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Deutsches Institut für
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German Development
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A Multilateral Framework for Investment Facilitation: Origins, Scope and Impact

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- Investment needs are enormous to implement the 2030 Agenda for Sustainable Development, but developing countries are often excluded from FDI flows.
- Beyond economic fundamentals like market size, infrastructure and labour, the impediments to FDI in developing countries often relate to the predictability, transparency and efficiency of the regulatory environment.
- Evidence about the effects of traditional bilateral investment treaties on FDI is inconclusive – and they can have unintended costs (e.g. ISDS claims).
- To harness advantages of FDI, it is critical that governments have policies and regulations in place that help to attract and retain FDI.
- **What is the scope and potential contribution of a multilateral investment facilitation framework?**

What is Investment Facilitation?



Investment facilitation is an innovative, technical, non-controversial approach to promote FDI. It refers to a set of practical measures concerned with:

- improving the transparency and predictability of investment frameworks,
- streamlining procedures related to foreign investors, and
- enhancing coordination and cooperation.

Investment Facilitation is NOT about investment protection, liberalisation and ISDS!



Multilateral Level

- G20 Guiding Principles for Global Investment Policymaking
- WTO Structured Discussions

Regional Level

- APEC Investment Facilitation Action Plan
- High-Level Trade and Investment Facilitation Forum for Development, Nigeria, 2017

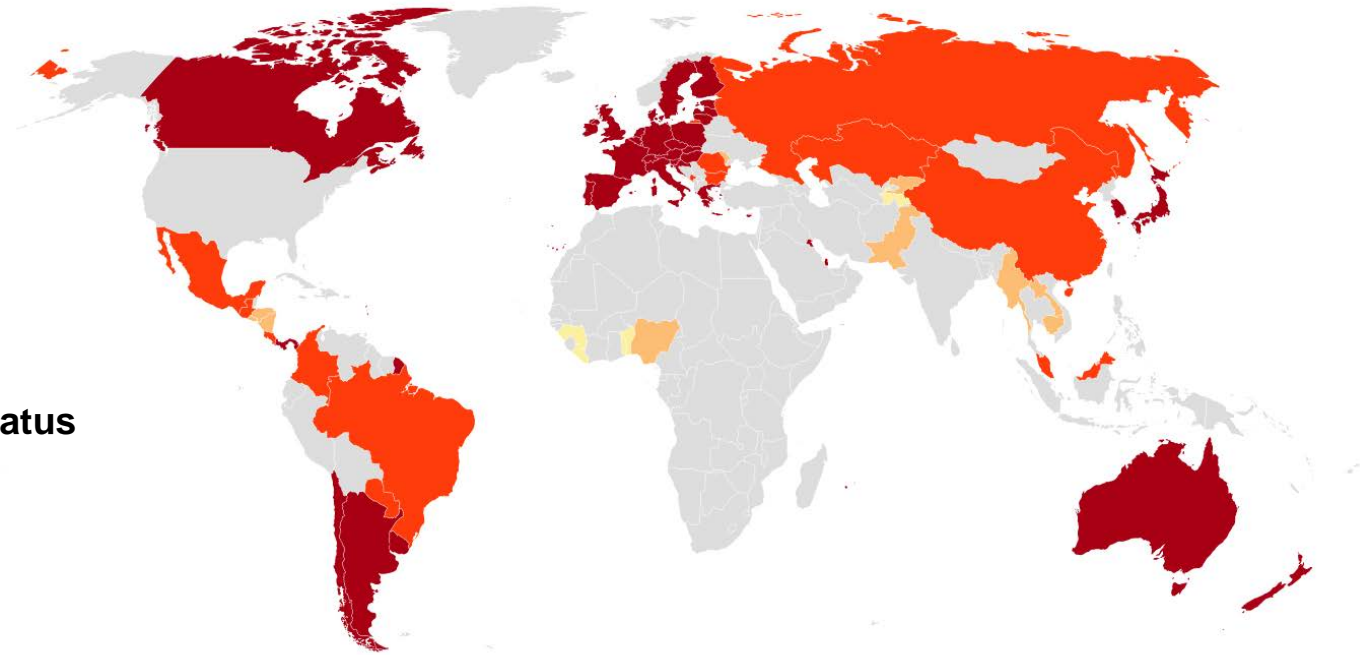
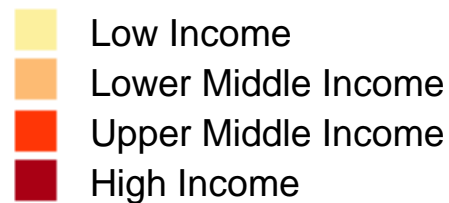
Bilateral Level

