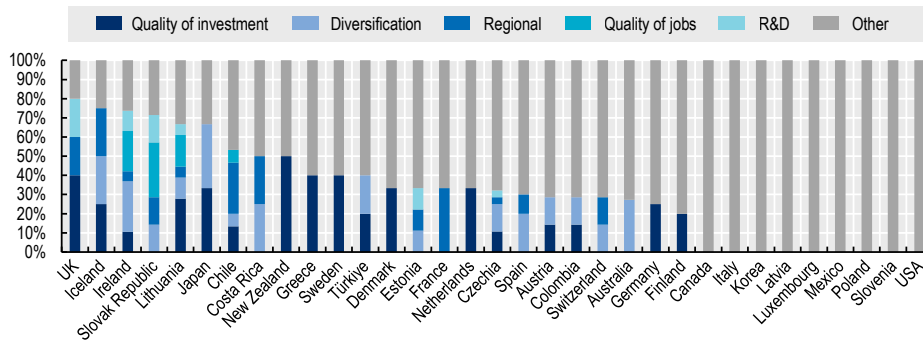


Source: OECD survey on monitoring and evaluation of sustainable investment, 2023.

There is no standard set of sustainability KPIs that all IPAs follow. When the results are broken down by country, the emphasis on each category varies significantly (Figure 10). Ireland and Lithuania are the only countries with KPIs across all five sustainability categories, followed by Slovak Republic, Chile and Czechia that cover four categories. The remaining 19 IPAs with sustainability KPIs take a more targeted approach. Each country prioritises different categories and allocates them in varying proportions.

Figure 10. Distribution of KPIs across categories by OECD IPAs

In %



Note: The “other” category aggregates basic indicators, activities and unclassified KPIs. N = 33 IPAs
 Source: OECD survey on monitoring and evaluation of sustainable investment, 2023.

IPAs with KPIs focused on investment quality prioritise investments that offer more than just economic impact or job creation. Specifically, they emphasise green investments and projects that advance high-value-added investments. In some cases, the SDGs serve as the foundation for measuring sustainability. For example, ProColombia tracks the number of investment projects contributing to three or more SDGs. Some IPAs have developed specific KPIs related to the green transition. IDA Ireland monitors the percentage of its clients with corporate climate action plans, while Business Iceland measures the share of FDI projects that do not rely on natural resources.

Some IPAs focus their efforts on diversifying the nature of investments. This diversification can include promoting exports, increasing their investors’ portfolios, prioritising specific sectors and fostering supply chain linkages with local companies. Regarding the latter, the Japan External Trade Organisation (JETRO) uses a KPI that measures the number of international business alliances formed between Japanese and foreign companies. Similarly, CzechInvest has several KPIs that quantify the number of cooperation projects between foreign companies and local startups, innovation hubs and R&D centres. Some IPAs, such as Procomer in Costa Rica, focus on attracting investment from countries that do not regularly invest in their country.

Regional development is another key focus for many IPAs. For example, InvestChile, Business Iceland, Invest Lithuania and Procomer have KPIs that track the number and value of investment projects outside their capital regions. Other regionally focused sustainability KPIs include the UK Department for Business and Trade’s metric on the proportion of new jobs created outside London and Southeast England, and SARIO’s KPI measuring project placements in Slovak Republic’s least developed regions.

In addition to sustainability related KPIs, some IPAs use regional metrics aimed at strengthening relationships between national and local stakeholders. For instance, Switzerland Global Enterprise considers subnational satisfaction, while Business France tracks the number of investment projects referred to regional partners.

Job quality and R&D generation are additional sustainability aspects that IPAs measure through their KPIs. To assess job quality, the Slovak IPA, SARIO, tracks salary levels and the types of job positions created, while IDA Ireland monitors total expenditure on talent development programmes. In terms of R&D generation, Invest in Estonia tracks the number of R&D-intensive projects and Invest Lithuania measures total R&D expenditures.

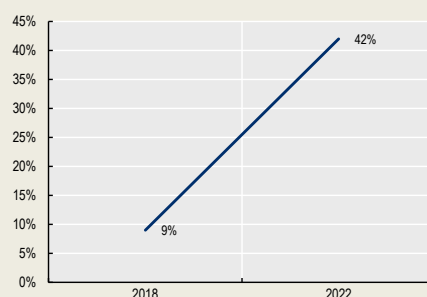
Another type of KPI increasingly used by IPAs are Sustainable Scoring Mechanisms (SSM).³ Unlike KPIs that focus on a single aspect, SSMs cover multiple dimensions of sustainability, providing a comprehensive approach to targeting and evaluating sustainable investments. These mechanisms are becoming more prevalent among IPAs as they seek to enhance the effectiveness of their sustainability initiatives (Box 4). Examples of such scoring mechanisms include Business Sweden's and Invest Lithuania's project scoring mechanism, which consider different aspects of an investment project, such as R&D expenditure levels, internationalisation potential and job creation potential. Invest Lithuania's scoring mechanism has a dedicated environmental component as well.

Box 4. The use of sustainability scoring mechanisms by OECD IPAs

Sustainability scoring mechanisms (SSMs) are a set of predefined, measurable indicators used to assess an investment project's potential contribution to sustainable development – as defined by the agency. These mechanisms can be applied to all or selected projects that meet specific criteria, such as receiving financial support. They may include both quantitative and qualitative assessments and can be tailored to specific needs or based on existing indicators. SSMs typically evaluate a range of factors, such as job quality and skills, regional development, and the investment's contribution to the green transition.

Between 2018 and 2022, the proportion of OECD agencies using these tools quadrupled, reaching 42% by September 2022, with adoption across various regions (Figure 11). Since then, additional IPAs have introduced or revised these mechanisms, including a new scoring system by Türkiye's Investment Office and an updated investment project calculator by Invest Lithuania.

Figure 11. Share of OECD IPAs with sustainability scoring



Source: OECD survey on monitoring and evaluation of sustainable investment, 2023 and Sztajerowska (2022^[12]), How to Score? Measuring Sustainability in Investment Promotion, [How to score: Measuring sustainability in investment promotion | OECD](#)

IPAs share common approaches for tracking sustainability

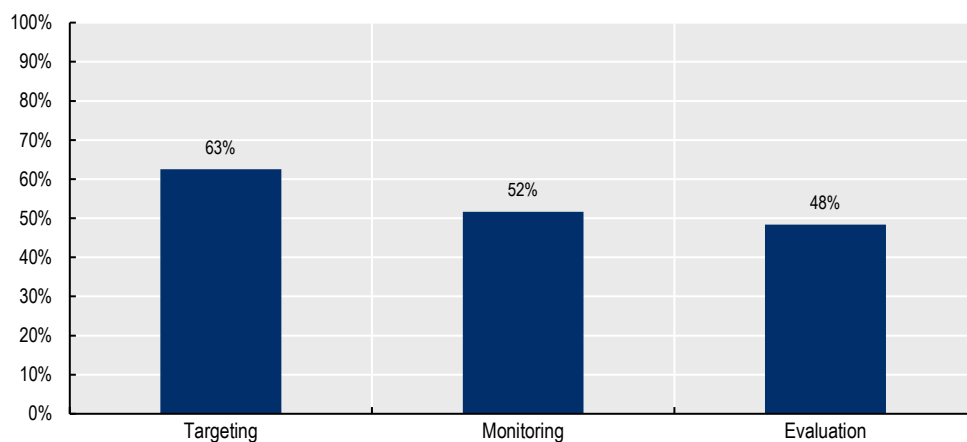
After determining which aspects of sustainability are important, IPAs must decide how to practically apply their indicators and classify projects to guide and monitor their activities. This involves decisions such as whether to apply sustainability criteria to projects or firms, the intended purpose of the indicators, whether for monitoring alone or for target-setting, and which classification system to use as a reference. The survey explored these various practical aspects of implementation, finding a parallel trend in most OECD IPAs.

