

## **WTO Public Forum 2021 Session Report: Investment Facilitation for Development – Revitalizing Investment for Covid-19 Recovery**

The “Investment Facilitation for Development – Revitalizing Investment for Covid-19 Recovery” session took place on 30 September 2021, 15:00-16:00, Central European Time (CET), as part of the WTO Public Forum 2021.

The session reviewed the progress that has been made during almost four years of structured discussions and subsequent negotiations on an Investment Facilitation for Development (IFD) Agreement at the World Trade Organization (WTO). The session also provided an overview of the negotiations. Finally, it explored how a reformed agenda on investment facilitation for development can deliver positive results for developing and least-developed countries (LDCs), while helping countries to recover from the COVID-19 pandemic to support sustainable development. The discussion was based partly on the experience gathered in the framework of the ITC-DIE project on Investment Facilitation for Development, the main results of which are contained [here](#).

The session was chaired by Karl P. Sauvant, Resident Senior Fellow, Columbia University, CCSI, and included the following speakers: Dorothy Tembo, Deputy Executive Director, International Trade Centre (ITC); Mathias Francke, Ambassador of Chile to the WTO, Coordinator of the negotiations; Axel Berger, Senior Researcher, German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE); and Valéria Mendes Costa, First Secretary, Ministry of Foreign Affairs, Brazil.

The programme is annexed to this report.

### **Main discussion outcomes**

The discussions during the session focused on the points below, which are elaborated upon in the sections that follow.

- The decline in foreign direct investment (FDI) flows caused by the COVID-19 pandemic represents a huge challenge for WTO Members. Countries need more sustainable FDI to restart their economies and enhance recovery.
- The IFD discussions were initiated by developing countries and focuses on practical technical issues aimed at facilitating sustainable FDI. The IFD Agreement explicitly does not deal with issues such as market access, investment protection and investor-state dispute settlement (ISDS). Rather, it focusses on concrete investment facilitation measures that promote sustainable investment flows, such as local supplier databases that link domestic firms to foreign investors.

- Firm commitments for technical assistance and capacity building under the IFD Agreement are especially important for enabling developing countries and LDCs to fully benefit from the Agreement.
- The implementation of the IFD Agreement requires even more technical assistance and capacity building than the WTO Trade Facilitation Agreement (TFA) as it involves substantial behind-the-border reforms and regulatory changes; multiple ministries, agencies and departments; support for the entire life-cycle of an investment; dispute prevention and management mechanisms at the national level; support for investment promotion agencies (IPAs); help in establishing national investment facilitation committees; and, accordingly, self-designation with respect to the pace of implementation.
- Analyses of the gaps of implementation of investment measures and the assessment of needs for external assistance are key for supporting the implementation of the IFD Agreement and should start as soon as possible.

### **I. The importance of investment facilitation for development in enhancing resilience beyond COVID-19**

According to the United Nations Conference on Trade and Development (UNCTAD), global FDI contracted by 35% in 2020, compared to the previous year, due to the economic fallout from the pandemic. The world, and particularly the developing world, needs investment to enhance recovery and to achieve the 2030 Agenda, including the Sustainable Development Goals.

Because a fundamental component of the recovery involves boosting FDI flows, the IFD Agreement negotiations are crucial. A successful outcome can contribute to revitalizing the global investment landscape through enhanced transparency and predictability, streamlined procedures, greater use of e-government services, and strengthened international cooperation, with a view towards advancing sustainable development. The IFD Agreement would provide investors with more predictability and transparency regarding the investment landscape, which is especially important for small- and medium-size enterprises. At the same time, the IFD Agreement should enable host countries to benefit from more sustainable FDI.

### **II. The state of play of the WTO negotiations on investment facilitation for development ahead of the 12th Ministerial Conference**

It was indicated that there is currently an IFD draft text that includes an agreement by the Members on three main pillars: improving transparency and predictability of investment measures; streamlining and speeding up administrative procedures; and enhancing international cooperation and exchange of best practices. Other agreed provisions include domestic regulatory coherence, firewall provisions, the preamble, and the scope of the IFD Agreement, which excludes market access, investment protection and ISDS. In addition, there are ongoing discussions on Members' proposals relating to capacity building and technical assistance, principles for the implementation of the Agreement by developing countries and LDCs, and sustainable investment provisions. The aim is to reach significant progress by the 12<sup>th</sup> WTO Ministerial Conference. It was also mentioned that, at this stage, it is still not clear how the IFD Agreement will be incorporated into the WTO structure.

