Webinar report: Linking outward FDI to inward FDI: the role of home-country measures

The 4th webinar for government officials and other stakeholders on “Linking outward FDI to inward FDI: the role of home country measures”, co-organized by the International Trade Centre (ITC), the German Development Institute/ Deutsches Institut für Entwicklungspolitik (DIE), the World Association of Investment Promotion Agencies (WAIPA), the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), and the World Economic Forum (WEF), took place on 4 May 2021, from 15:00 to 16:15 Central European Time. The webinar hosted 105 participants. The webinar was held in the framework of the Investment Facilitation for Development project, jointly implemented by the ITC and DIE.

This was the 4th webinar in a series meant to assist investment promotion agencies (IPAs) and policymakers strengthen their capacity to facilitate higher foreign direct investment (FDI) flows, especially investment flows that directly contribute to development. The webinar focused on practical issues regarding linking outward FDI facilitation to inward FDI facilitation and the role of home-country measures that can assist with addressing such issues.

The webinar was opened by Rajesh Aggarwal, Chief Trade Facilitation and Policy for Business, ITC. The webinar was moderated by Karl P. Sauvant, Resident Senior Fellow, Columbia University, Columbia Center on Sustainable Investment, and included the following speakers: Persephone Economou, Senior Economist, Multilateral Investment Guarantee Agency; Robert Hermann, CEO, Germany Trade and Invest; Aditya Ganesh, Senior Vice President, Marketing & Sales at Rane Madras Ltd; Jan Knoerich, Senior Lecturer, Kings College London; and Heather Lynne Taylor-Strauss, Economic Affairs Officer, Investment and Enterprise Development Section, Trade, Investment and Innovation Division, UNESCAP. Concluding remarks were made by Matthew Stephenson, Policy and Community Lead, International Trade and Investment, WEF.

The webinar’s programme is annexed to this report.

Summary of the main issues

The discussions during the webinar focused on the following three main points, which will be elaborated further below.

• There are many measures provided by home countries to support outward FDI. However, information regarding these measures is not centrally available to potential investors and is not easily accessible, especially for SMEs or newly established firms in general. Home countries should establish focal points that will ensure the availability of all information relevant to facilitate outward investment and can serve as a “one-stop-shop” for outward investment support.

• Host countries can take advantage of home-country measures to increase inward FDI flows by identifying and tapping into those measures to increase investment flows. Examples include identifying and taking part in investment missions and match-making organized by home countries into host economies. Other examples include educational services on doing business
abroad that can be used to disseminate the most recent information on investment opportunities in the host country, or advisory services in home economies on investment climates in host economies that can be leveraged by host economies to attract such investment. IPAs should thus ensure that the information available to home countries captures the most recent developments regarding both educational and advisory services.

- The IFF4D should facilitate not only inward FDI but also outward FDI through transparency requirements relating to home countries. The IFF4D should include mechanisms that will promote partnerships between IPAs from different countries in order to support two-way flows of investments, leading to win-win outcomes. In addition, the IFF4D should include provisions for home countries to facilitate and encourage responsible investment. Home countries can have clear criteria linking or making conditional their support measures to a positive development impact in host economies or the absence of a negative impact.

I. Home country measures – an overview

Increasingly, developed and developing countries are putting in place measures to facilitate outward investment. Home country measures (HCMs) are defined as the granting of support by a home country government in connection with an investment made by a home country firm in a foreign economy. To be considered a HCM, the measure must go beyond simply removing or changing the level of restrictions on outward FDI. HCMs may take into account the nationality of an investor, the investment sector, the size of the investor (e.g., specific assistance to small and medium-sized enterprises), and the destination of the investment.

The main types of HCM that were mentioned during the webinar include the following:

**Information**: governments can provide information about FDI policies and regulations in foreign jurisdictions. It can also include evaluations of risks/challenges or level of attractiveness of foreign investment climates. Information can further set out FDI project opportunities.

**Operational support**: governments can provide non-financial forms of operational support through certain services beyond information. These can include business missions, matchmaking, databases of investment opportunities, and project development advisory services.

**Grants**: Grants may include the funding of feasibility studies, market research and other pre-investment activities; reimbursement of costs of setting up overseas offices; costs of training staff for employment with a foreign affiliate (e.g., immersion programmes, foreign language classes); and costs of executive programmes for managers.

**Loans**: Home countries can provide concessional or non-concessional loans.

**Guarantees**: Governments can share default risks by providing financial guarantees or risk-sharing arrangements. In addition, investment insurers may provide guarantees to cover a number of risks that foreign investors encounter. Investment insurance can be provided against such non-commercial risks as expropriation, war damage, political violence, local currency conversion and transfer restrictions for remittances, and forced abandonment.

**Equity**: Governments can take direct equity participations in outward investment projects. In addition, development financing institutions may provide various types of financing.
Tax exemptions: These measures may include exemptions from corporate income tax on certain types of income; tax exemptions on start-up expenses of foreign operations; and tax deductions for qualifying expenditures.