Sustainability criteria is used for targeting and monitoring, with evaluation gaining increased focus

KPIs ensure that efforts are aligned with strategic objectives, that progress is tracked accurately and that results are evaluated effectively, leading to better management and improved outcomes. Among the OECD IPAs surveyed, 63% use their KPIs for targeting, 52% for monitoring and 48% for evaluation (Figure 12).

Figure 12. Share of OECD IPAs that make use of KPIs for targeting, monitoring and evaluation

In %

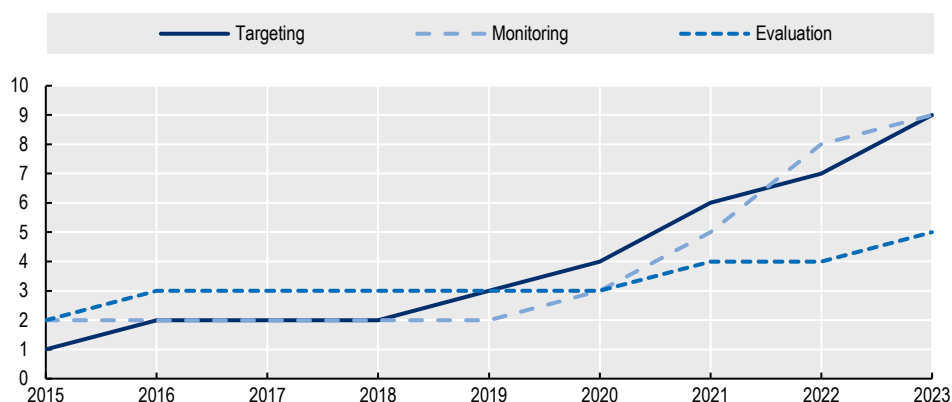


Source: OECD survey on monitoring and evaluation of sustainable investment, 2023.

In a similar manner, IPAs are increasingly using sustainability KPIs for targeting, monitoring and evaluation. The adoption of the SDGs and the Paris Agreement in 2015 represented significant turning points, and the COVID-19 pandemic has intensified this tendency. There has been a discernible trend toward the adoption of sustainability related KPIs for targeting and monitoring purposes, although their use for evaluation remains less widespread (Figure 13). This progression reflects the natural evolution of metrics, where goals or targets are initially set, monitored, and subsequently evaluated to assess impact and identify areas for improvement.

Figure 13. Evolution of use of sustainability KPIs by OECD IPAs over time, by type of use

Number of IPAs



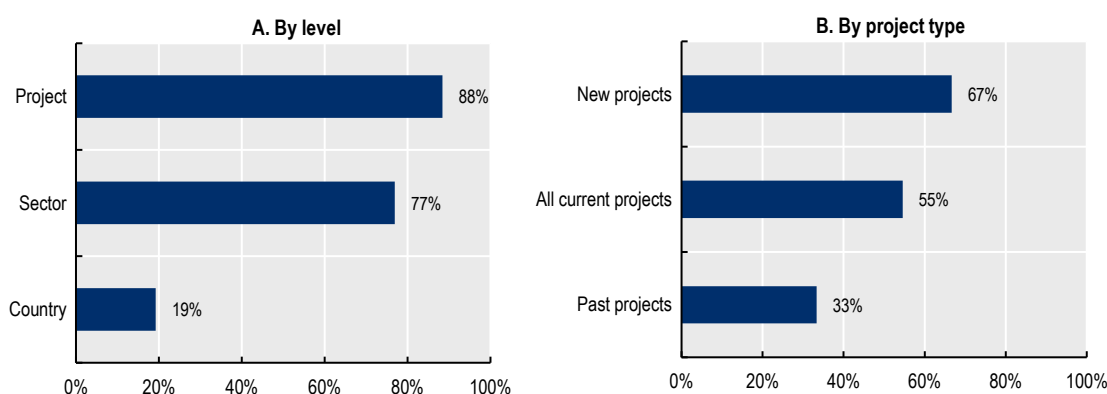
Note: Targeting refers to: prioritisation; Monitoring to: basic tracking; and Evaluation to: ex post assessment of achievement of goals.
Source: OECD survey on monitoring and evaluation of sustainable investment, 2023.

Most sustainability criteria apply to new investment projects

IPAs also develop criteria to categorise assisted firms based on their sustainability. Over three quarter of IPAs in OECD countries have established explicit criteria for measuring sustainability, but the application of these criteria may vary based on their priorities. Most sustainability criteria used by IPAs pertains to characteristics of individual investment projects, followed closely by sectors (Figure 14, Panel A). For instance, projects from IDA Ireland must fall within one of the eligible sustainable categories: climate change mitigation, adaptation, sustainable use of water and marine resources, transition to a circular economy, pollution prevention and control, and protection/restoration of biodiversity and ecosystems.

Figure 14. Share of OECD IPAs with explicit criteria to measure sustainability

In %



Note: "Project" refers to the characteristics of each investment; "Sector" to the investor's industry; and "Country" to the investor's origin. "New projects" are newly registered investments, "All current projects" are those currently assisted, and "Past projects" are investments previously supported by the IPA.

Source: OECD survey on monitoring and evaluation of sustainable investment, 2023.

Besides project-level criteria, IPAs also make extensive use of sector-level criteria. The country of origin, on the other hand, is rarely considered, with less than 20% of IPAs making use of it. In addition, IPAs tend to apply such criteria most frequently to new investment projects (Figure 14, Panel B), as compared to the full current portfolio or previously assisted investments.

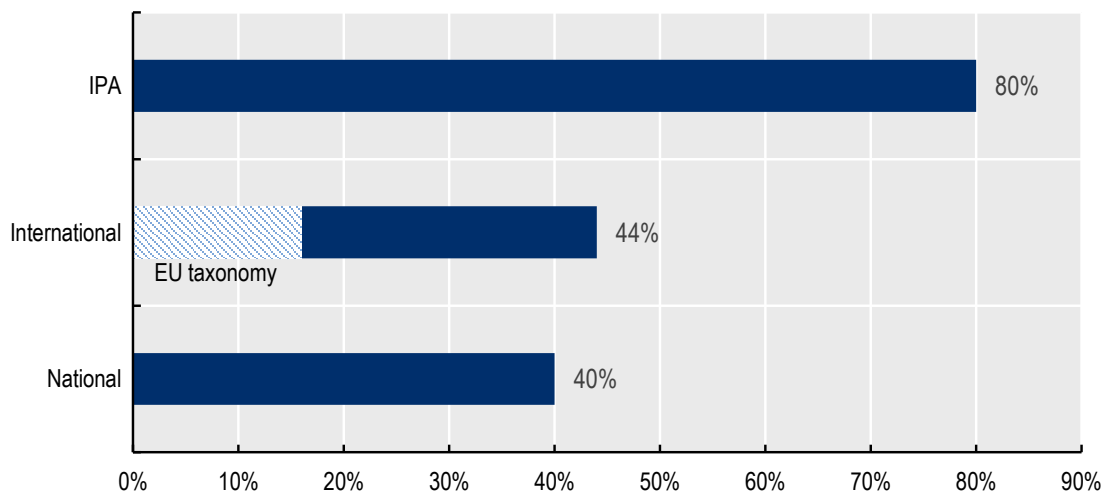
IPA-specific definitions of sustainability are most common

When classifying projects, agencies have different options to define what they consider as sustainable. They can rely on their own definitions, or those determined at national or international level. The survey results indicate that 80% of OECD agencies with sustainability criteria use in-house definitions, making IPA-specific classifications the most common method for identifying sustainable projects (Figure 15). These definitions can be either IPA-wide – established by the IPA for all its activities based on a list of criteria that investment projects need to meet to be classified as sustainable – or ad hoc, varying across teams, investment officers and other project characteristics.

