

## **Webinar report: Does Investment Facilitation Matter? Increasing FDI Flows, Development and Quality Jobs**

The webinar on “Does Investment Facilitation Matter? Increasing FDI Flows, Development and Quality Jobs”, co-organized by the International Trade Centre (ITC), the German Institute of Development and Sustainability (IDOS), the World Association of Investment Promotion Agencies (WAIPA), and the World Economic Forum (Forum), took place on 22 November 2022, from 15:00 to 16:00 Geneva time. The webinar hosted approximately 80 participants. It was held in the framework of the Investment Facilitation for Development [project](#), jointly implemented by the ITC and IDOS.

This was the 13th webinar in a series meant to assist investment promotion agencies (IPAs) and policymakers strengthen their capacity to facilitate greater foreign direct investment (FDI) flows, especially flows that directly contribute to sustainable development. Opening remarks were provided by Quan Zhao, Trade Policy Advisor, Division for Market Development, ITC. The webinar was moderated by Matthew Stephenson, Head, Investment Policy and Practice, World Economic Forum, and included the following speakers: Ana Novik, Head, Investment Division, Organisation for Economic Cooperation and Development (OECD); Markus Thill, President, Africa, Robert Bosch; Xavier Vanrolleghem, Head of Department Invest, Flanders Investment and Trade (FIT); and Rami Rafih, Managing Director and Partner, Dubai, Boston Consulting Group (BCG). Concluding remarks were provided by Karl P. Sauvant, Senior Fellow, Columbia University, CCSI.

The webinar’s programme is annexed to this report.

### **Summary of the main issues**

The discussions focused on the following main points, elaborated further below.

- By implementing investment facilitation measures, host countries are not only seeking more FDI, but FDI that contributes to sustainable development. Effective investment facilitation is generally accepted as one of the sets of FDI determinants that can attract more FDI flows. To achieve this goal, other determinants, namely, economic factors and an enabling regulatory framework, also need to be in place. In this scenario, implementing investment facilitation measures reduce the costs of doing business, including through international action such as a World Trade Organization (WTO) Agreement on Investment Facilitation for Development (IFD). In addition, investment facilitation measures can strengthen the link between FDI and sustainable development, including quality job creation.
- The IFD Agreement focuses on practical measures to facilitate FDI, in particular high-quality FDI. Such measures range from domestic supplier databases and supplier-development programmes and training to responsible business conduct (RBC). WTO Members that participate in the IFD Agreement will have an advantage because they will benefit from technical assistance and capacity building to implement investment facilitation measures. Implementing the IFD Agreement will require both financial and

human resources which are usually scarce for developing countries and, especially, for least-developed countries (LDCs).

**1. By implementing investment facilitation measures, host countries are not only seeking more FDI, but sustainable FDI that contributes to development, including quality job creation**

Investment facilitation can strengthen the link between FDI and sustainable development. Attracting FDI has an undeniable potential to benefit countries, for FDI can contribute to economic growth, higher living standards and upscaling. Yet, it can also at times exacerbate income inequalities. Concluding the IFD Agreement at the WTO and implementing its outcomes shifts the focus to attracting not only more FDI, but sustainable FDI that contributes to development, including a positive impact on quality job creation. To reach this goal, WTO Members should use the implementation stage of the IFD Agreement to encourage initiatives to attract quality FDI, benefiting from all the provisions already included in the IFD framework.

Although the quantity of jobs created by FDI is important, especially for developing countries and LDCs, an IFD Agreement aims at achieving a bigger goal, i.e., to promote quality jobs. Job quality is measured by the OECD through three dimensions: remuneration (and the evidence shows there is a foreign firm's wage premium); job security; and workplace quality, including training opportunities and occupational health and safety. A recent OECD publication, [the FDI Qualities Policy Toolkit](#), from June 2022, shows that FDI has positive impacts on job creation but the intensity of job creation varies substantially across and within countries according to the level of development and economic structure. High productivity of foreign firms translates into average higher wages paid to employees, but foreign productivity premium is higher than wage premium. In this sense, the focus should be on efforts to improve the quality of jobs so that FDI will have a long-lasting impact on the host country. Indeed, foreign investors are more likely to hire skilled workers and provide training opportunities. Stable jobs that pay well and offer training will result in more productive employees, also helping investors to retain talent. Well-trained talent is increasingly crucial around the world and, hence, training programmes combining the government's interests and the needs of potential investors are key to creating (or maintaining) quality jobs in economies.