- Brazil's Cooperation and Facilitation Investment Agreements (CFIA)



- Joint Ministerial Statement on Investment Facilitation for Development signed by 69 countries, WTO MC11 December 2017
- Structured Discussions since March 2018
- mainly driven by emerging and developing countries
- shift of policy agenda, excluding controversial issues such as ISDS
- Launch of negotiations ahead of MC12?

World Bank Development Status



Need for overall guidance



Recommendation to G20 Japan:

Adopt G20 Guiding Principles on Investment Facilitation for Sustainable Development

- (1) orient investment facilitation*
- (2) facilitate sustainable FDI*
- (3) integrate facilitation throughout the investment lifecycle*
- (4) engage in multi-stakeholder consultations*
- (5) ensure shared responsibilities*
- (6) encourage cooperative activities*
- (7) adopt a whole-of-government approach*
- (8) focus on national efforts within a multilateral framework, and*
- (9) support capacity building coupled with flexibility.*



TRADE, INVESTMENT AND GLOBALIZATION

Towards G20 Guiding Principles on Investment Facilitation for Sustainable Development*

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Abstract

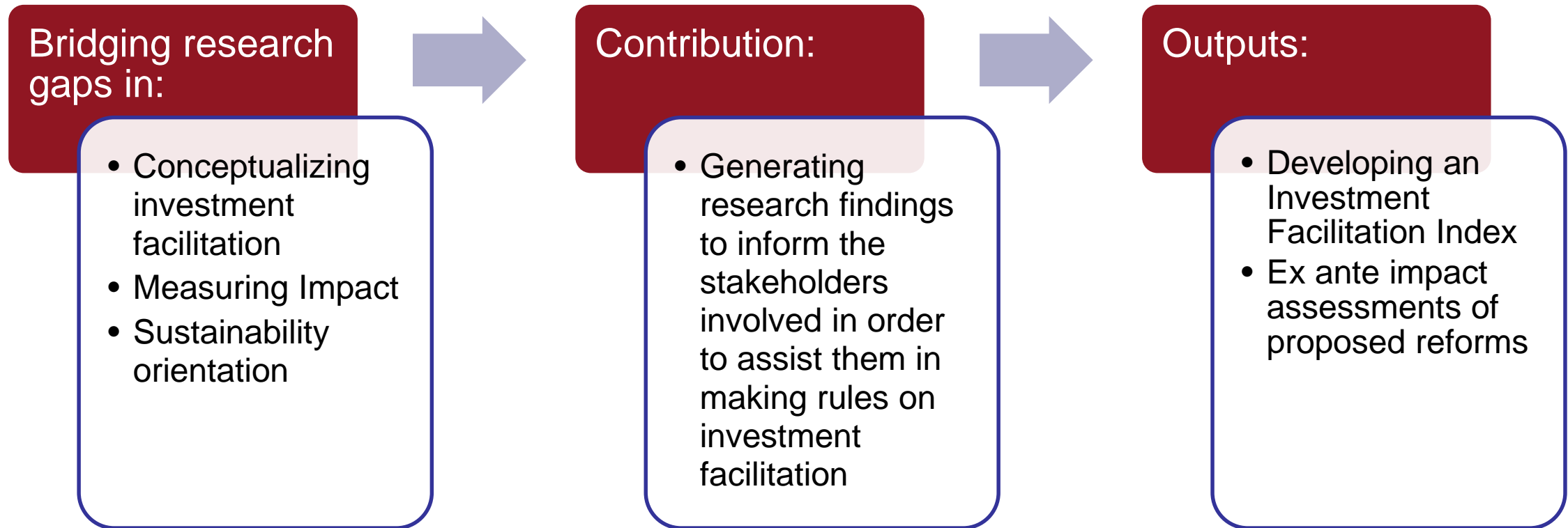
There is growing support behind an international framework to facilitate investment for sustainable development. This Policy Brief suggests that the G20 consider adopting Guiding Principles on Investment Facilitation for Sustainable Development, to help ensure that these efforts result in an effective, coherent, and development-oriented outcome. To this end, this Brief proposes guiding principles to: (1) orient investment facilitation, (2) facilitate sustainable FDI, (3) integrate facilitation throughout the investment lifecycle, (4) engage in multistakeholder consultations, (5) ensure shared responsibilities, (6) encourage cooperative activities, (7) adopt a whole-of-government approach, (8) focus on national efforts within a multilateral framework, and (9) support capacity building coupled with flexibility.

