Report on the 5th virtual meeting of the Commentary Group on a Multilateral Framework on Investment Facilitation for Development

27 October 2020

The 5th virtual meeting of the Commentary Group on a Multilateral Framework on Investment Facilitation for Development (IFF4D) took place on 27 October 2020, from 14:00 to 15:30 Central European Time (CET).

The meeting focused on **using an "investment lifecycle" to identify investment facilitation challenges and priority measures.** The lifecycle covers stages of the investor journey (and can thus be used to guide investment facilitation, based on a vision and strategy), namely: attraction, entry and establishment, retention and expansion (including aftercare), linkages and spill-overs, and divestiture.

The meeting was chaired by Mr. Karl P. Sauvant, Resident Senior Fellow, Columbia University/CCSI, and the concluding remarks were made by Mr. Matthew Stephenson, Policy and Community Lead, International Trade and Investment, World Economic Forum.

A list of the participating members in the 5th Commentary Group meeting and the programme are attached to this report.

Discussion highlights

The following concrete, specific investment facilitation measures were proposed for the different stages of the investment lifecycle.

I. Concrete investment facilitation measures in the attraction stage

- ***Establishment/maintenance of an investment promotion agency (IPA) in line with good practice principles***: IPAs are key institutions for investment attraction and are usually responsible for promoting and facilitating FDI. The attraction of FDI relies on the establishment of the right institutional arrangements providing key functions, and IPAs have a central part in all stages of the investment lifecycle in general and specifically in the attraction stage. While different governmental institutions play a role in investment facilitation, it is important to clarify the roles and responsibilities across different parts of government. During the discussion, it was emphasized a number of times that IPAs should be apolitical (similar to current good practice with central bank independence), operate independently, enjoy strong executive branch access and support, and benefit from financial independence. Other possibilities were suggested, such as separation of the promotion function from the regulatory function, with IPAs focusing on the former and not the latter. IPAs should have strong governance mechanisms, and IPA officials should have management and business experience.

- ***Incentives inventories:*** Incentives not targeted or transparent may entail cost to governments that may be higher than needed and do not realize the full benefits of the FDI obtained. Inventories of incentives can help in terms of transparency and enable investors to understand what incentives are available to them. Such published inventories should include investment eligibility criteria, clarity on the nature of the benefit, legal sources, application process, contact information, relevant authorities, and so forth. Consolidating the legal basis for incentives in the tax law can also help enhance transparency. A proposal was made that a global tax rating, which could include comparative information on taxation policies regarding dividends, interest and capital gains, would be useful for foreign investors.
- ***Improving the administration of incentives:*** Enhancing transparency and administration practices can reduce the indirect costs of incentives and avoid excessive administrative costs. This requires sufficient capacity for proper administration, making sure that incentives are properly targeted and included in the FDI strategy in the first place. On the administration side, avoiding the use of discretionary incentives by clearly specifying incentives in the relevant laws and regulations may reduce costs that render incentives unattractive, especially for smaller investors. However, while the terms to access incentives should be transparent and not discretionary, investors that bring more benefits to an economy can be given more incentives, whether financial or non-financial. Incentive policy should be set at both the central and state levels.
- ***Ecosystems approach:*** Under this model, the government helps investors by seeking to build complete supply chains, often with a focus on creating an appropriate local ecosystem. For example, Morocco has a programme for constructing local ecosystems for investors, to help investors more easily obtain the resources needed to operate. Egypt established an efficient distribution network. Special economic zones can also reflect such a model.
- ***"Plug-and-play model":*** The "plug-and-play" model normally refers to ready facilities provided by the government in terms of infrastructure (e.g., buildings), power-water-sewage connectivity, road connectivity, as well as approvals required to connect to the necessary utilities within a specified and short timeframe so that the investing company can commence operations smoothly and quickly. For example, India is promoting a "plug-and-play" scheme for fast-tracking investment proposals for projects having substantial foreign investment.
- ***Efficiency of approval procedures:*** Two important aspects of efficient approval procedures include rationalizing the approval requirements and creating approval timelines. For example, some states in India require that all approvals be granted within 30 days; absent a response from the government, the application is considered approved. In some cases, officials are personally accountable for implementing rapid approvals and may be subject to financial penalties from their paycheck for each day of an approval delay.