As shown in Figure 15, 44% of IPAs make use of international classifications to define their sustainability criteria, out of which almost half are based on the EU taxonomy specifically.⁴ IPAs also use national classifications at an almost similar rate (40%), considering the sustainability of projects, sectors or firms based on government definitions and development plans.

Figure 15. Share of OECD IPAs with explicit sustainability criteria, by classification type

In %



Note: "International" refers to a taxonomy, ranking, or data from regional or international organisations, certification bodies, or private providers; "National" to a list of sustainable sectors defined by the national government; "IPA" to an IPA-specific or ad hoc list of sustainable sectors used within the IPA. The shaded area under the international classification indicates the percentage of IPAs using EU taxonomy-related classifications. Source: OECD survey on monitoring and evaluation of sustainable investment, 2023.

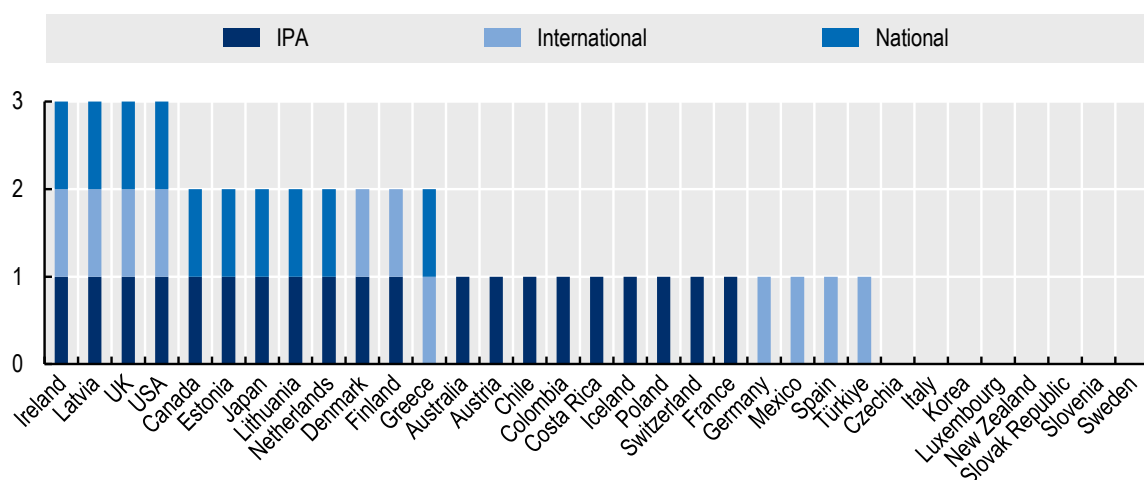
A multitude of cases illustrate the use of IPA-specific classifications. Australia and Iceland focus on projects that align with carbon reduction goals. In Poland, sustainability classification is based on two existing programmes that offer benefits to compliant projects. Colombia and Chile emphasise sectors that they classify as sustainable, with Chile specifically targeting areas like renewable energy, green hydrogen, solar energy, global services, and the circular economy.

As regards international classifications, beyond the EU taxonomy, many countries, including Colombia, Costa Rica, Germany, Japan, Mexico, Spain, and Türkiye, commonly assess projects based on their potential contribution to the SDGs (Box 2). Invest Türkiye has created its own SDG evaluation system, classifying projects as "SDG-friendly" through a survey rather than by sector. Meanwhile, the US classifies sustainable sectors using Harmonised System and North American Industry Classification System codes, and Canada plans to adopt tracking based on the OECD FDI Qualities Indicators following the OECD analysis on how FDI contributes to Canada’s sustainable development undertaken in 2024 (OECD, 2024^[13]).

Countries that align their criteria with national classifications include Japan and Lithuania. Japan's criteria are closely tied to national strategies, such as its growth strategy and FDI promotion. In Lithuania, companies planning to build manufacturing facilities or extract local resources must adhere to the Environmental Impact Law, overseen by the Ministry of Environment, which focuses on preventing environmentally harmful projects rather than certifying them as sustainable.

Many agencies use a combination of different classifications. As shown in Figure 16, around 40% of surveyed IPAs make use of two or more types of classifications. For example, the UK employs the three types by ensuring that project characteristics align internally with national classifications and corresponding international standards. Agencies may decide to use sustainability KPIs without having pre-defined sustainability classifications. For example, while the UK and Ireland use all three classifications and have a high percentage of sustainability KPIs, Sweden uses none of these classifications yet has 40% of sustainability KPIs.

Figure 16. OECD IPAs with explicit criteria to measure sustainability, by classification type



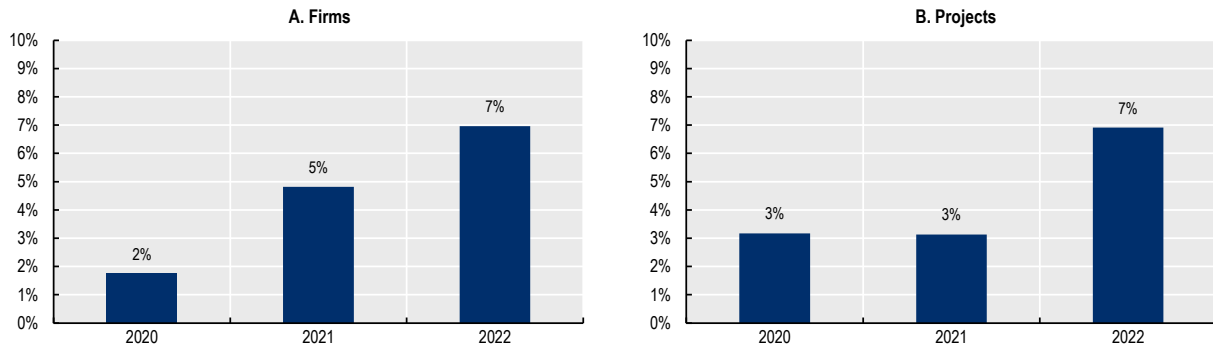
Source: OECD survey on monitoring and evaluation of sustainable investment, 2023.

IPAs support more sustainable projects, but lack standard comparison metrics

In recent years – and based on numbers and classifications self-reported by IPAs – the number of assisted sustainable firms has tripled, while that of sustainable projects has doubled (Figure 17). In relative terms, however, they represent no more than 7% of total assisted investments. On average, the importance of such projects is increasing.

Figure 17. Share of sustainable firms and projects among all assisted by OECD IPAs

In %



Note: Sustainability firms and projects are self-reported by IPAs and relate to projects that classified as such according to the sustainability-related criteria used by those IPAs.

Source: OECD survey on monitoring and evaluation of sustainable investment, 2023.

It is crucial to ensure that this increasing trend reflects a genuine emphasis on sustainable investments, rather than a tendency for agencies to categorise more projects as sustainable merely for appearances, aligned with greenwashing practices. This underscores the need to develop standardised metrics across agencies. Without common criteria, the stringency of sustainability measures and the criteria used by IPAs to evaluate projects can vary significantly. Cross-cutting metrics across IPAs could enhance comparability across and within countries in sustainability assessments, helping to reduce variation, benchmark practices, improve methodologies and learn from one another.

3 Towards better M&E mechanisms for measuring sustainability

Investment promotion practitioners made significant progress in developing M&E mechanisms for measuring sustainability in recent years, but challenges remain. Key issues include inadequate alignment between KPIs and strategic objectives, limited access to relevant data, difficulty to assess the impact of their efforts on attracting sustainable investment, and lack of consistency in metrics among agencies. Improving the reliability of measurements and enhancing comparability across IPAs could help better assess progress in attracting sustainable investments. This section presents best practices for addressing key challenges in developing more effective M&E mechanisms for measuring sustainability.