* The authors are grateful to Richard Baldwin and Chi Manjiao for their helpful comments.

Need to conceptualise and measure impact



Research Project of the German Development Institute (DIE): “Investment Facilitation for Sustainable Development”





- Covers 69 signatories of Joint Ministerial Statement
- Based on mapping of country-level regulatory systems
- Weights importance of investment facilitation measures
- Compares country performance across the 6 investment facilitation indicators
- Enable simulation of impact of multilateral Investment Facilitation Framework





Investment Facilitation Index: Scope

Policy Area	Description
Transparency and Predictability	<ul style="list-style-type: none">• Provide full, clear and up-to-date picture of investment regime, including advance notice of proposed changes.• Promote legislative simplification including plain language drafting.
Electronic Governance	<ul style="list-style-type: none">• Establish single window and use information and communication technology.• Apply new technology to improve information, application and approval processes.
Cooperation	<ul style="list-style-type: none">• Make use of international and regional initiatives aimed at building investment expertise, including information sharing.• Provide institutionalised mechanism to support domestic inter-agency coordination.
Application Process	<ul style="list-style-type: none">• Establish clear criteria and transparent procedures for administrative decisions including investment approval mechanisms.• Reduce the number and complexity of fees and charges.
Outward Investment	<ul style="list-style-type: none">• Provide comprehensive information available to the foreign investors by home countries.
Focal Point and Review	<ul style="list-style-type: none">• Provide mechanisms to improve relations or facilitate contacts between host governments and relevant stakeholders.• Receive complaints from investors and/or help them solve difficulties or to carry out policy advocacy.• Encourage development of effective mechanisms at reasonable cost for resolving disputes including private arbitration services.• Provide framework to identify and address problems encountered by investors.



- **Sources of Information for the IFI Measures:**

- ✓ Proposed IFAs in WTO
- ✓ WTO TFA
- ✓ OECD STRI
- ✓ OECD TFI
- ✓ APEC IFAP
- ✓ Regional Trade Agreements (CETA, CPTPP)
- ✓ UNCTAD Single Window
- ✓ World Bank Doing Business Indicators
- ✓ WEF Global Competitiveness Report
- ✓ Countries Rules and Regulations Related to Investment Facilitation