- ***Conditional approval:*** One measure adopted by many state governments in India was to authorize micro, small and medium enterprises (MSMEs) to start operations without the requirement of any approvals from the government for the first 36 months of operation.
- ***Digitalization of investor onboarding:*** Access to the market and transparency on policies and measures should be supported by a digital platform (e.g., a website) with all relevant information for investors, updated on a daily basis or as needed. The platform should be as comprehensive as possible with a "three clicks rule", which means that in three clicks the investor gets to the information sought. The platform should enable online Q&A services, with responses within 72 hours. For example, the India Investment Grid (IIG) provides an online platform that supports investment in India by showcasing investment opportunities across India. IIG connects potential investors to projects and key contacts. Most projects are governmental projects. There is a preliminary credibility check of the projects by the IPA, but afterwards it is left to investors to do their own due diligence. An option was proposed during the meeting to create a "Market Investment Grid" as a global marketplace.

II. Concrete investment facilitation measures in the entry and establishment stage

- ***High level coordinating body:*** A high level body should be established to ensure coordination within the government at the national and sub-national levels. Such a coordination body provides oversight and address major difficulties identified by investors.
- ***National single window***: IPAs should provide a single window and one stop shop for investors and ensure problem solving from day one. IPAs should help investors not only to understand available incentives but to understand regulations and laws. A list of clearances that are required in the form of a check list for investors should be provided.
- ***Transparency and consultation commitments:*** Transparency is important for both entry and operation of investments. Governments should publish laws and regulations, provide opportunities for stakeholder consultation and ensure the availability of portals and similar mechanisms that enable investors to find important information.
- ***Digitalization of entry and establishment procedures***: Digitalization of entry and establishment procedures allows streamlining and speeding up of processes. It was emphasized that it is not enough to establish a one-stop-shop portal with online information for investors, but rather the whole entry and establishment process needs to be digitalized. For example, today in order to establish an asset management company in India, there are legal documents that need to be signed or submitted in person, such as documents related to banking. This causes difficulties for investors, especially with the current COVID-19 limitations on global travel. Governments could adopt technologies such as blockchain and artificial intelligence to improve single window efficiency and to transform the investment process to being completely online.
- ***Reducing paperwork and fast-tracking establishment procedures:*** There should be transparent, clear and timely processes to enable investors to access the market. Investors want to understand as fast as possible how to operate on the ground, which includes understanding what approvals are needed and what laws and regulations are relevant for receiving licenses to invest/operate. There should also be a rationale behind requirements. In many cases, both in developing and developed countries, there are excessive preliminary procedures that prevent the start of operations on the ground with no apparent rationale.

- ***Entry of key personnel:*** Immigration issues should be considered from a practical business perspective. Online e-visas should be available. Green channels to expedite business work permits for skilled non-nationals should be provided.

III. Concrete investment facilitation measures during the investment retention and expansion (including aftercare) stage

- ***Investment grievance mechanisms (IGMs):*** The establishment of IGMs should include information sharing, early alert mechanisms, assessment of grievances, problem solving, political decision making, and the establishment of a lead agency that deals with investment grievances.
- ***Retention function:*** It is important that IPAs provide services in support of retention and expansion through aftercare, with IPA good practice institutional characteristics as mentioned above. This is important from the investors' perspective, to ensure stability and allay concerns that government or top management changes will not change agreed investment policies and measures on the basis of which a current investment was made. It was noted that IPAs should include officials with a business background so they know what difficulties businesses face. Such officials could be referred to as "*interpreters*" between the rest of the government and investors.
- ***Key account management:*** Two models of key account management were described. According to the first model, an investor reports on a periodic basis about how much has been invested in the country or shows a proven track record of investments and their benefits for the economy and subsequently receives "red carpet services". According to the second model, the investor receives red carpet services before investing, by committing to invest in a way that will bring certain levels of benefit to the economy (e.g., a certain number of jobs). Key account support can involve having one number to call and a dedicated officer to trouble shoot issues as they come up. Some called these investors "platinum investors" because they brought more benefits to the economy than others.
- ***Advisory services:*** IPAs should take on the role of consultant advisors to investors and facilitate the whole investment process to ensure predictability, stability and transparency. They know how to successfully operate in the economy and provide such advice from official channels, complementary to any advice by consultants.
- ***Changing laws and regulations:*** Governments are encouraged to give advance notice of impending changes and give stakeholders an opportunity to make an input.