Develop KPIs that align IPA activities with broader policy objectives

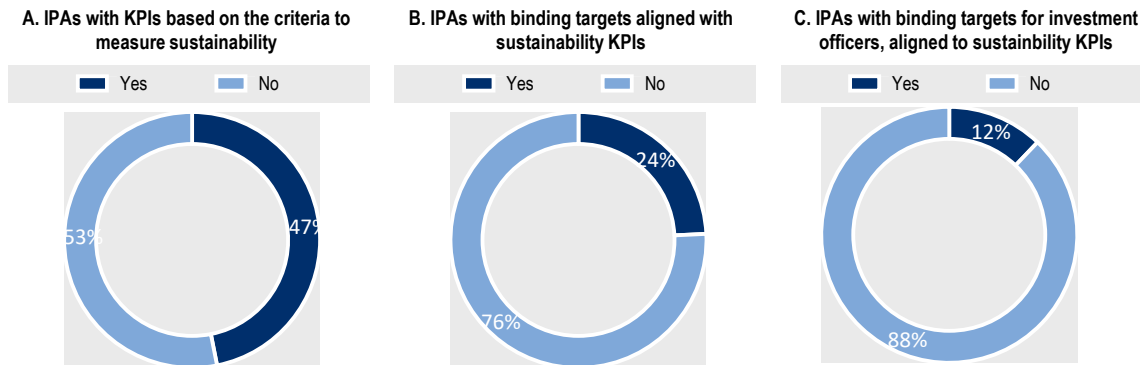
KPIs are designed to direct agency efforts towards specific goals and assess their achievements. They can set quantitative targets for the agency and its teams, aligning agents' efforts with broader policy objectives, and ensuring consistency across institutional levels. By aligning KPIs with these strategic goals, IPAs can ensure consistency and a clear direction in their activities. Once adopted, KPIs can be linked to specific targets to direct agency activities. For instance, if attracting FDI that contributes to reducing CO₂ emissions is a KPI, a specific target might be set on CO₂ emissions per output produced by foreign companies relative to domestic firms – a measure used in the FDI Qualities Indicators (OECD, 2022^[4]; OECD, forthcoming^[14])

KPIs can also be communicated to stakeholders and the public through regular reporting tools. Reporting KPIs through channels like annual reports or websites enhances transparency and provides stakeholders with clear insights into IPAs' work and FDI's contribution to the economy. This visibility strengthens the agency's role as an economic development actor and increases the potential for FDI to be effectively leveraged as an economic policy tool.

Currently, KPIs are often disconnected from sustainability criteria, which makes it challenging to track their advancement in attracting sustainable investment. Although IPAs primarily rely on their own criteria to classify projects, firms and sectors as sustainable (see Section 3), more than half of OECD IPAs do not apply these criteria to design KPIs (Figure 18, Panel A). As a result, they are not leveraging these criteria for monitoring and evaluating their own progress.

Even fewer IPAs have binding targets tied to their KPIs, meaning the agencies are not required to report on whether they achieved specific sustainability goals. Notably, only 24% of OECD IPAs have binding targets, and just 12% have such targets for individual officers (Figure 18, Panel B and C).⁵ This not only exacerbates the disconnection previously mentioned but also highlights a lack of incentives for both agencies and their personnel to prioritise the attraction of sustainable investments. Without clear KPIs, it becomes difficult for agencies to remain focused on this critical area.

Figure 18. Alignment between KPIs and sustainability criteria



Source: OECD survey on monitoring and evaluation of sustainable investment, 2023.

Improve access to relevant data

The ability of any agency to set KPIs and effectively track them depends largely on access to relevant and regularly available data. This is a common limitation faced by IPAs, but they can influence the quality and consistency of the data gathered internally through strategically selecting the metrics to track, using their CRM systems to capture data effectively, training staff appropriately, and engaging with clients to collect valuable information. Enhancing access to both internal data – sourced by agency clients and activities – and external data – from administrative sources and private providers – are options for improving M&E mechanisms. This is particularly the case to measure sustainability, as KPIs typically cover areas beyond the narrower scope of IPAs' mandate and activities.

Strengthen internal data with mandatory reporting requirements.

Agencies typically gather internal data from regular or occasional investors' surveys, as well as their assistance activities and project portfolios from investment officers and clients, often using customer relationship management (CRM) systems. This data is then tracked within the CRM systems. This approach has notable limitations if not supplemented by statistical validation techniques. For instance, the data may not be statistically representative of all assisted firms due to issues like non-response bias. Moreover, the data relies heavily on firms' self-reporting, raising concerns about the accuracy of the information provided. In addition, the data often focuses on projected outcomes before the firm is fully established, which may not accurately reflect its future performance.

Subject to availability of resources and IPA capacity, linking IPAs' assistance to firms with mandatory reporting requirements can enhance the collection of internal data. IDA Ireland, for example, uses this approach to monitor employment and economic activities of assisted firms, gathering information from two mandatory surveys (Box 5). To address non-responses and ensure data accuracy, the data aggregates are adjusted through weighting and imputation, with annual revisions incorporating the latest validated information from client companies. These surveys are also accessible to third party users, reinforcing the transparency and breadth of impact analyses. For instance, the surveys were used in the OECD 2020 FDI Qualities Assessment of Ireland (OECD, 2020_[15]). A similar approach can be applied to enhance sustainability metrics.

Box 5. Increasing firm-level data through mandatory reporting requirements: IDA Ireland case

The Department of Enterprise, Trade and Employment (DETE) in Ireland conducts two key annual surveys, the Annual Employment Survey (AES) and the Annual Business Survey of Economic Impact (ABSEI), to monitor employment and economic activities of firms supported by the country's three enterprise development agencies, including IDA Ireland. These surveys assess the impact of agencies' clients on Irish economy and are used to inform policy analysis.

An interagency steering group including DETE, enterprise agencies, and the research contractor, manages the survey process. The agencies compile the survey population list. Since 2018, online data collection systems have been in use. The research contractor handles data processing, statistical weighting, and summary table preparation, and submits the primary microdata to the agencies and DETE for detailed verification. The data collection and validation processes follow the Irish Statistical System Code of Practice (ISSCOP) and the Department's Quality Commitment Statement. Aggregated results are adjusted for non-responses through weighting and imputation, with annual data revisions incorporating the latest validated information from client companies.

Table 2. Surveys to supported firms in Ireland

	Annual Business Survey of Economic Impact (ABSEI)	Annual Employment Survey (AES)
Background	The ABSEI survey aims to monitor various aspects of economic activity among firms supported by enterprise development agencies—IDA Ireland, Enterprise Ireland, and Údarás na Gaeltachta—and to measure these companies' contributions to the Irish economy.	The AES is a comprehensive census that tracks employment across all manufacturing and internationally traded services companies supported by Ireland's enterprise development agencies—IDA Ireland, Enterprise Ireland, and Údarás na Gaeltachta.
Data coverage and methodology	Targets all client firms of the three agencies, focusing on manufacturing and services companies with 10 or more full-time permanent employees, categorised by Irish or foreign ownership. Conducted annually from August to September through a secure online system, involving around 1300 clients.	Targets all firms supported by the three agencies, including those currently engaged and previously eligible. Conducted annually from September to December, it covers 1800+ clients. Employment data is categorised by company nationality, with historical figures adjusted for ownership changes, new companies, and error corrections.
Overview of variables and definitions	Variables	Definitions
	Total sales of goods and services	The overall revenue generated from the sale of goods and services
	Total employment	The total number of individuals employed by the entities
	Direct expenditure in the Irish economy	The overall spending within the Irish economy
	Variables	Definitions
	Permanent, full-time employees	Employees employed full time or on contracts for nine months or longer
	Part-time, temporary & short term contracts	Employees employed or on contracts for less than 9 months
	Job losses	Decrease in employment on a company basis
Dissemination	Since 2000, survey data has been publicly available on the government website. Annual reports provide consolidated estimates for Irish and foreign-owned firms, highlighting trends in the manufacturing and services sectors.	The survey data has been made publicly available each year since 2013 on the government website.