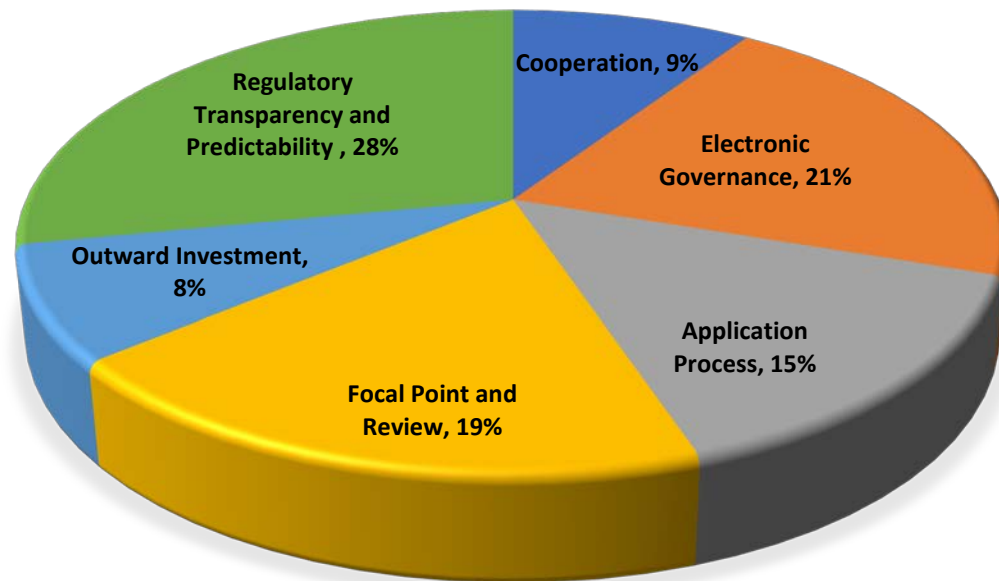
➤ There are 117 measures in the IFI.



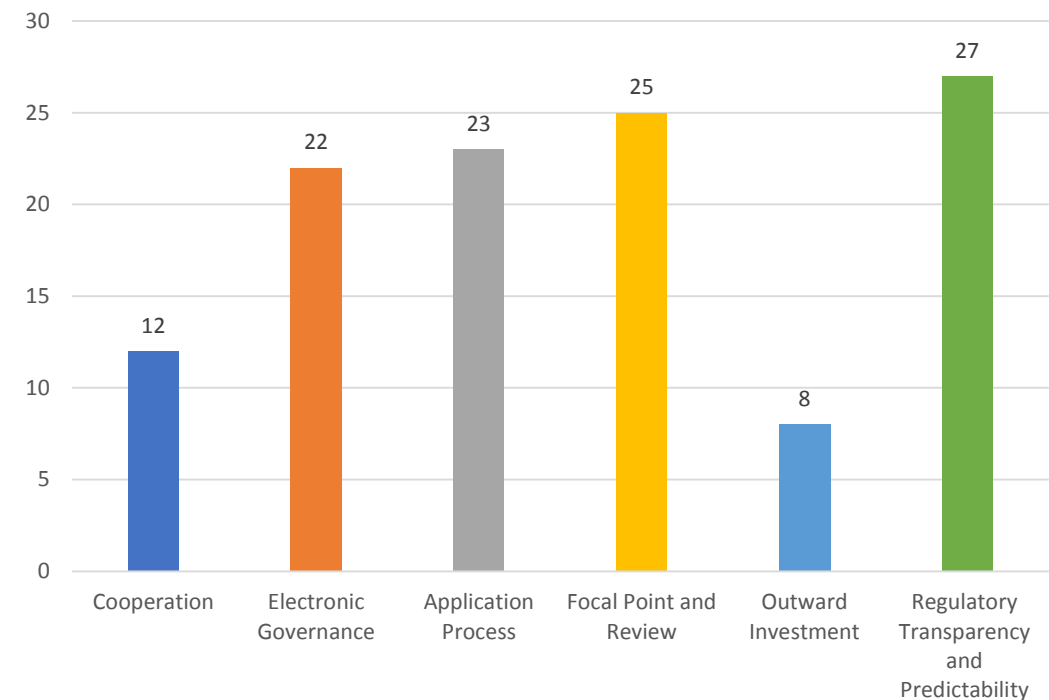
Investment Facilitation Index: Weighting

- More than 100 responses from stakeholders representing International Organisations (18%), Academia (30%), Governments (30%), Private Sector (22%).
- Rating of importance of policy areas for FDI promotion.