IV. Concrete investment facilitation measures to support linkages and spill-overs

- ***Creating online supplier databases:*** Building and maintaining a database of local suppliers and service providers in order to create linkages between investors and local enterprises. Such a database can be established by the government or by partnering with local chambers of commers or business association, which maintain such databases. They can also include (in addition to traditional information on production, capacity, contacts, etc.) information on the sustainability operations of domestic firms so that ESG-minded investors can link up with suppliers that follow such approaches, as well as encouraging other suppliers to adopt ESG practices to receive contracts (Cambodia is creating such a database).

- ***Providing supplier development programmes:*** Developing and promoting linkages between multinational inward investors and local MSMEs.
- ***Targeting sustainable investment:*** Targeting investors that create high quality jobs creates more spill-overs.
- ***Partnering with educational institutions:*** Following a public-private partnership model through which private businesses partners with educational institutions to coordinate curricula, provide vocational training, short courses, and potentially scholarships and competitions. Such partnerships enable local educational systems to better orient programmes towards the needs of businesses, closing the skills mismatch and contributing to employment growth.
- ***Encouraging linkages between foreign investors and start-ups:*** Scaling up activities at the startup-level, by mentorship, networking, business competitions, and the establishment of incubators, accelerators and business development services may stimulate entrepreneurial activity, link local start-ups with multinational investors and global networks and create investment opportunities.
- ***Leveraging large and small businesses as champions of economic reforms for specific policy advocacy initiatives:*** Companies may be given direct access to ministers from different governmental offices in order to try to influence other parts of the government to drive economic reform.

V. Concrete measures that governments can adopt to facilitate divestment

Divestment assistance and exit interviews: Because divestment is a regular feature of corporate operations, divestment is a stage of the lifecycle that many investors consider important before they invest in a specific location, especially those focused on financial returns. IPAs could conduct exit interviews to understand investors' divestment decisions, and to ensure that the exit process is as user friendly as possible. It was noted that when divestment is easy, an investor is more likely to come back to make another investment.

Annex I: Participating members in the 5th Commentary Group meeting

First Name	Last Name	Affiliation
Mohammed	Baba	Investor Relations Department, Nigerian Investment Promotion Commission
Deepak	Bagla	Managing Director and CEO, Invest India
Gil	Bires	Deputy Director, The Agency for Promotion of Investment and Exports (APIEX) of Mozambique, Mozambique
Simon	Galpin	Managing Director of the Bahrain Economic Development Board
Khalil	Hamdani	Visiting Professor, Lahore School of Economics
Frederico	Marchiori	Global Head of Institutional Relations, Oxiteno
Hazem	Mulhim	Chief Executive Officer, EastNets
Alice	Nikuze	Investment Marketing Analyst, Rwanda Development Board (RDB), Rwanda
Sebastian	Reil	Senior FDI Consultant, FDI Center
Karl P.	Sauvant	Resident Senior Fellow, Columbia University, CCSI
Matthew	Stephenson	Policy and Community Lead, International Trade and Investment, World Economic Forum
Dushyant	Thakor	Vice President, Invest India
Markus	Thill	President, Africa, Robert Bosch
Douglas	Van Den Berghe	Vice President, Advisory, Conway Inc
Speakers		
Deepak	Bagla	Managing Director and CEO, Invest India
Simon	Galpin	Senior Advisor and former MD, Bahrain EDB
Rishi	Kapoor	Co-Chief Executive Officer, Investcorp
Frederico	Marchiori	Head of Institutional Relations, Oxiteno
Ivan	Nimac	Global Lead, Investment Policy and Promotion, World Bank Group
Karl P.	Sauvant	Columbia Center on Sustainable Investment (CCSI)
Matthew	Stephenson	Policy and Community Lead, International Trade and Investment, World Economic Forum.
Markus	Thill	President, Africa, Robert Bosch
Guests		
Maximilian	Eltgen	Investment Policy and Promotion Specialist, World Bank Group
Tei	Kitcher	Head, Policy Research, AfCFTA Secretariat

