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From the Selected Works of Karl P. Sauvant

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Facilitating Investment for Sustainable Development

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Facilitating Investment for Sustainable Development

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Based on Karl P. Sauvants and Howard Mann, "Towards an indicative list of FDI sustainability characteristics" (Geneva: ICTSD, Oct. 2017), available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3055961



Origins of “characteristics” report

E15 report, THE EVOLVING INTERNATIONAL INVESTMENT LAW AND POLICY REGIME: WAYS FORWARD,
Options paper 14; **Policy Option 6**

- Establish a working group of characteristics of sustainable investment
- No WG established, but research work undertaken
- Concept Paper discussed at two ICTSD/WEF meetings
- Final report being produced: have added another 50 documentary sources

Goal

- During E15 process some participants suggested that the term “sustainable investment” was not, and could not be, defined
- Differing views on this were expressed
- Challenge: could a reasonable degree of clarity be established around what “sustainable investment” means?
 - contributions that stakeholders expect MNEs to make and MNEs themselves say they can make to (sustainable) development.
- Starting point: “An approximation of a definition is: commercially viable investment that makes a maximum contribution to the economic, social and environmental development of host countries and takes place in the framework of fair governance mechanisms.”
- But needed more detail

Methodology

- Identified 100 sources of possible characteristics
 - International agreements
 - Regional intergovernmental processes
 - UN processes
 - Industry (used WBCSD) as proxy for leading companies, then went to those web sites with specific company codes)
 - Civil society
- Reviewed, tabulated and collated results for WEF consultation meetings
- July 2017: added another 50 texts
- Recalibrated the results: more robust

Results / Conclusions

Summary:

- Among those agreements, documents, sources where SD issues in relation to investment are raised, there is a growing expansion and coherence of SI characteristics
- Moving from general statements to more specific statements and objectives
- Movement beyond environment to social and economic development is clear
- **Across all actors**
- Identification remains an active process: more that is produced in terms of source documents, more robust the process becomes, and more specific and participatory across sectors and actors

Results: “Core” characteristics

50 per cent or more coverage in at least four out of the eight categories of stakeholders/instruments

- Low carbon footprint
- Labour rights
- Workplace safety
- Non-discrimination
- Human rights
- Resettlement
- Transparency
- Supply chain standards
- Stakeholder engagement
- Legal compliance.

Results: Emerging core characteristics: at least one-third of the instruments by at least three of the stakeholder groups

Economic

- Employment
- Local linkages
- Community development
- Equitable distribution of wealth

Environmental

- Resource management
- Pollution controls
- Waste reduction
- Biodiversity protection
- Water
- Renewable energy

Social

- Skills enhancement
- Public health
- Fair wages
- Benefits
- Indigenous rights
- Gender
- Cultural heritage protection

Governance

- Anti-corruption
- Risk-management systems
- Environmental/social assessment.

Future Users:

- Negotiators of investment agreements, including any on investment facilitation: facilitation of a certain type of investment
- Host country governments and IPAs seeking to attract sustainable FDI.
- Home country governments supporting their firms to invest abroad
- Arbitrators in international investment disputes
- Intergovernmental organizations
- Global business associations seeking to provide guidance to their members
- Private institutional investors
- Industry associations seeking to do the same.
- International investors seeking to maximize the benefit of their investments not only for themselves, but also for the sustainable development of their host countries.
- Civil society organizations or communities seeking to monitor particular FDI projects or responsible business conduct in more general terms.