Weights per Policy Area



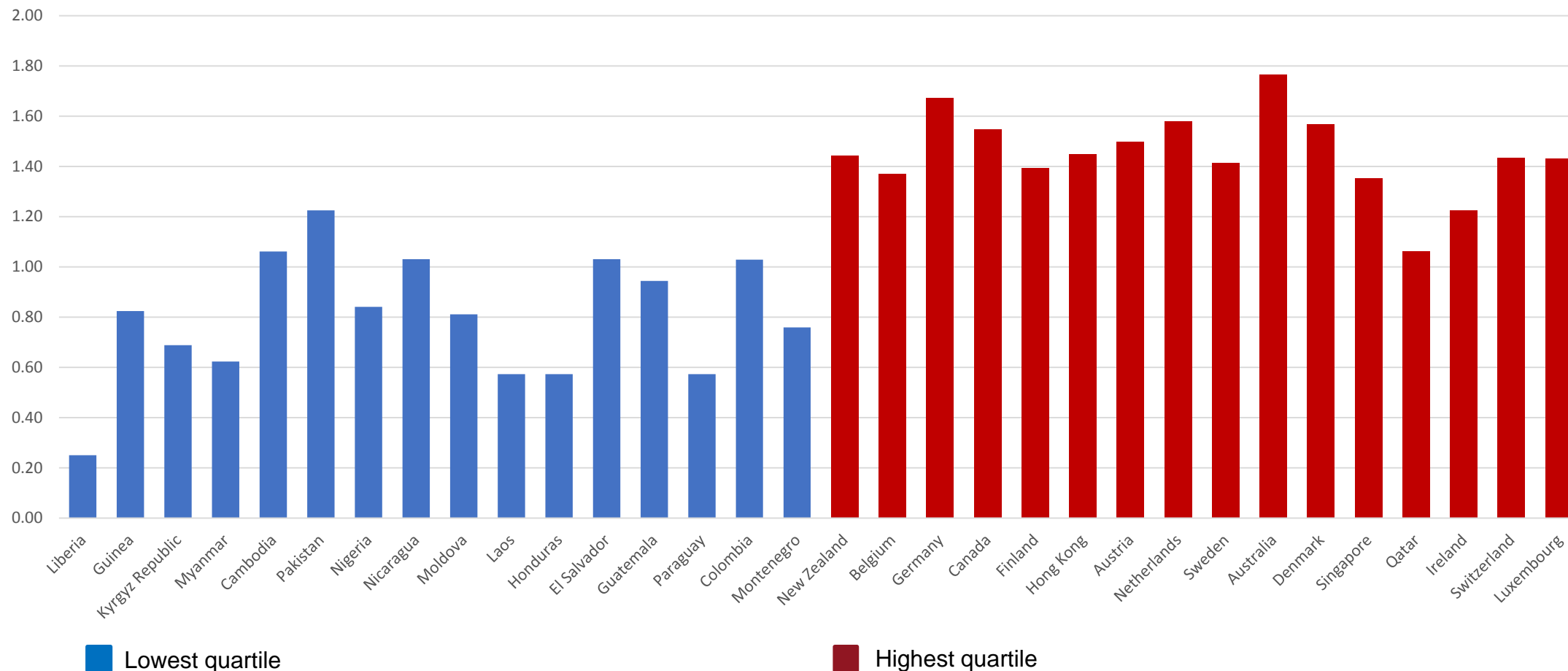
Measures per Policy Area



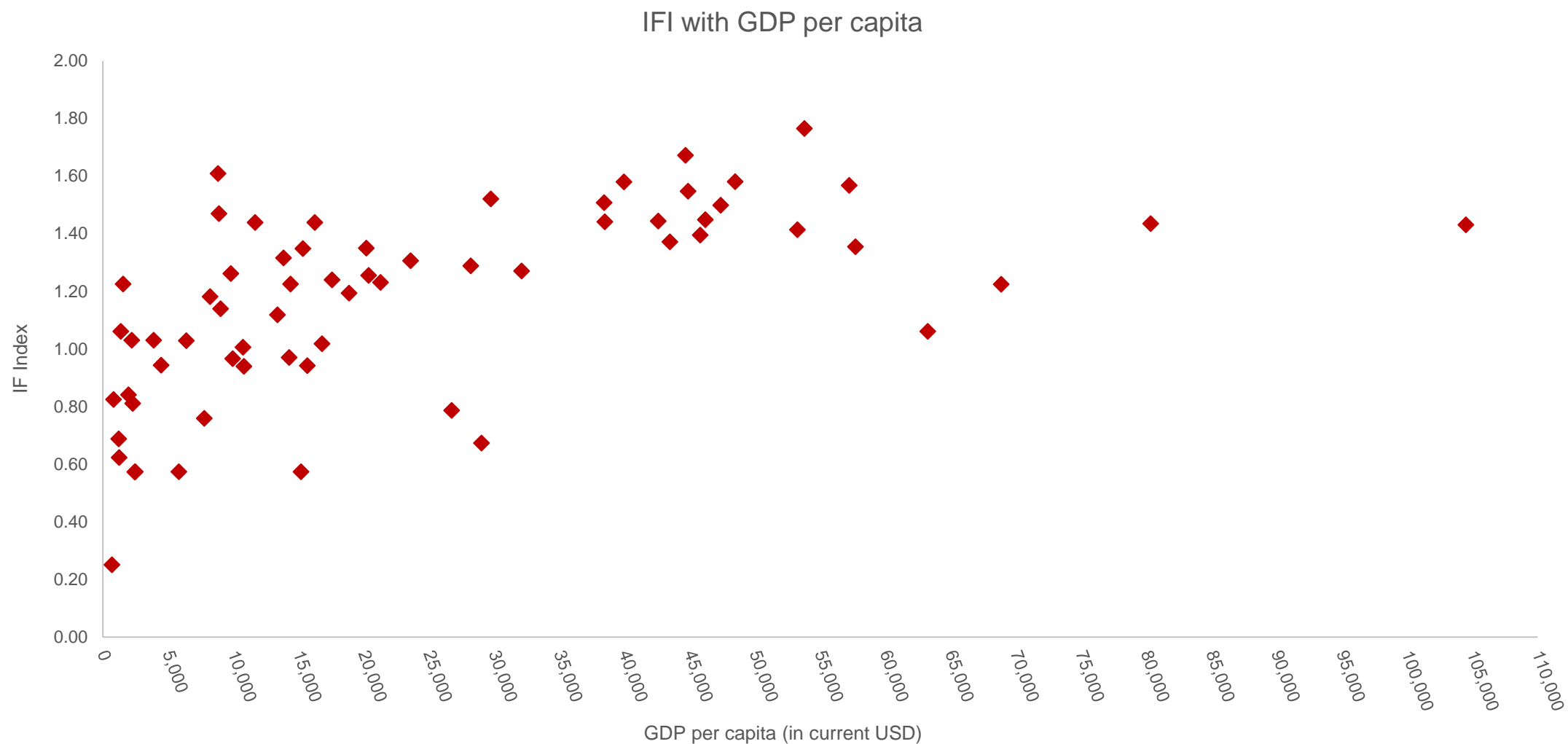
Investment Facilitation Index: Scores



Low income vs High income countries



Investment Facilitation Index: Scores





- Domestic frameworks and regulations are crucial to attract FDI
- An international investment facilitation framework can help developing domestic-level institutions
- Need for policy dialogue about investment facilitation discussions on various levels
- Need to define scope and measure impact of investment facilitation



Thank you!

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- **IFI Scoring Scheme**

Measure	Answer
Establishment of a focal point (Ombudsman)	(0) There is no Focal Point; (1) A Focal Point is planned or in the process of implementation; (2) There is a Focal Point

- (2) corresponds to the best performance
- Transform qualitative regulatory information into a multiple binary scheme
- Variables representing measures coded with 0, 1, or 2: to reflect the state of implementation
- Variables are broken down on thresholds of 0/1/2 where variables depend on numerical answers



- **Development of the Policy Shock**

- Creating a template based on the IF Model Agreement
- Mapping articles of the Model Agreement to the measures in the IFI
- Change the answer and contribution of the measure based on the IFI

Measure	Weight	Answer	Scores	Contribution	Model Agreement	Contribution After
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