Investors are also interested in investment facilitation because when countries implement sound measures to facilitate investment, they cut down costs, risks and uncertainties. Consequently, investors will save time and resources and the host country will improve its case for receiving investment. Accordingly, investment promotion agencies (IPAs) play a key role in partnering with investors to strengthen the business ecosystem in a given country or region to attract the right type of investment. Government policies, such as fiscal incentives, could also contribute to this goal of establishing a strategic business ecosystem. Based on governments' interests and in partnership with investors, multistakeholder efforts also involving the creation of strategic research centres on certain niche areas could contribute to the formation of spearhead clusters. Therefore, governments, the private sector and research institutions should work together focusing on strengthening the ecosystem for business, by not only offering financial incentives but mainly by ensuring that firms that complement each other's activities can be partnered together.

Investment regulatory frameworks should have a high degree of predictability and stability for investors since they are usually mobilising their assets for a long-term project. They need, hence, a degree of certainty to make decisions regarding investment in a given sector. Investment facilitation is particularly important for small and medium-sized enterprises (SMEs), which heavily benefit from streamlined red tape procedures such as those related to government licenses. Larger investors also face business risks that could be tackled by implementing the IFD framework, especially concerning transparency and time adjustment in regulatory changes. In this context, international organizations and other multilateral institutions have an important role to play in helping implement IFD measures to reduce red tape in host countries and help ensure investment facilitation measures are geared toward sustainable development and high-quality jobs.

## **2. The IFD Agreement focuses on practical measures to facilitate FDI, in particular high-quality FDI**

Drawing on the importance of investment facilitation to attract sustainable FDI, the IFD Agreement includes concrete provisions to ensure more and better FDI flows to host states. These measures are especially important to developing countries and LDCs, going beyond traditional approaches focusing on attracting high capital expenditures (CapEx) projects. Although large CapEx projects help IPAs achieve certain targets faster, they have decreased in the past few years due, *inter alia*, to the economic downturn and digitalisation. On the other hand, low CapEx projects can also bring quality IFD, contributing to development and quality jobs. In addition, talent attraction becomes an important element, for instance through facilitating visas for high-skilled workers. The discussants identified and analysed the following four measures, relating them to quality jobs:

- a) Domestic regulatory coherence, especially provisions that provide for cooperation and coordination of competent authorities responsible for procedures related to investment. Such provisions could be implemented more broadly by including coordination of investment, labour and skill-development policies. Such coordination could take place both at the strategic level and at the institutional level at investment and labour agencies.
- b) Domestic-supplier database provisions with a special focus on SMEs. Such provisions reduce information barriers for investors, leading to benefits for local suppliers. Such data are particularly helpful for investors entering new or challenging markets by showcasing the presence of qualified local suppliers that can provide inputs at the costs, quality and scale that investors need to operate effectively and efficiently. Consequently, domestic-supplier databases are key to showing the viability of investments and, hence, facilitating FDI. Uruguay, for instance, benefitted from creating such a database to match potential investors with national suppliers. If certain supplier categories are missing from the database, the government can reach out to the potential investor to jointly address missing suppliers. For instance, in case suppliers are located elsewhere but not yet in the host country, they can be encouraged by the entry of the new investor to also establish a presence there. In addition, such databases could include information on sustainability characteristics of the domestic firms, including skills, to help contribute to the creation of quality jobs. Some IPAs already make those data available. Attention to SMEs could not only generate jobs but also lead to skill transfer and positive spillovers in terms of better labour practices.

- c) Supplier-development programme provisions, which fosters a favourable ecosystem for investment by improving domestic suppliers' capabilities. These provisions support long-term investment and contribute to the creation of a pool of qualified local suppliers. Morocco, for example, was successful in putting in place such a programme. In fact, the Moroccan government implemented three concrete measures to facilitate investment: it gathered information on qualified local suppliers that could meet potential investors' needs; created a supplier-development programme to complement and grow skills; and facilitated a high-quality training initiative. Some firms, like Robert Bosch, also assist local governments around the world to establish such programmes.
- d) RBC provisions, including internationally recognised standards, such as the ILO Declaration and the OECD Guidelines for Multinational Corporations. Such a provision is essential to ensure the quality of investment and its positive impact in host states. One important element is the recommendation to carry out due diligence, which has been increasingly adopted by domestic legislation, or industry recommendations at the national level. This measure seeks to avoid adverse impacts related to labour, industrial relation and human rights.