Secretariat		
Edgard	Carneiro Vieira	Policy Analyst and Engagement Specialist, International Trade and Investment, World Economic Forum
Mohamad	Fakhreddin	Project Officer, Investment Facilitation for Development, Research and Strategies for Exports, International Trade Centre
Yardenne	Kagan	Project Officer, ITC/DIE Project on Investment Facilitation for Development, International Trade Centre
Quan	Zhao	Trade Policy Advisor, Research and Strategies for Exports, International Trade Centre

Annex II: Invitation and agenda

INVITATION: 27 October 2020, 5th VIRTUAL MEETING OF THE COMMENTARY GROUP ON A MULTILATERAL FRAMEWORK ON INVESTMENT FACILITATION FOR DEVELOPMENT

Dear Colleague,

We would like to invite you to participate in the 5th meeting of the Investment Facilitation Commentary Group, to take place virtually on 27 October 2020, from 14:00 to 15:30 Central European Time (CET).

As a reminder, the Commentary Group's mandate is to provide input on the content of the framework being developed at the WTO to facilitate cross-border investment and increase its development impact.

As background documents, please find the following attached:

a) The undated *Inventory of Concrete Measures to Facilitate the Flow of Sustainable FDI*, available at https://www.intracen.org/itc/Investment-Facilitation-for-Development/.
b) The summaries of the 1st, 2nd, 3rd and 4th Commentary Group meetings (which were shared with WTO negotiators), available at https://www.intracen.org/itc/Investment-Facilitation-for-Development/.
c) The table of contents and summary of the Informal Consolidated Text of the WTO Structured Discussions on Investment Facilitation for Development (attached).

The 5th meeting will focus on using the investment lifecycle to identify investment facilitation challenges and priority measures. The investment lifecycle framework proposes an investor's journey happens across several stages, including (1) attraction, (2) entry and establishment, (3) retention and expansion, including aftercare, (4) linkages and spill-overs, and (5) divestiture.

As with previous meetings, a summary of the discussions will be made available to the WTO's Structured Discussions.

Moderator: Karl P. Sauvant, Resident Senior Fellow, Columbia University/CCSI

Opening remarks: Ivan Nimac, Global Lead, Investment Policy and Promotion, World Bank Group

Panelists:

- **Attraction**:
  Deepak Bagla, Managing Director and CEO, Invest India

- **Entry and establishment**:
  Frederico Marchiori, Head of Institutional Relations, Oxiteno

- **Retention and expansion, including aftercare**:
  Markus Thill, President, Africa, Robert Bosch

- **Linkages and spill-overs**:
  Simon Galpin, Senior Advisor and former MD, Bahrain EDB

- **Divestiture:**
  Rishi Kapoor, Co-Chief Executive Officer, Investcorp

Concluding remarks: Matthew Stephenson, Policy and Community Lead, International Trade and Investment, World Economic Forum

To join the meeting, kindly click on the link below shortly before 14:00 am CET on 27 October and follow the instructions. If you are not able to connect online, you could connect using the dial-up options provided at the end of this email.

Join Zoom Meeting

If you face any technical difficulties or have general questions, please do not hesitate to contact Yardenne Kagan (ykagan@intracen.org).

With best regards,

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cc Rajesh Aggarwal (ITC), Axel Berger (DIE), Sean Doherty (WEF), Mohamad Fakhreddin (ITC), Yardenne Kagan (ITC), Jean-Sébastien Roure (ITC), Quan Zhao (ITC)

Bios of speakers

Deepak Bagla

Deepak Bagla is currently Managing Director & CEO of Invest India. He has a professional career of over three decades, starting with the World Bank in Washington DC. In 1989, he joined Citibank's Global Corporate and Investment Banking team and held several responsibilities across Europe, Africa, Asia, and Australia. In 2007, he joined Private Equity to start an India-dedicated fund for core infrastructure. He has a bachelor's degree with Honors in Economics from St Stephens College, New Delhi, and a dual master's in International Diplomacy and International Trade and Finance from the School of Foreign Service, Georgetown University, Washington, DC.