Source: OECD based on interviews with Department of Enterprise, Trade and Employment of Ireland.

Facilitate connection to external sources by establishing institutional links

Relying solely on internal data limits the reach of IPAs' analysis. It restricts their ability to compare the performance of assisted firms with a broader group, such as all foreign firms in the economy or non-assisted firms (Figure 19). Additionally, the level of information needed can be challenging to collect, as it can cover a wide range of areas, imposing significant burdens on both IPA staff and investors. Therefore, access to external data sources – both private data providers and administrative data – is essential.

Figure 19. Benefits of external data

- ① Evaluate the performance of assisted versus non-assisted firms across various sectors, sizes, and other key factors.

- ② Compare the performance of foreign firms with that of domestic firms, considering differences across sectors, firm sizes, and other relevant variables.

- ③ Analyse the performance of firms in areas that are typically not monitored or are challenging for IPAs to measure (green, skills, gender equality, and innovation).

Source: OECD elaboration

When effectively managed, these sources provide agencies with deeper insights into their clients' performance while reducing the workload on investment staff. This can be achieved by centrally managing such data, leveraging the data collection and validation efforts of private providers and other public entities.

Complementary data can also be obtained from private data providers – such as Bureau van Dijk (BvD), Dun & Bradstreet (DNB), Thomson & Reuters, Bloomberg, the Financial Times (FT) and ORBIS (Sztajerowska, 2019^[10]). They can provide an important source of data on firms that are not established in the local economy – and, hence, would not be captured in the national administrative data. The capacity to work with them depends on the agency's budget and the ability of IPA staff to use such data.

Meanwhile, accessing administrative firm-level data from other public entities can often be achieved by establishing strategic institutional partnerships. Sharing data with detailed information at the level of companies can be challenging due to privacy concerns and legal restrictions. A way to mitigate this challenge is requesting the data in aggregated form – categorised by foreign and non-foreign, which is the only distinction needed to assess FDI impact. This approach prevents the divulgence of firm-specific information.

InvestChile leverages administrative data from public institutions by creating institutional collaborations. While its current KPIs are not based on external data, the agency has formed strategic partnerships to access key data, allowing its internal systems to interoperate with external sources (Box 6).

Box 6. Establishing institutional links for data collection: InvestChile case

InvestChile has successfully negotiated access to administrative data from three key agencies: the Internal Revenues Service (IRS), the Ministry of Finance, and the National Customs Service. This data is compiled into a comprehensive report to provide deeper insights into the positive impact of FDI on Chile's economy. The data accessed is detailed in the table below:

Table 3. Administrative data available for Invest Chile

Agency	Type of data	Description
Internal Revenues Service (IRS)	Firms tax data	The IRS provides data annually, including foreign ownership percentages, sales ranges, employee counts, and tax locations. This data is primarily tax-related and doesn't fully capture firm's characteristics.
Ministry of Finance	Aggregated salary data	Using unemployment insurance data, the Ministry of Finance provides aggregated salary information. One limitation is that salaries are capped at a ceiling of 3,000 USD on social security contributions.
National Customs Service	Customs data	Customs data is integrated to offer detailed analysis of exports and tariff codes by sector

Source: OECD based on interview with InvestChile

This data-sharing process is complex, as illustrated by a three-year negotiation with the IRS. Key lessons from this experience include:

- **Understand data sharing limitation:** Recognising the sensitivity of administrative data is crucial. Privacy concerns can be mitigated by agreeing to receive data in aggregated form, facilitating access.
- **Recognise data limitations:** Tax data may not fully characterise firms, as it is tied to their tax-related addresses rather than broader operational aspects.
- **Build institutional relationships:** Engaging with statistical departments and agencies can align data collection efforts. This may include adding questions to surveys to distinguish between foreign and domestic firms and incorporating sustainability metrics such as gender split, firm size, and real wages.

Note: Although all three institutions are part of the Ministry of Finance, both the IRS and the National Customs Service are independent, and negotiations had to be conducted with each of them individually.

Source: OECD based on interview with InvestChile.

Focus efforts on broadening the scope of indicators to cover both inputs and outcomes

IPAs often struggle to assess the impact of their efforts on attracting sustainable investment. One way to address this challenge is by placing greater efforts in broadening the scope indicators to cover both inputs and outcomes, particularly sustainability outcome indicators. As discussed in Section 2, over 90% of IPAs track basic outcome indicators, 72% include at least one sustainability outcome indicator, but only 6% track all sustainability themes (i.e. Ireland and Lithuania).

Outcome indicators allow agencies to monitor their performance more effectively by measuring the impact of their efforts and motivating agents to target investments that align with desired outcomes. These results

oriented KPIs focus on specific results, such as investment decisions, job creation or R&D activities, which depend on actions by external actors like investors. In contrast, input (or activity-related) KPIs track aspects within the agency's control, such as activities, contacts, projects, events, participants, visits, reports, and capacity-building initiatives. These metrics might include the number of assistances provided, projects managed, or events hosted.

Outcome indicators cover a broader range of aspects than input indicators, including sustainability-related factors. In OECD IPAs, such indicators focus on areas such as regional development, supply-chain linkages, diversification, and job quality and skills. Some IPAs have a particularly strong outcome-orientation, such as IDA Ireland and CzechInvest, where outcome KPIs account respectively for 84% and 50% of total KPIs. Türkiye gathers data from investors to assess their alignment with the SDGs prioritised in the national strategy through a survey (Box 7). This data can be used to develop sustainability KPIs after project implementation, helping to evaluate the impact these projects may have on sustainability.

Box 7. Türkiye's sustainable investment scoring mechanism

Aligning with Türkiye's national strategy to promote quality FDI, the Investment Office launched a new scoring mechanism that prioritises investment projects based on five pillars: investment size, direct and potential contributions, investor prestige, and SDG compliance. For SDG compliance, the IPA created a survey with simple questions assessing whether investors meet specific SDGs through their projects.

Based on the results of the questionnaire, the Investment Office then categorises investment projects, with higher priority given to those that score higher on sustainability vis-à-vis the other pillars. To ensure effective prioritisation and that the investment project aligns with sustainability objectives, the scoring mechanism is used for both ex-ante and ex-post analysis. The agency scores the investment project before the investor makes its location decision (potential investments) once the location has been decided (attracted investments) and after the project has been established (realised investments). As such, the scoring mechanism is also used as an impact assessment tool, supporting the Investment Office's monitoring and evaluation efforts.

Table 4. Example questionnaire for SDG 4: Quality Education

Questions	Weight
1. Does the investment to be made by the company include a technical training center or R&D, design, innovation center investment?	20%
2. Is it an investment that is open to university/industry cooperation and has the potential to cooperate with technical education, vocational high schools and research institutes?	20%
3. Is it possible to provide technical training at home or abroad for the personnel to be employed within the investment?	20%
4. Is it an investment with the potential to deliver technology/knowledge spillovers to other stakeholders in the ecosystem?	20%
5. Is it an investment that creates intense employment in the fields of STEM (Science, Technology, Engineering and Math)?	20%

Source: OECD based on presentation delivered by the Investment Office of the Presidency of the Republic of Türkiye.

Consider harmonising M&E metrics to foster transparency and comparability

To enhance the effectiveness of sustainability initiatives across OECD IPAs, it is important not only to develop KPIs that effectively track the outcomes of FDI, but also to harmonise these metrics across agencies. Differences in metrics used across agencies hamper the ability to benchmark performance

across countries, i.e. the contribution of FDI to specific sustainability outcomes in one country relative to other countries, and, in turn, identify areas for improvement.

Harmonising M&E metrics would provide IPAs with clear, consistent and comparable criteria for evaluating what qualifies as a sustainable investment. Without them, there is a risk that agencies could label projects as sustainable merely for appearances, contributing to greenwashing practices. Transparency, accountability, and comparability across projects is important to prevent arbitrary or misleading classifications. An alignment of M&E metrics would also build trust among policymakers and the public by ensuring that sustainability claims are backed by measurable and objective data.