In addition, the importance of clusters and subnational actors was discussed. To illustrate, stakeholders came together in the Basque region to design an action plan to unlock and grow a cluster developed in terms of the area's comparative advantages. As part of these efforts, a think tank was created in collaboration with Harvard Business School. In 20 years (from 1999 to 2019), the region managed to increase its GDP, productivity, exports, education indexes, and expenditure in research and development, besides decreasing the unemployment rate. Likewise, Quebec has also benefited from the creation of two clusters and innovation zones, focusing on attracting quality FDI and promoting quality jobs and highlighting how potential investors can complement or add to the existing ecosystem. Considering the inclusion of city and region-level administrations may be useful to achieve such a goal as they are gaining more socioeconomic prominence and, consequently, sometimes play a greater role in investment facilitation. For instance, Invest India regularly monitors major FDI greenfield projects at the regional level and facilitates investments in regions and cities.

In sum, the implementation of these investment facilitation provisions enables business ecosystems and clusters, which can help attract sustainable FDI and, consequently, promote sustainable development.

## **Annex 1: Webinar invitation and agenda**

### **Webinar invitation:**

#### **DOES INVESTMENT FACILITATION MATTER?**

#### **Increasing FDI Flows, Development and Quality Jobs**

**22 November 2022**

Dear Colleagues,

On behalf of the International Trade Centre (ITC), the German Institute of Development and Sustainability (IDOS), the World Association of Investment Promotion Agencies (WAIPA), and the World Economic Forum, we cordially invite you to a webinar on:

#### **Does Investment Facilitation Matter? Increasing FDI Flows, Development and Quality Jobs**

The webinar will take place on 22 November 2022 from 15:00 to 16:00 Geneva time (CET).

The webinar is being held in the framework of the Investment Facilitation for Development [project](#), jointly implemented by the ITC and IDOS.

**Participation in the webinar is free of charge. However, it is necessary to register for the event (please [click here](#)), to receive the meeting link details.**

This is the 13<sup>th</sup> webinar in a series meant to assist investment promotion agencies and policymakers strengthen their capacity to facilitate higher FDI flows, especially investment flows that directly contribute to development; it will also provide an opportunity to exchange experiences regarding investment facilitation, including with investors.

The context is that negotiations on a WTO Investment Facilitation for Development (IFD) Agreement are scheduled to conclude at the end of this year. The main goal of facilitating foreign direct investment (FDI) is to promote sustainable development. In light of this, the webinar will consider investment facilitation's potential effect on the quantity and quality of FDI, and in particular on the creation of quality jobs – given the priority placed on jobs by policymakers and the importance of jobs for social welfare and stability.

The discussion will begin with the latest findings on FDI's impact on quality job creation. The discussion will then turn to the experience of investment officials facilitating investment in practice and firms investing across multiple markets. The purpose is to suggest concrete measures that can be adopted as a consequence of the IFD Agreement with direct impact on quality job creation.

The webinar takes place in a challenging FDI context: in 2021, FDI rebounded to above pre-pandemic levels. However, according to UNCTAD's *World Investment Report 2022*, almost three quarters of the global increase of FDI flows went to developed economies, risking a two-



speed recovery. Understanding how developing economies can implement investment facilitation measures in a way to increase not only FDI flows but also the quality and development benefits of these flows is therefore of particular importance.

Highlights of the discussion will be captured in a summary report, which can inform the adoption of policies and measures by governments, as well as consideration of important measures and their implementation by delegates currently negotiating the IFD Agreement.

**Please feel free to share this invitation with officials dealing with FDI, as well as representatives of the private sector who might be interested in this subject.**

The webinar will be conducted in an interactive manner and allow for questions by participants.

The webinar will feature the following speakers:

**Opening remarks: Quan Zhao**, Trade Policy Advisor, Division for Market Development, ITC

**Moderator: Matthew Stephenson**, Head, Investment Policy and Practice, World Economic Forum

**Experts and practitioners:**

**Ana Novik**, Head, Investment Division, Organisation for Economic Cooperation and Development (OECD) – *How can FDI increase the quantity and quality of jobs in an economy?*

**Markus Thill**, President, Africa, Robert Bosch – *Firms want to invest where investment facilitation is done well.*

**Xavier Vanrolleghem**, Head of Department Invest at Flanders Investment and Trade (FIT) – *How can investment authorities facilitate FDI to increase flows, sustainable development and jobs?*

**Rami Rafih**, Managing Director and Partner, Dubai, Boston Consulting Group (BCG) – *What have we learned advising governments and firms on investment facilitation and jobs?*

**Karl Sauvart**, Senior Fellow, Columbia University, Columbia Center on Sustainable Investment (CCSI). *Concluding remarks*

We are looking forward to welcoming you at the webinar!