Corporate tax rate relief: Tax relief for enterprises in particular sectors of the economy; tax deferral for qualifying income earned overseas; and tax credits for certain expenditures.

Conditionality: The granting of HCMs can be made conditional on meeting certain criteria, e.g., conducting environmental impact studies.

II. Transparency and access to information about home country measures

There are many measures provided by home countries to support outward investment. However, the information regarding these measures is not centrally available to potential investors and is not easily accessible. HCMs are provided by various organizations, such as IPAs, export promotion agencies, finance agencies, and governments ministries. Consequently, accessing them is not always easy, especially for SMEs or newly established firms in general.

In addition, investors looking for support will usually approach the IPA in the host country and not know to look for assistance in their home country. IPAs in home countries, should help promote the information and knowledge on HCMs available to investors. Also, companies usually rely on other companies’ experiences and case studies, to learn about the HCMs that are available or obtain such information from the chambers of commerce and industry associations within their countries. IPAs should approach industry bodies and inform them of the support measures that are available so the information can be provided to investors.

Because it is important to ensure transparency of information of such support measures, home countries should establish a focal point or a one-stop shop that will ensure the availability of all the information relevant to facilitate outward investment. Since information on HCMs is usually provided in the local language, this makes it difficult for IPAs in host countries to access such information and inform potential investors that approach them regarding HCMs.

During the webinar, an initial overview of the “Outward Foreign Direct Investment Policy Toolkit for Sustainable Development” was presented. The toolkit is being developed by King’s College London, UNESCAP and the World Economic Forum. The toolkit provides a database of what HCMs exist in various home countries, as well as evidence on home-country effects (i.e., potential benefits) from outward FDI and mediating factors that can impact the way that HCMs are used to target outward FDI. It thus seeks to inform the selection of HCMs to achieve particular home-country effects through targeting or considering mediating factors. It will be updated continuously.

III. How can IPAs in host countries take advantage of home country measures?

Host countries can take advantage of home country measures to increase inward FDI flows. HCMs facilitate inward FDI that can contribute to sustainable development. Some HCMs target specific types of FDI that correspond with host country needs. A number of countries seem to link their outward facilitation measures to the development impact that the investment has. These are the types of HCMs that not only facilitate investment but help promote the development impact in host countries. HCMs should focus on investments linked to socio-economic needs where win-win exchanges are possible with other economies, including in sectors such as agri-tech, clean energy and fin-tech. Within focus sectors, government schemes to facilitate investments such as the immigration of skilled workers, and grants and subsidies for cross border technology
collaboration would help forge more partnerships. Host and home countries can also collaborate on the provision of financial measures.

In addition, IPAs in host countries should be aware of timelines of investment missions, matchmaking services provided by home countries and seminars and information and advisory services on doing business abroad that can be used to disseminate the most recent information on investment opportunities, policies and measures in the host country. IPAs should ensure that the information available to home countries captures the most recent developments.

IPAs in host countries should not assume that foreign investors are aware of assistance measures that are provided by their home governments. IPAs in host countries should actively enquire about HCMs, to pass the information to potential investors.

Since there may be cultural and language barriers, IPAs should use the help of local embassies of home countries to receive information about investment facilitation measures that are offered to outward investors.

IV. The importance of including home country obligations within the WTO Investment Facilitation Framework for Development (IFF4D)

The IFF4D should facilitate not only inward FDI but also outward FDI through transparency required from home countries. This is important not only for investors—and especially SMEs—but also for intensifying cooperation on HCMs between home and host countries, by promoting matchmaking that can be done in the home country and by the provision of updated information by host countries. The IFF4D should include mechanisms that will promote partnerships between IPAs from different countries that would support two-way flows of investments, leading to win-win outcomes.

In addition, the IFF4D should include provisions for home countries to facilitate and encourage responsible investment. Investment facilitation frameworks should not ignore the role of home countries in this regard, and hence focus not only on host countries. Sustainable FDI inherently entails the responsibility and involvement of home countries. This includes measures such that their investors operate in a manner that is sustainable and aligned with host countries’ development goals. Home countries can have clear criteria linking or making conditional their support measures (including the provision of information, loans, grants, guarantees, political risk insurance, preferential trade access) to a positive development impact in host economies or the absence of a negative impact, such as through ex ante environmental and social impact assessments.
Webinar invitation

Linking outward FDI to inward FDI: the role of home country measures

4 May 2021

Dear Colleagues,

On behalf of the International Trade Centre (ITC), the German Development Institute/ Deutsches Institut für Entwicklungspolitik (DIE), the World Association of Investment Promotion Agencies (WAIPA), the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), and the World Economic Forum (WEF), we cordially invite you to a webinar on:

**Linking outward FDI to inward FDI: the role of home country measures**

The webinar will take place on 4 May 2021, from 15:00 to 16:15 Geneva time (Central European Time), 09:00 to 10:15 Eastern Standard Time, and 21:00 to 22:15 China Standard Time.

The webinar is being held in the framework of the Investment Facilitation for Development project, jointly implemented by the ITC and DIE.