By increasing consistency in how sustainability is measured and reported, IPAs can better align their efforts, facilitate cross-agency comparisons, and craft more impactful sustainable investment strategies. A way forward is to leverage the OECD FDI Qualities initiative framework. IPAs can align their KPIs and sustainability criteria with the OECD FDI Qualities Indicators to better assess the impact of FDI on sustainable development.

Suitability of OECD FDI Qualities Indicators

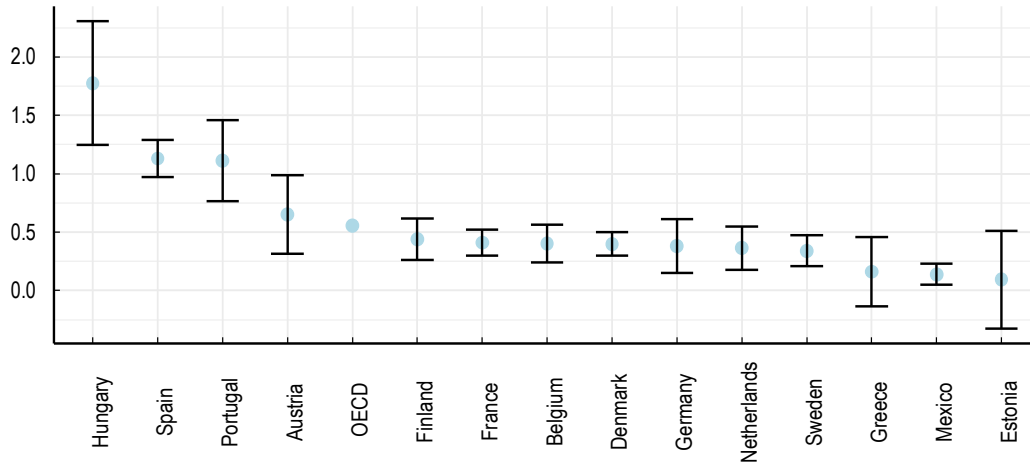
The FDI Qualities Indicators serve as a framework and a practical tool to assess the contribution of FDI to various objectives – or outcomes – including the green and digital transitions, productivity and innovation, job quality and skills, and gender equality (see Annex A). They enable governments to better understand the areas and extent to which FDI contributes most to sustainable development outcomes, both relative to domestic firms and across countries. This evidence-based approach can support informed decision-making in the design of investment promotion strategies that prioritise sustainable investment. For instance, the indicators show that the benefits of FDI are important but strongly vary across and within countries, segments of the population, sectors, and outcomes areas – the contribution of FDI to decarbonisation can be large in one country, relative to others, but weak in terms of creating quality jobs for women.

The framework for the FDI Qualities Indicators identifies the different channels of FDI impact on economic outcomes. Therefore, IPAs can adopt this framework not only to improve cross-country comparability but also to ensure that their KPIs cover the multiple channels through which FDI influences outcomes. For instance, outcome KPIs can cover the *direct* impact of FDI by measuring the performance of foreign firms – relative to domestic firms – in terms of their spending on R&D, training, or energy efficiency (OECD, 2022^[4]). This direct impact can also consist of measuring the actual amount invested in potential priority sectors or activities, such as renewable energies or e-commerce, relative to total FDI. Agencies' KPIs can also capture whether FDI attracted (whether through their assistance or in general) is concentrated in sectors with better sustainability metrics, such as sectors offering higher wages for women.

The 2024 update of the FDI Qualities Indicators highlights the impact of FDI on sustainable development (OECD, forthcoming^[14]). In terms of productivity and innovation, foreign firms are generally more productive than domestic firms across most OECD countries, though the productivity premium is typically small (Figure 20). This higher productivity stems from larger scale, better access to capital, technology, and more modern management techniques. Their larger size also enables them to benefit from economies of scale, often through connections with parent companies (OECD, 2022^[6]).

Figure 20. Productivity comparison of foreign and domestic firms in selected OECD countries

Are foreign firms outperforming their domestic peers in terms of value added per worker (yes > 0; no < 0)? (2020-24)



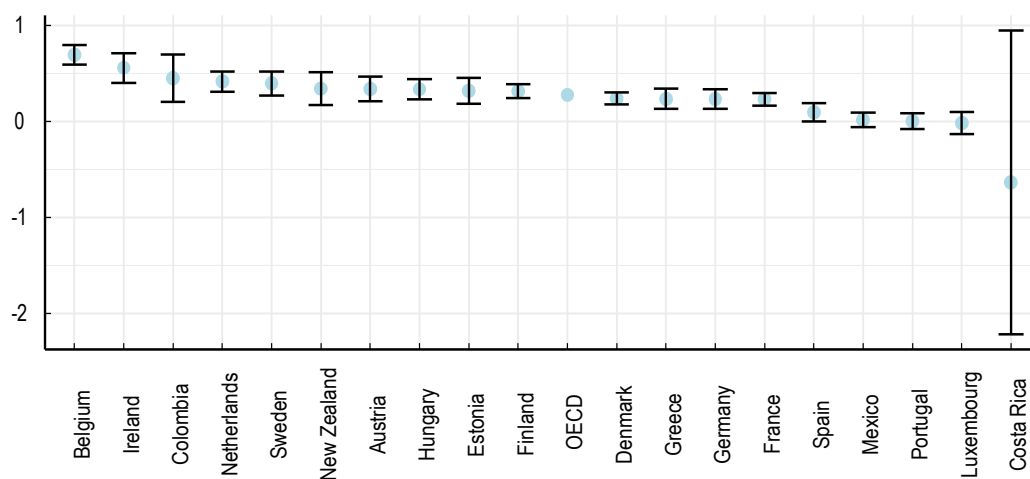
Note: 95% confidence intervals. If the interval crosses zero, the average outcome difference between foreign and domestic firms is not statistically significant. Data includes surveys post-2020, using the latest year per country and the OECD average.

Source: OECD (Forthcoming^[16]), FDI Qualities Indicators 2024, based on World Bank (2023^[17]), World Bank Enterprise Surveys, <https://www.enterprisesurveys.org/en/enterprisesurveys>

Foreign firms tend to offer higher wages than domestic firms, but not in all OECD countries (Figure 21). The higher wages are typically driven by their multinational networks, larger size, higher productivity, skilled workforce and market power. They may also offer higher wages to similar workers to reduce turnover and prevent technology transfers to competitors.

Figure 21. Wage comparison of foreign and domestic firms in selected OECD countries

Are foreign firms outperforming their domestic peers in terms of wages (yes if score > 0; no if score < 0)?

