

Report: 7th virtual meeting of the Expert Network on a Multilateral Framework on Investment Facilitation for Development

The 7th meeting of the Expert Network took place on 4 October 2021, from 15:00 to 16:15 Central European Time (CET).

The meeting focused on approaches to implementing a future Investment Facilitation for Development (IFD) Agreement to support domestic investment facilitation reforms. While negotiations on an IFD Agreement are still ongoing and making good progress, participants reflected on the challenges that signatories will face in implementing the Agreement and the potential costs of investment facilitation reforms.

The meeting was moderated by Karl P. Sauvant, Resident Senior Fellow, Columbia University/CCSI. Opening speakers were Axel Berger, Senior Researcher at the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE), and Daniel Trnka, Deputy Head, Regulatory Policy Division, OECD.

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

Discussion highlights

The discussions during the webinar focused on the following points, which are further elaborated upon in the sections below.

- Estimating the costs of implementing investment facilitation measures under the IFD Agreement will assist WTO Members in prioritizing implementation. It will also help donors to understand the scope of the contributions that are needed; however, this will also require undertaking gap analyses and needs assessments. The costs of putting in place the investment facilitating measures enumerated in the IFD Agreement can be high, depending on the country context.
- WTO Members may face different challenges when trying to implement investment facilitation measures. In this respect, the model of the Organisation for Economic Co-operation and Development (OECD), which is based on a regulatory impact assessment process, can assist in the implementation of the IFD Agreement.

I. Estimating the costs of implementing the IFD Agreement

During the meeting, the initial methodology and preliminary findings from an ongoing DIE research project regarding the costs that occur when implementing an IFD Agreement were presented. The research takes into consideration such costs as regulatory costs (including legislative and political costs), institutional costs (such as new staff for the establishment of focal points), human resources costs (including the recruitment of new staff and training for

existing personnel), and infrastructure costs for new facilities or equipment. The research also distinguishes between upfront and operational costs.

There are many challenges in estimating the costs of implementing the IFD Agreement. They include the following: first, investment facilitation reforms involve many agencies across the government and not just customs agencies as in the case of the WTO Trade Facilitation Agreement (TFA); second, most investment facilitation measures are part of broader efficiency-enhancing reforms; third, there are often no specific budget lines; and fourth, running costs are absorbed in normal administrative operational costs.

From initial findings, the total capital expenditure for introducing investment facilitation measures in the reviewed six developing countries are high. Annual operating costs directly or indirectly related to investment facilitation are lower for most countries, though not for LDCs.

However, it is important to take into account that not only financial costs are involved. It was indicated that the next phase of the DIE research project would be to interview key stakeholders in these six countries to get a more precise understanding of the costs of implementing investment facilitation measures under the IFD Agreement. It was emphasized that it is extremely important that the results are credible and that estimations of costs from the TFA would give at least the bottom line of costs on average, as the costs of implementation of investment facilitation measures are most likely considerably higher than the implementation of trade facilitation measures.

Moreover, it was mentioned that it may be too soon to quantify the eventual total costs of implementation, as the IFD text is still not final. In addition, because there will be different ways to implement mechanisms under the IFD Agreement, direct costs may vary, depending on the form of implementation. For example, there are different ways to operationalise dispute prevention mechanisms, which could be done in a very simple or very complex and resource consuming manner, depending on the specific mechanism. In addition, because some countries have been implementing investment facilitation measures for several years, different measures may have different costs for specific economies, depending on the level of current implementation. Accordingly, it is important that Members undertake gap analyses and needs assessments as soon as possible, to understand the costs of implementation of all measures under the Agreement.

II. Experiences from regulatory policy tools: Lessons to be learned for investment facilitation

Regulatory policy, if implemented properly, can substantively improve conditions for FDI. In order to attract investment, it is important to improve the business environment, which often means simplifying existing regulatory requirements and removing unnecessary bureaucratic obstacles. This also includes regularly reviewing the existing regulations to check whether they still fit their purpose and whether there are ways to make them more “user friendly”. The IFD Agreement includes reforms addressing these issues, including regulatory coherence and transparency. Under the regulatory impact assessment process, regulators should clearly define each problem they are trying to deal with, quantify what the potential effects of the problem might be and then identify potential regulatory and non-regulatory solutions. Once the

government has identified these options, it should measure their potential costs and benefits for the society and choose the best option.

An important part of the process of developing new laws and regulations and implementing them includes consulting the public and engaging stakeholders. The process should give all affected parties an opportunity to express their views. Related to this topic is the issue of the accessibility of laws and regulations. In this respect, it is important that all laws and regulations use simple language, including guidance for complying with regulations. In addition, all laws and regulations should be publicly available in one place, preferably electronically. The use of “one-stop shops” or “single windows” is highly recommended.

It was also emphasized that peer learning and knowledge sharing need to be part of the implementation process and that gap assessment should follow a systematic, standardized approach.

Annex 1: Invitation



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Deutsches Institut für
Entwicklungspolitik



German Development
Institute

Invitation: 7th virtual meeting of the Expert Network on a Multilateral Framework on Investment Facilitation for Development

4 October 2021, 15:00-16:15 CET

Dear Expert Network members,

We would like to invite you to participate in the 7th meeting of the Expert Network on a Multilateral Framework on Investment Facilitation for Development, established in the framework of a project carried out by the International Trade Centre (ITC) and the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE).