### **III. Implementation gaps of investment facilitation measures and technical assistance needs under the IFD Agreement**

According to a study by the DIE covering 117 investment facilitation measures and mapping the implementation of investment facilitation measures in 86 WTO Members,<sup>1</sup> developing countries, on average, have adopted fewer investment facilitation measures compared to developed countries. In fact, there is a strong correlation between the level of adoption of investment facilitation measures and the development status of countries. Low-income countries and countries from sub-Saharan Africa, the Middle-East and North Africa have the lowest levels of adoption of investment facilitation measures. Consequently, WTO Members from developing economies and LDCs will need to undertake substantial reforms to implement the IFD Agreement.

The IFD Agreement will include challenging investment facilitation measures that require administrative capacity, political will and technical and financial resources to implement them. Accordingly, a firm and substantial technical assistance provision should be put in place to enable countries to approve and implement the IFD Agreement. Furthermore, it is important to have a clear understanding of the current level of implementation of investment facilitation measures, to estimate the size and shape of technical and financial assistance requirements. This process of gap analyses and needs assessments should be conducted already during the negotiation phase.

### **IV. Strengthening the development dimension of the IFD Agreement**

The current IFD draft includes a sustainable development dimension. The Preamble of the Agreement contains direct references to sustainable development, which will possibly affect the interpretative frame of the future Agreement. The current draft also includes a responsible business conduct provision that aims to signal the type of investment that WTO Members want to facilitate under the Agreement. Another relevant provision under the current draft is the establishment of domestic supplier databases, which aim to promote linkages between foreign firms and domestic suppliers. This is an important tool to reduce information gaps and search costs for identifying local suppliers. The current draft also includes a special and differential treatment section, which acknowledges the need of developing and least developing Members to implement the Agreement in phases.

There are also two recent proposals for sustainable FDI provisions. The first one suggests adding supplier development programmes to increase the number of local firms that could contract with foreign investors. The second proposal suggests including home state obligations. The concept is that home states should also play a role in facilitating the flow of sustainable investment. Through this provision, Members are encouraged to adopt certain measures to facilitate outward sustainable FDI, such as impact assessments. Members should also share information on the operations of investors from their territories, including information about investors' history with respect to responsible business conduct and sustainable investing.

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<sup>1</sup> See, Axel Berger, Ali Dadkhah and Zoryana Olekseyuk, "Investment facilitation for sustainable development: Index maps adoption at domestic level" (Bonn: German Development Institute / Deutsches Institut für Entwicklungspolitik), October 2019, available here: [https://www.die-gdi.de/uploads/media/DP\\_23.2021.pdf](https://www.die-gdi.de/uploads/media/DP_23.2021.pdf).

It was stated that additional investment facilitation measures could still be included in the IFD text, and some of the existing provisions could be more ambitious in order to strengthen the sustainability dimension of the Agreement. For example, Members could provide additional investment facilitation measures to “Recognized Sustainable Investors”, to incentivize investors to invest sustainably. Such investors could, for instance, receive priority assistance in obtaining licenses or shortened timeframes for approvals if they met specified sustainability criteria. Such criteria could include records of compliance with local laws and regulations, appropriate supply chain management, engagement in community development, and skills enhancement. This scheme is similar to the TFA’s “Authorized Operators” framework.

It was also stated that domestic supplier databases could include sustainability criteria in addition to traditional information. Additional sustainability criteria could include environmental management, water usage, workplace safety, employee care, upgrading/training policies, gender equality, and quality standards/certifications. This would not only facilitate investment, but would also recognize and promote local firms that can provide sustainable goods and services. In addition, in the current IFD draft, technical assistance and capacity building focus on helping developing countries implement the Agreement. These provisions do not envisage enhancing Members’ ability to facilitate sustainable FDI. Such specific assistance can include, for example, developing expertise in IPAs or relevant agencies for the promotion of sustainable development-focused investment. It is important to further enhance this perspective. It was also indicated that a WTO Investment Committee could play a prominent role in reinforcing the sustainability dimension of the IFD Agreement. Members could, for instance, agree on a built-in agenda directed towards promoting sustainable development facilitation measures.



Deutsches Institut für  
Entwicklungspolitik



German Development  
Institute

**WTO Public Forum 2021 Session Invitation: Investment Facilitation for Development –  
Revitalizing Investment for Covid-19 Recovery**

**30 September 2021, 15:00-16:00 Central European Time (CET)**

Dear Colleague,

On behalf of the International Trade Centre (ITC) and the German Development Institute/ Deutsches Institut für Entwicklungspolitik (DIE), and as part of the WTO Public Forum 2021, we cordially invite you to a session on:

**Investment Facilitation for Development – Revitalizing Investment for Covid-19 Recovery**

**30 September 2021, 15:00-16:00 Central European Time (CET)**

WTO Members face a huge challenge to tackle declining foreign direct investment (FDI) flows as a result of the COVID-19 pandemic. According to UNCTAD, global FDI contracted by 35% in 2020, compared to the previous year, due to the economic fallout from the pandemic. The world, and particularly the developing world, needs investment to invest in productive capacity and enhance recovery to reach the Sustainable Development Goals by the end of the decade.