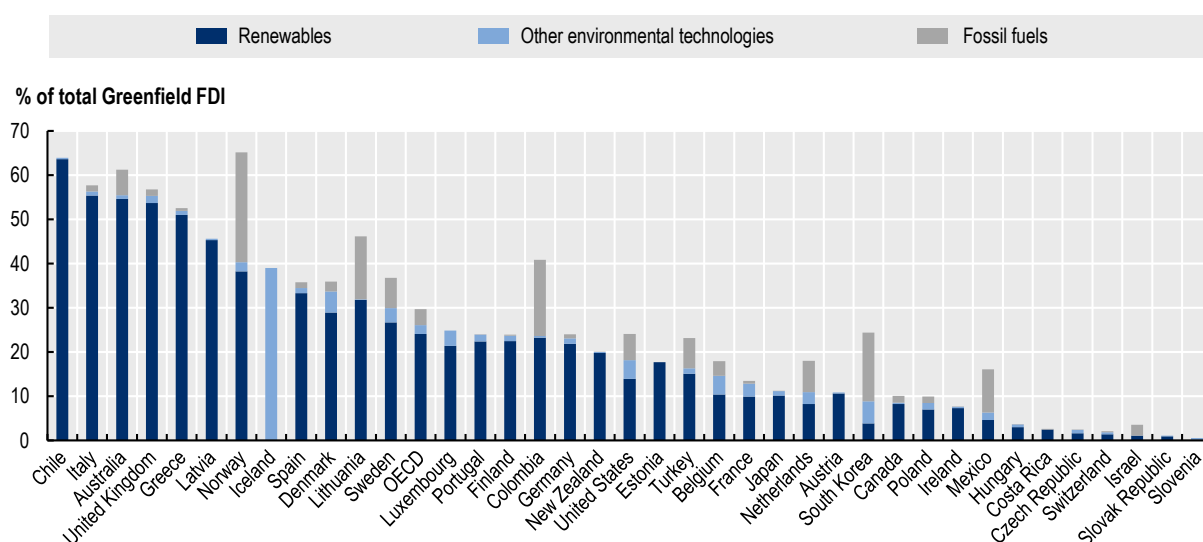


Source: OECD (Forthcoming^[16]), FDI Qualities Indicators 2024, based on World Bank (2023^[17]), World Bank Enterprise Surveys, <https://www.enterprisesurveys.org/en/enterprisesurveys>

FDI has played an increasingly significant role in decarbonisation efforts in recent years. Investment in renewables accounted for a growing share of total greenfield FDI in OECD economies, averaging 24% in 2019-2023, while FDI in fossil fuels accounted for only 4% on average during the same period (Figure 22). This reflects a clear shift in both countries' and investors' efforts toward investments in sustainable energy sources. Although this trend holds true for most economies, there are notable differences. For example, countries like Chile, Italy, Australia, and the UK attracted more than 50% of their greenfield FDI in renewable energy. Conversely, fossil fuels continue to play an important role in countries such as Norway (24%), Colombia (17%), and South Korea (15%). In comparison, other environmental technologies, related to water management and sewage, attracted a smaller share of FDI on average (2%), yet significant in specific countries, like Iceland (40%). Overall, this trend highlights the global focus on transitioning to cleaner technologies and reducing reliance on fossil fuels.

Figure 22. FDI contribution to decarbonisation in OECD countries

Greenfield FDI in renewables, environmental technologies and fossil fuels, 2019-2023

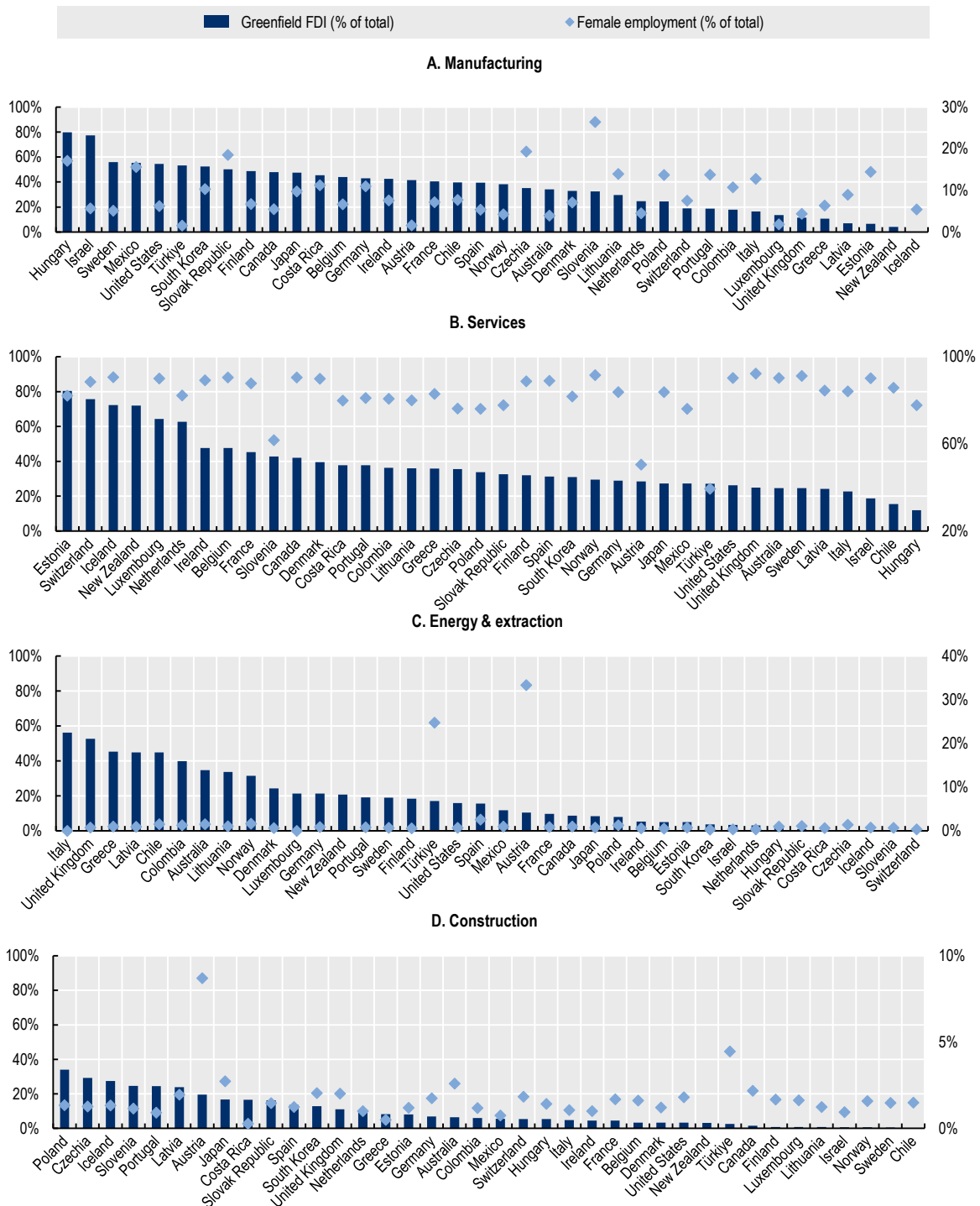


Source: OECD (Forthcoming^[16]), FDI Qualities Indicators 2024, based on FT fDi Markets (2023^[16]), Database of cross border greenfield investments, <https://www.fdimarkets.com/>

Tracking gender indicators can help prioritise sectors for improving gender equality in labour markets. FDI often overlooks sectors with high female employment (Figure 23). From 2019 to 2023 the greenfield FDI allocations show no clear correlation with female employment levels, except in services. The services sector, which attracts high FDI and has substantial female employment, represents an area where FDI aligns with gender-inclusive economic benefits. Sectors such as energy, extraction, construction, and to a lesser extent, manufacturing, demonstrate weaker links between FDI attraction and gender equality, highlighting structural barriers that limit women's participation in these industries. To enhance gender equality, policymakers could prioritise attracting FDI to sectors like services while addressing gender-specific barriers in manufacturing, energy, and construction to create more inclusive employment opportunities as these sectors grow. IPAs could enhance their M&E mechanisms by incorporating gender-disaggregated data on job creation, workforce training, and wages. This would provide valuable insights into the impact of FDI on promoting gender equality.

Figure 23. Greenfield FDI and female employment by sector in OECD countries

Greenfield FDI as % of total, 2019-23; Female employment as % of total, 2023 or latest



Source: OECD based on ILO (2023^[19]), Statistics on Women, [Statistics on women - ILOSTAT](https://www.ilo.org/gateway/topics/statistics-on-women) and FT fDi Markets (2023^[18]), Database of cross border greenfield investments, <https://www.fdimarkets.com/>







Leveraging the OECD FDI Qualities Indicators

The exercise in Section 2 involves a post-factum categorisation of KPIs by the OECD to standardise agency metrics within a common framework, enabling comparisons in the absence of universally applied criteria (Box 3). Standardisation could be more systematically achieved at the source by adopting a unified framework, facilitating immediate and efficient comparisons.