The meeting will take place on 4 October 2021 from 9:00am to 10:15am Eastern Daylight-Saving Time (EDT), 15:00 to 16:15 Central European Time (CET), 21:00 to 22:15 China Standard Time (CST).

The meeting will focus on approaches to implement an investment facilitation for development (IFD) Agreement to support domestic investment facilitation reforms. An IFD Agreement foresees a number of institutional reforms to be undertaken by signatory countries to promote sustainable development and economic growth. These institutional reforms range, among others, from establishing online platforms to making available investment-related laws and regulations, streamlining of administrative procedures, creating focal points to deal with investor enquiries or ombudsperson-type mechanisms to deal with investor grievances and to better coordinate different ministries and agencies, and establishing supplier development programmes and local supplier databases to promote linkages between domestic suppliers and foreign investors.

Data on the implementation of a broad range of investment facilitation measures shows that developing countries have fewer investment facilitation measures in place. This implementation gap indicates that the necessary reforms to implement an IFD Agreement are demanding in terms of financial costs, technical expertise and political will.

While negotiations on an IFD Agreement are still ongoing and making good progress, this Expert Network meeting will reflect on the challenges signatories will face to implement a future agreement. The meeting will focus on the potential costs of investment facilitation reforms and reflect on a potential sequencing or prioritization of investment facilitation reforms. The meeting will furthermore draw on past experiences of implementing regulatory reforms in other trade agreements.

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

Opening speakers:

Axel Berger, Senior Researcher at the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) — *“What are the costs (financial and otherwise) that occur when implementing an IFD Agreement?”*

Daniel Trnka, Deputy Head, Regulatory Policy Division, OECD— *“Experiences from Regulatory Policy Tools: Lessons to be learned for investment facilitation”*

Concluding remarks: **Karl P. Sauvant**, Resident Senior Fellow, Columbia University/CCSI.

To join the meeting please press the link below.

[Join zoon meeting.](#)

If you would like to request the floor to speak or send written questions or comments during the meeting, please feel free to type your question or request in the chat window by pressing on the chat icon in the middle-bottom pane of the Zoom window.

For your reference, the reports of the last Expert Network meetings can be found [here](#).

Thank you in advance for participating in the Expert Network and sharing your expert insights.

With best regards,

Rajesh Aggarwal, Chief Trade Facilitation and Policy for Business, ITC

Axel Berger, Senior Researcher, DIE

Karl P. Sauvant, Resident Senior Fellow, Columbia University, CCSI

Bios

Axel Berger

Axel Berger is a Senior Researcher at the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE). He works on the design, effects and diffusion patterns of international trade and investment agreements, with a focus on emerging markets and developing countries. Other areas of current research include the effects of an international investment facilitation framework, the impact of free trade agreements on upgrading within global value chains and the role of the G20 in global governance. He teaches international political economy at the University of Bonn and regularly advises developing countries, development agencies and international organisations on trade and investment matters.

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>). He currently assists, as Senior International Advisor, 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). He stepped down as the Center's Executive Director in 2012, to focus his work, as a CCSI Resident Senior Fellow, on teaching, research and writing.

Daniel Trnka

Daniel Trnka works as a Deputy Head of the Regulatory Policy Division of the Organisation for Economic Co-operation and Development (OECD), leading the Regulatory Management and Delivery Team. He has been working in the area of public administration reform and regulatory reform for more than 20 years both at the national as well as the international level. Before joining the OECD, he worked as Director of the Department of Regulatory Reform and Public Administration Quality of the Ministry of Interior of the Czech Republic. His main areas of expertise are administrative simplification, regulatory impact assessment, stakeholder engagement and regulatory enforcement and inspections.

Annex 2: Attendance list

| First name | Last name | Affiliation |
|--------------------------------|------------|---|
| Expert Group members | | |
| Rudolf | Adlung | Independent Trade Policy Analyst, former Counsellor, WTO Trade in Services Division |
| Robert | Basedow | London School of Economics and Political Science |
| Axel | Berger | German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) |
| Jansen | Calamita | National University of Singapore |
| Julia | Calvert | University of Edinburgh |
| Manjiao | Chi | University of International Business and Economics (UIBE) |
| Roslyn | Ng'eno | African Continental Free Trade Area (AfCFTA) |
| Federico | Ortino | King's College London |
| Christian | Pitschas | Gesellschaft für Internationale Zusammenarbeit |
| Rodrigo | Polanco | World Trade Institute |
| Michelle | Ratton | Getulio Vargas Foundation |
| Karl P. | Sauvant | Columbia Center on Sustainable Investment (CCSI) |
| Matthew | Stephenson | World Economic Forum (WEF) |
| Speakers | | |
| Daniel | Trnka | Organisation for Economic Co-operation and Development (OECD) |
| Axel | Berger | German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) |
| Additional participants | | |
| Yardenne | Fakhreddin | International Trade Centre (ITC) |
| Marianna | Karttunen | Organisation for Economic Co-operation and Development (OECD) |
| Ana | Novik | Organisation for Economic Co-operation and Development (OECD) |
| Quan | Zhao | International Trade Centre (ITC) |