

FIVE-PILLAR FRAMEWORK

FOR SUSTAINABLE INTERNATIONAL INVESTMENT

*Columbia Center on Sustainable Investment

CSI has defined a five-pillar framework for sustainable international investment that underpins CCSI's mission and approach throughout its research and advisory work. These five interrelated pillars are intended to create a holistic approach for maximizing the impact of investment for sustainable development.

In theory, the framework is applicable to all countries and all multinational enterprises. However, some aspects of the framework may be more or less relevant depending on country, industry, sector, or project size. In particular, the framework was developed primarily to address large-scale investment in areas such as natural resources and infrastructure.

The five-pillar framework orients CCSI's work, and can also provide guidance to governments, industry and other stakeholders seeking to identify and advance the elements of sustainable international investment. In some cases, stakeholders may need additional skills, capacity or resources to fulfill their respective roles effectively; a shared vision and common framework can identify opportunities for support.

It has been developed through research, advisory projects, and stakeholder dialogue with policy makers, corporate executives, multilateral and donor organizations, civil society, and communities, and remains a "living" framework.

- 1) **A Transparent and Mutually Beneficial Legal Framework:** A transparent domestic legal framework for investment is mutually beneficial to the host country, including its communities and individuals, and to the investors. Robust and transparent legal frameworks, which include laws, regulations, policies, administrative and judicial decisions, and contracts, should be implemented by effective governmental institutions, monitored by civil society, and adhered to by industry. Laws and regulations that are developed and issued through open, inclusive and participatory processes can minimize opportunities for corruption, rent-seeking, self-interested conduct, and opportunism in asymmetrical negotiations. In addition, the international legal system should encourage collaborative regional and global efforts while accommodating adequate domestic-level policy space so that governments can regulate international investment for public interest purposes. Finally, transparent, independent and coherent domestic and international grievance, mediation and dispute settlement mechanisms should ensure access to justice and promote responsible investment that benefit sustainable development.
- 2) **A Commitment to Long-term Planning and Revenue Management:** An effective government strategy and

medium and long-term plans, informed by stakeholder engagement processes, can optimize investments by managing revenues for national and local development objectives. At the national level, this includes national development planning, intra government coordination and prioritization, effective budgetary mechanisms and execution, and strategic allocation of revenues flowing from investments. At the local level, this requires strategic, participatory, local development planning. Furthermore, investors and donors should take concerted efforts to assure that their plans align with and complement the governments' development planning efforts.

- 3) **A Strategy to Leverage Investments for Development through Infrastructure and Linkages:** Regulatory, operational and institutional models should promote pragmatic, cooperative and mutually beneficial strategies for assessing and meeting the infrastructure needs both of the public and of investors. Enforceable policies and an enabling environment should allow, facilitate and strengthen linkages between the investment and the local economy, including, as relevant, the procurement of local goods and services, training and employment of local workers, knowledge and technology transfer, and the creation of economically rational value addition industries. Shared infrastructure platforms and industry linkages can reduce costs, improve access, create scale economies, and promote broad based socio-economic development.
- 4) **An Approach that Promotes Human Rights and Integrated Development:** Home and host governments must protect, and investors must respect, human rights affected by investments, while enabling the participation and inclusion of people and communities and providing effective remedies for potential breaches. Additionally, governments should undertake integrated strategies, informed through community engagement and supported by public and private partners, that prioritize sustainable development goals to ensure that communities in the region benefit from the presence of international investment.
- 5) **A System to Manage Environmental Risks and Impacts:** Environmental protection should be incorporated into relevant government policies prior to the design or approval of investments. These policies should address systemic environmental challenges, such as climate change, water management, biodiversity conservation, deforestation, and protection of the global commons, including in accordance with relevant international treaties. An environmental management system, both generally and at the project level, should facilitate multi-stakeholder capacity to anticipate, manage, mitigate, and adapt to the cumulative environmental