Best regards,

Rajesh Aggarwal, ITC; Axel Berger, IDOS; Karl P. Sauvart, Columbia University/CCSI; Ismail Ersahin, WAIPA; Matthew Stephenson, World Economic Forum

**Background information:**

Edward J. Balistreri and Zoryana Olekseyuk, “Economic impacts of investment facilitation”, Working Paper, Iowa State University, 2021, [available here](#).

Axel Berger, Ann-Margret Bolmer and Zoryana Olekseyuk, *Implementing an Investment Facilitation for Development Agreement. How to self-assess implementation gaps and technical assistance needs* (Geneva: ITC and IDOS, 2022), [available here](#).

Axel Berger, Yardenne Kagan and Karl P. Sauvants, eds., *Investment Facilitation for Development: A Toolkit for Policymakers* (Geneva: ITC, 2022), [available here](#).

OECD, “Policies for improving FDI impacts on job quality and skills”, in *FDI Qualities Policy Toolkit*, OECD, 2022, [available here](#).

Ahmed Omic and Matthew Stephenson, “What can governments do to facilitate investment? Important measures identified through surveys”, December 2019, [available here](#).

World Economic Forum [Global Investment Policy and Practice](#) Initiative.

## **Bios:**

### **Ana Novik**

Ana Novik is Head of the Investment Division of the OECD Directorate for Financial and Enterprise Affairs. She focusses on improving the international investment climate, promoting good domestic policies to support sustainable and inclusive investment and responsible business conduct. She establishes strategies for the OECD to secure a leadership role in the international investment debate and to advance a more structured economic analysis of investment flows and impact. Prior to joining the OECD, she was the Chilean Ambassador Director of Multilateral Economic Affairs in the Economics Directorate of Chile’s Ministry of Foreign Affairs and Trade, representing Chile in such international organisations as WTO, OECD and APEC.

### **Rami Rafih**

Rami Rafih leads Boston Consulting Group’s economic advantage of nations work globally, and leads the Global Advantage practice in the Middle East. He is a core member of BCG’s Public Sector and Principal Investors & Private Equity (PIPE) practices. Rami has worked with sovereign wealth funds (SWFs), and government ministries and authorities in Europe, GCC countries, North Africa, and Southeast Asia, covering several economic sectors as well as topics such as foreign direct investment attraction, innovation hubs and clusters, special economic zones (SEZs), export promotion, and talent attraction. He has a Masters from HEC Paris and a Bachelors in Engineers from the American University of Beirut (AUB)

### **Karl P. Sauvants**

Karl P. Sauvants 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 IDOS 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 Senior Fellow, on teaching, research and writing.

### **Matthew Stephenson**

Matthew Stephenson is Head of Investment Policy and Practice 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.

### **Xavier Vanrolleghem**

Xavier Vanrolleghem is heading the Inward Investment department at Flanders Investment & Trade. Flanders Investment & Trade (FIT) is the government agency supporting Flemish companies in their effort to deploy business internationally abroad and assisting foreign companies seeking to set up business or expand operations in Flanders. Before joining FIT, he was responsible for developing the energy and chemical cluster at the Port of Antwerp. Together with his team, he managed to attract the largest industrial investment for over 20 years to Antwerp. Furthermore, he has worked intensively on sustainable development and energy transition by, amongst others, initiating a large-scale carbon capture and storage project.

### **Quan Zhao**

Quan Zhao is Trade Policy Adviser at ITC's Division for Market Development. He has almost 20 years of experience in trade policy development and trade negotiations. He worked for the Ministry of Commerce of China in the Department for WTO Affairs and spent five years as a trade negotiator on services trade, digital trade and e-commerce at the Permanent Mission of China to the WTO. He was the Chair of WTO's Committee for Trade in Financial Services. Since 2014, he has been working for ITC on the design, management, implementation, and resource mobilization for technical assistance projects on services trade, e-commerce, digital trade, investment, G20, south-south cooperation, and SME competitiveness.