In this regard, as the OECD FDI Qualities Indicators can inform governments on the contribution of FDI in their countries, OECD IPAs could consider incorporating this framework into their M&E system. The sustainability KPIs – described in Section 2 – have certain similarities to the FDI Qualities Indicators. They could be matched based on the topics that are building up each theme.

OECD IPAs have KPIs across all these clusters, except for gender equality, which could be incorporated. Two more clusters could be included: regional development, given its importance to OECD IPAs, and cross-cutting sustainability to group indicators related to sector prioritisation and multi-SDG impact. Figure 24 shows the classification.

Figure 24. Sustainability KPIs linked to FDI Qualities clusters

M&E KPIs CLUSTERS		
FDI Qualities Clusters		Topics 2023 M&E OECD survey
 Productivity & innovation		Exports High value added projects Broader economic impact R&D
 Job quality and skills		Specialist jobs Above average salaries Specialist jobs Skills development
 Green transition		Green investment
 Gender equality		Gender equality
Other Clusters		Topics 2023 M&E OECD survey
 Regional development		Less developed regions Diversification of sources Sector prioritisation
 Cross-cutting sustainability		Achieving SDGs Broader economic impact Supply chain and other linkages

Source: OECD based on OECD survey on monitoring and evaluation of sustainable investment, 2023 and OECD (2022^[4]), FDI Qualities Indicators 2022, www.oecd.org/content/dam/oe.cd/en/topics/policy-sub-issues/fdi-qualities-and-impact/FDI-Qualities-Indicators-2022.pdf

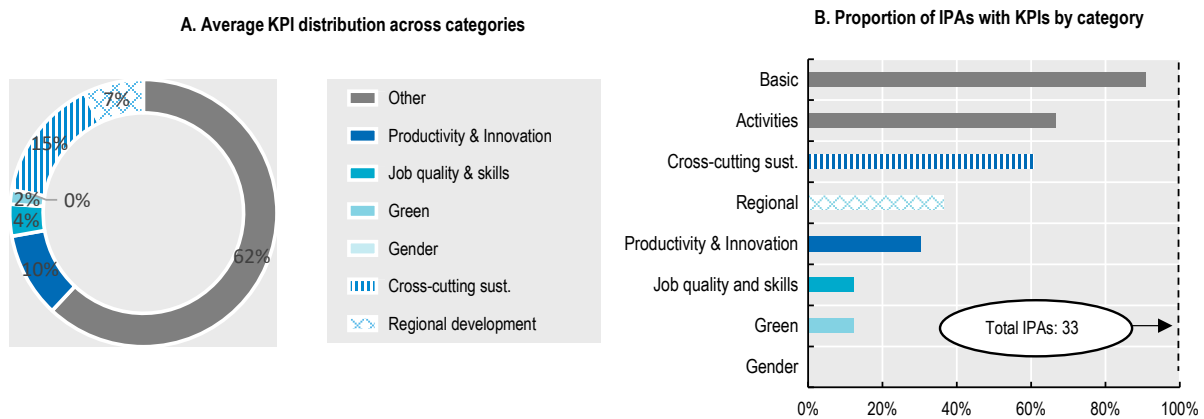
If sustainability KPIs were categorised in this manner, the average distribution of KPIs across all IPAs would be as follows: 15% for cross-cutting sustainability, 10% for productivity and innovation, 7% for regional development, 4% for job quality and skills, 2% for green transition, 0% for gender equality (Figure 25, Panel A). The proportion of IPAs with KPIs in each category reflects their current importance:

61% of IPAs have at least one KPI related to cross-cutting sustainability, 36% to regional development, 30% to productivity and innovation, 12% to green transition and the same proportion for job quality and skills, and none for gender equality (Figure 25, Panel B).

This classification highlights areas where IPAs are active and where gaps exist. For example, IPAs currently place relatively less emphasis on indicators related to green transition and gender equality, despite these being key objectives in many national strategies and IPA goals. This framework can help IPAs identify missing areas and once addressed, allow them to track progress and compare their results and methodologies to those of other IPAs more clearly.

Figure 25. Distribution of KPIs using FDI Qualities Clusters

In %



Source: OECD based on OECD survey on monitoring and evaluation of sustainable investment, 2023 and OECD (2022^[4]), FDI Qualities Indicators 2022, www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/fdi-qualities-and-impact/FDI-Qualities-Indicators-2022.pdf

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Annex A. FDI Qualities Indicators 2024

FDI Qualities Indicators measure how foreign investment contributes to specific aspects of sustainable development in host countries, aligned with the 2030 Agenda's three Ps: prosperity, people, and planet. They assess all 17 SDGs and their targets to identify where FDI can contribute to achieving the SDGs.

The FDI Qualities Indicators focus on 4 clusters: productivity and innovation, job quality and skills, gender equality, and green transition. For each of the 4 clusters, a number of different outcomes were identified and used to produce indicators that relate them to FDI or activity of foreign MNEs, allowing for comparisons both within and across clusters so as to identify potential sustainability trade-offs.

FDI qualities by sustainability cluster, outcomes and results

Cluster	Objective	Outcomes
Productivity & innovation	Provide information on the extent to which foreign MNEs and their linkages with domestic firms, including SMEs, enable productivity growth and enhance innovation capacity through knowledge and technology transfer.	Labour productivity Labour productivity growth Product innovation Process innovation R&D expenditures Use of foreign technologies
Job quality & skills	Explore how FDI impacts employment in host countries, assessing whether the relationship is positive or negative, as job quality is crucial for productive work. Additionally, investigate the extent to which foreign MNEs invest in human capital and skills, both directly through in-house training for workers and managers, and indirectly through knowledge transfers to domestic firms.	Job creation per unit of FDI Employment growth Wages Job security (temporary work) Worker safety (injuries) Skill intensity On-the-job training Technical skill shortage/surplus
Gender equality	Examine how FDI is associated with gender equality in host economies. Effective participation of women in the workforce and equal opportunities at all work levels are not only desirable from a social perspective but can unlock economic opportunities.	Gender employment gap Gender wage gap Female top managers (female empowerment) Women entrepreneurship
Green transition	Study the extent to which FDI relates to carbon footprint, and how FDI is contributing to the low-carbon energy transition. The transition towards low-carbon energy/ electricity production is at the essence of the Paris Agreement and efforts to fight global warming under the SDGs.	CO2 emissions Energy efficiency Renewable energy

Source: FDI Qualities Indicators 2024 (OECD, forthcoming^[14])

Notes

¹ Based on the OECD Climate Actions and Policies Measurement Framework (CAPMF), which defines policy stringency as the degree to which policies incentivise emissions reductions. The data points presented represent average stringency values for the 130 policy variables analysed. They have been grouped under three categories: sectoral policies (i.e., market-based instruments, such as carbon pricing and financing mechanisms, and non-market-based instruments, such as pollution standards, energy labels and fossil-fuel bans) cross-sectoral policies (i.e., GHG emission targets, public RD&D expenditure and climate governance) and international policies (i.e., international public finance, GHG emissions data and reporting and participation in international climate treaties).

² Those agencies might use sustainability-related indicators for specific projects, such as those receiving financial support. However, when asked about agency-wide KPIs, they did not report any that align with the sustainability categories outlined in this report.

³ Set of predefined, measurable indicators used to assess an investment project's potential contribution to sustainable development – as defined by the agency.

⁴ There could be more IPAs using the EU taxonomy, but it was not disclosed in the survey.

⁵ IPAs with binding targets are in Germany, Costa Rica, Ireland, Latvia, Chile, Finland, Estonia, and New Zealand. Meanwhile, IPAs that set specific targets for individual officers are present in Denmark, Costa Rica, Latvia, and France.