Since a fundamental component of the recovery is to boost FDI flows, the negotiations of WTO Members of an agreement on investment facilitation for development are crucial. A successful outcome of this Joint Statement Initiative, launched at the WTO Ministerial Conference in 2017, can contribute to revitalizing the global investment landscape through enhanced transparency and predictability, streamlined procedures, the use of e-government services, and strengthened international cooperation, with a view towards advancing sustainable development. Investors would benefit, among other things, from information about national investment frameworks that can be accessed easily, application processes that are more efficient, better conflict avoidance mechanisms, and procedures that can be carried out online. Host countries, on their part, would benefit from more FDI and, among other things, the promotion of responsible business practices on the part of investors.

The session will review the progress that has been made during almost four years of structured discussions of an Investment Facilitation Framework for Development at the WTO and provide an overview of the dynamic negotiations ahead of the 12<sup>th</sup> Ministerial Conference at the end of the year. The session will look into how a reform agenda on investment facilitation for development can deliver positive results for developing and least-developed countries and help countries recover from the pandemic and support sustainable development. The session will also focus on the importance of technical assistance and capacity building for developing and least developed countries, to ensure the implementation of investment reforms. The discussion will be based partly on the experience gathered in the framework of the ITC-DIE project on Investment Facilitation for Development, the main results of which are contained [here](#).

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

The session will have the following agenda and speakers:

**Welcome and introduction by the chair: Karl P. Sauvant**, Resident Senior Fellow, Columbia University, CCSI

**Speakers:**

**Dorothy Tembo**, Deputy Executive Director, ITC – *“The importance of investment facilitation for development in enhancing resilience beyond COVID-19”*

**Mathias Francke**, Ambassador of Chile to the WTO, Coordinator of the Structured Discussions on Investment Facilitation for Development – *“The state of play of the WTO negotiations on investment facilitation for development ahead of the 12<sup>th</sup> Ministerial Conference”*

**Axel Berger**, Senior Researcher, German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) – *“Implementation gaps of investment facilitation measures and technical assistance needs”*

**Valéria Mendes Costa**, First Secretary, Ministry of Foreign Affairs, Brazil – *“Strengthening the development dimension: Important, effective and innovative investment facilitation measures to incentivize sustainable FDI for sustainable development”*

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

We look forward to welcoming you to the session!

With kind 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

## **Background material**

ITC-DIE project on [Investment Facilitation for Development](#)

Axel Berger and Karl P. Sauvant, eds., *Investment Facilitation for Development: A Toolkit for Policymakers* (Geneva: ITC, 2021), [available here](#).

### **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.

#### **Valéria Mendes Costa**

Valéria Mendes Costa is a diplomat at the Brazilian Ministry of Foreign Affairs. She currently works in the Services and Industry Promotion Department, dealing with investment issues. Previously, she served in the Brazilian Mission to the WTO, where she was in charge of dispute settlement. She has a Bachelor's degree in law from the Catholic University of São Paulo, a Master Degree in Political Science from Sciences Po - Paris and a Master Degree in International Dispute Settlement from the Graduate Institute - Geneva.

#### **Mathias Francke**

Mathias Francke is Ambassador and Permanent Representative of Chile to the WTO and Coordinator of the Structured Discussions on Investment Facilitation for Development. Previously, he was APEC SOM Chair (2019), Director General for Multilateral Economic Affairs, Director for Bilateral Economic Affairs, Chief of Cabinet, and senior advisor at the Chilean Vice Minister of Trade. As a Foreign Service officer since 1989, he was posted at the Embassy of Chile in the UK (2014 to 2018), Chile's Permanent Mission to the WTO (2000 to 2005, and as Deputy Head of Mission from 2006 to 2010) and the Trade Office of the Embassy of Chile in the USA (1992 to 1996). He is a lawyer from the Catholic University of Chile.

#### **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). 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.

### **Dorothy Tembo**

Dorothy Tembo has served as Deputy Executive Director of the International Trade Centre (ITC) since June 2014, as well as ITC's Executive Director ad interim from January to September 2020. Prior to ITC, she served as the Executive Director of the multi-donor funded Enhanced Integrated Framework Programme (EIF) at the WTO. She also served as Chief Trade Negotiator and Director of Foreign Trade in the Ministry of Commerce, Trade and Industry of Zambia, as Advisor on USAID projects in Zambia, and held various positions in Zambia's National Commission for Development Planning.