This is the 4th webinar in a series meant to assist investment promotion agencies (IPAs) and policymakers strengthen their capacity to facilitate higher FDI flows, especially investment flows that directly contribute as much as possible to development; it will also provide an opportunity to exchange experiences regarding investment facilitation, including with investors.

The 4th webinar will focus on practical issues regarding linking outward FDI to inward FDI and the role of home country measures that can assist with addressing such issues. The discussions will be informed by [“An Inventory of Concrete Measures to Facilitate the Flow of Sustainable FDI: What? Why? How?”](#).

Please feel free to share this invitation with government 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:** Rajesh Aggarwal, Chief Trade Facilitation and Policy for Business, ITC

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

**Experts and practitioners:**
• **Persephone Economou**, Senior Economist, Multilateral Investment Guarantee Agency - “Home country measures: by whom and to whom?”
• **Robert Hermann**, CEO, Germany Trade and Invest (GTAI) - “How can IPAs in host countries take advantage of home country measures?”
• **Aditya Ganesh**, Senior Vice President, Marketing & Sales at Rane Madras Ltd (RML) – “What kinds of support is most useful for firms to undertake outward FDI”
• **Jan Knoerich**, Senior Lecturer, Kings College of London and **Heather Lynne Taylor-Strauss**, Economic Affairs Officer, Investment and Enterprise Development Section, Trade, Investment and Innovation Division, UNESCAP - “Outward Foreign Direct Investment Policy Toolkit for Sustainable Development”

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

To register for the event and receive the meeting-link details, please register here.

The webinar will be delivered through Zoom.

We are looking forward to welcoming you at the webinar!

Best regards,

Rajesh Aggarwal, ITC; Axel Berger, DIE; Yann Duval, ESCAP; Karl P. Sauvant, Columbia University/CCSI; Bostjan Skalar, WAIPA; Matthew Stephenson, WEF

**Background material**


**Bios:**

**Rajesh Aggarwal**

Rajesh Aggarwal is Chief of the Trade Facilitation and Policy for Business Section of the International Trade Centre (ITC), Geneva. He is leading a program of assisting the private sector in developing countries to be the change agent for trade policy reform and engage in business advocacy with their governments in design and implementation of trade policies and negotiating
positions that reflect the business interests. Before joining the ITC, he worked for the Indian Government and participated in WTO Doha Round of trade negotiations. He has published papers in the area of trade negotiations, including a paper titled “Dynamics of Agriculture Negotiations in WTO” in the Journal of World Trade.

Persephone Economou

Persephone Economou is a senior economist at the Multilateral Investment Guarantee Agency. Prior to that she was the Managing Editor of the Journal of International Business Studies and a staff member of UNCTAD and the United Nations Centre on Transnational Corporations. The findings, interpretations, and conclusions expressed in the webinar do not necessarily reflect the views of the World Bank Group, the Executive Directors of the World Bank Group or the governments they represent. The World Bank Group does not guarantee the accuracy of the data presented in the webinar.

Aditya Ganesh

Aditya Ganesh has a Master's degree in Industrial Engineering from the Ohio State University and Business Administration from INSEAD, France. He joined Rane (Madras) Limited in 2017 as General Manager for Corporate Planning and Strategy, looking after the strategic business planning process for four distinct product groups. Subsequently he became Senior Vice President for Marketing, managing domestic, export and independent after-market sales and business development. Apart from his role at Rane, he is on regional and national committees of the Automotive Components Manufacturers Association, particularly focusing on investment and raising capital at the national level and membership expansion at the regional level.

Robert Hermann

Robert Hermann has been CEO of Germany Trade & Invest (GTAI) since February 2018. From November 2014 to January 2018, he directed the Marketing and Communication department of GTAI, having previously overseen the Investor Consulting department since GTAI’s founding in 2009. Between 2004 and 2008 he was an investment consultant at Invest in Germany, GTAI’s previous incarnation. Prior to that, he was a corporate consultant at JSW Management Consulting. He holds the academic distinction of Doctor of Engineering from the Rhineland-Westfalen Technical University of Aachen.

Jan Knoerich

Jan Knoerich is Senior Lecturer at the Department of International Development and Lau China Institute, School of Global Affairs, King’s College London. His research examines outward foreign direct investment from China and other emerging economies, focusing in particular on the development implications for home economies. His work has appeared in leading academic journals, such as the Journal of World Business, Journal of International Management and Oxford Development Studies, and in various books and book chapters. He has been a consultant for the United Nations, European Union and various think-tanks.

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.

**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.

**Heather Taylor-Strauss**

Heather Taylor-Strauss is Economic Affairs Officer, Investment and Enterprise Development Section, Trade, Investment and Innovation Division of the UNESCAP. She leads UNESCAP’s research and policy advisory work on FDI. She has also worked in the Office of the Executive Secretary and the Macroeconomic Policy division in UNESCAP. Prior to her work at UNESCAP, she worked at the Asian Development Bank and held researcher positions at Goethe University, Trinity College, and the Sadar Patel Institute for Economic and Social Research. At these institutions she led 4 projects and authored several publications on outward FDI. She holds a PhD from Goethe University (Germany).