Simon Galpin

Simon Galpin initially joined the Bahrain Economic Development Board (EDB) in 2016 as Managing Director and now serves as the Senior Advisor on Investment Promotions. Prior to joining the EDB, he spent over 20 years in Hong Kong, as a Director-General at Invest Hong Kong, where he created the StartmeupHK initiative that helped launch the start-up and fintech movement in Hong Kong. He began his economic development career with Scottish Enterprise, in Glasgow, at that time Europe's largest development agency. He is a Doctor of Juridical Science and holds master's degrees in Business Administration, Local Economic Development and International Business Law.

Rishi Kapoor

Rishi Kapoor is Investcorp's Co-Chief Executive Officer, overseeing the firm's Private Equity businesses in North America and India, as well as the Real Estate, Credit Management, Absolute Returns, and Strategic Capital businesses globally. He also oversees the firm's ESG practices and is a member of the Board of Directors of the National Bank of Bahrain, Gulf Air Group, Bahrain Airport Company, and Gulf Aviation Academy. He holds a bachelor's degree in Electrical and Computer Engineering from the Indian Institute of Technology (IIT) and an MBA from Duke University's Fuqua School of Business. In 2019, he was recognized by Forbes Middle East as one of the top 10 Indian executives making an impact in the Middle East.

Frederico Marchiori

Frederico Marchiori is the Oxiteno's Global Head of Institutional Relations. He leads the company's global institutional positioning, overseeing initiatives in the fields of advocacy, trade remedies, regulation, public policies, and business development. Before joining Oxiteno, he played similar roles in the private sector and trade associations. Besides corporate experiences, he participated in research projects with the Brazilian Government and the Inter-American Development Bank. He also attended the International Visitors Program, sponsored by the US Department of State, and is author of a book chapter on regional economic development as well as academic articles. Frederico holds degrees in International Development Studies, Economics, and International Relations.

Ivan Nimac

Ivan Anton Nimac has been the World Bank Group's (WBG) Global Lead for Investment Policy and Promotion since July 2018. His team supports a portfolio of activities, including government advisory, development lending and an array of learning and knowledge activities to help countries attract and retain FDI. Before joining the WBG in 2006, he held positions in law, diplomacy and international development with the Australian and Croatian governments and the United Nations. He holds degrees in economics, law and international relations.

Karl P. Sauvant

Karl P. Sauvant introduced the idea of an International Support Program for Sustainable Investment Facilitation in the E15 Task Force on Investment Policy in 2015. From there, the proposal was taken forward in the WTO. He has written extensively on this subject (see https://ssrn.com/author=2461782), participated in various events relating to it and currently assists the ITC and DIE on a project on Investment Facilitation for Development. He retired in 2005 as Director of UNCTAD's Investment Division and established, in 2006, what is now the Columbia Center on Sustainable Investment (CCSI). In 2012. he stepped down as its Executive Director, to focus his work, as a CCSI Resident Senior Fellow, on teaching, research and writing.

Matthew Stephenson

Matthew Stephenson is Policy and Community Lead for International Trade and Investment at the World Economic Forum, where he manages the Global Investment Policy and Practice initiative. Previously, he worked at the IFC, where he led the workstream on outward FDI. He has also worked at the OECD on Africa and investment and served as a diplomat for the U.S. Department of State, leading the economic team on Afghanistan and managing economic programs in the Middle East. He is a member of the T20 Task Force on Trade and Investment. He has a PhD from the Graduate Institute in Geneva, a master's from the Harvard Kennedy School and a bachelor's from Oxford University.

Markus Thill

Markus Thill is President of Africa for Robert Bosch since 2014, reporting directly to Bosch Group management. Prior to co-founding Bosch's global venture arm as managing director in 2007, he worked as Vice President of Bosch's global corporate strategy department. Before joining Bosch, he was a senior manager in leading strategy consulting firms, heading and implementing projects on strategic and operational issues as well as M&As around the globe. He holds university degrees in mathematics and physics, including a doctorate ("summa cum laude") from Université de Paris (France). He is fluent in English, German and French, and has a good working knowledge of several other languages.