

---

## ITC WEBINAR SERIES

### MAKING TRADE AGREEMENTS WORK FOR MSMEs AND DEVELOPMENT

---

#### **Webinar 1. The WTO Investment Facilitation Framework for Development and the Importance of Facilitating Sustainable Investment for MSMEs**

“The WTO Investment Facilitation Framework for Development and the Importance of Facilitating Sustainable Investment for MSMEs” webinar took place on Friday, 28 May 2021, 15:00 to 17:00 (Geneva time). The webinar hosted 200 participants.

The webinar provided an overview on the WTO negotiations on an Investment Facilitation Framework for Development (IFF4D), including the benefits and challenges of a WTO outcome on investment facilitation. In addition, the webinar covered the main issues related to facilitating inward foreign direct investment (FDI), zooming in especially on micro, small and medium-sized enterprises (MSMEs) and on the development dimension.

This webinar was part of the ITC webinar series that was held between 28 May and 10 June 2021 for policymakers and others interested in emerging topics in the multilateral trade discussions. For more information, please visit: <https://www.intracen.org/itc-webinar-series/>

The webinar programme is annexed to this report.

#### **Main discussion outcomes**

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

- The webinar emphasised the importance of investment facilitation in influencing international investors’ locational decisions and the benefits of the IFF4D for developing countries and least developed countries (LDCs).
- Countries seek not only to achieve higher levels of FDI but better and sustainable FDI.
- Investment facilitation measures are increasingly part of international investment agreements. However, many developing countries and LDCs are far behind in implementing investment facilitation measures. Developing countries need substantiable technical assistance to implement measures that will enable them to reap benefits from investment facilitation agreements. Developing countries and LDCs need to ensure that adequate technical assistance is provided to implement the agreements and should negotiate accordingly.
- Needs assessment for developing countries and LDCs should be done at an early stage that will enable countries to participate in the IFF4D negotiations in an informed way and will assist with the implementation of the agreement on the ground.

#### **I. The benefits and challenges of a WTO outcome on Investment Facilitation for Development**

**Progress and next steps for the negotiations of an IFF4D:** Currently, there is a draft text that includes more than 40 proposals from WTO members from both developed and developing countries. The aim is to consolidate the draft text, ensure consistency between the different sections and reach a substantive outcome by the 12th WTO Ministerial Conference (MC12). The current IFF4D includes the following main sections: improving transparency and predictability of investment measures, simplifying administrative procedures, promoting responsible business conduct, and fighting corruption. It was emphasized that special and differential treatment and technical assistance are key pillars in the initiative in order to successfully implement the agreement. In July 2021, there will be a stocktaking exercise on concrete outcome that members expect by MC12.

**What we have learned from the ITC-DIE investment facilitation for development project?** The purpose of the [ITC-DIE project](#) is to strengthen the capacity of negotiators, policy makers, and investment promotion agencies (IPAs) to deal with investment facilitation matters and specifically to negotiate international agreements on investment facilitation. Such negotiations are not only taking place at the WTO, but also in bilateral and regional settings. A special focus of the project is to identify investment facilitation measures that directly contribute to sustainable FDI.

The materials resulting from project activities are compiled in the publication *Investment Facilitation for Development: A Toolkit for Policymakers* (Geneva: ITC, 2021), [available here](#). The publication includes a summary of the main findings of the project and addresses cross-cutting issues, concrete new investment facilitation measures, and issues related to the WTO negotiations and implementation aspects.

Some of the main findings of the project include the following:

- The importance of investment facilitation in influencing international investors' locational decisions. Countries seek to differentiate themselves on the basis of investment facilitation.
- Countries seek not only to achieve higher levels of FDI but better and sustainable FDI. Such FDI is commercially viable and makes a positive contribution to a country's economic, environmental and social development and takes place in the framework of fair governance mechanisms. The project identifies various ways in which the development dimension of the IFF4D can be strengthened.
- Not only host countries can facilitate FDI but also home countries. A growing number of home countries support outward FDI, and some countries link their outward FDI support to host country measures that directly promote development efforts. However, home country measures are not always transparent and may involve multiple institutions. Accordingly, transparency and streamlining administrative procedures regarding home country measures could be included in an investment facilitation agreement. The agreement could also promote a one-stop-shop for outward FDI.

**What do IPAs expect from the IFF4D?** The IFF4D is expected to improve transparency, streamline administrative procedures and promote sustainable development. All these are key elements that are in line with IPA strategies. However, today many IPAs in developing countries and LDCs do not have the capacity to implement the obligations that will be expected under the IFF4D. From an IPA's perspective, this is of concern. In addition, it was emphasized that the IFF4D should also include special and differential treatment provisions similar to the WTO Trade Facilitation Agreement (TFA), especially with respect to implementation timelines.

**Promoting sustainable investment through measures directly contributing to development:**

- Linkages between foreign investors and domestic suppliers, especially MSMEs, should be fostered. Linkages can be established through supplier development programmes. Such programmes should help MSMEs acquire the skills needed to produce in the quality and scale necessary for international investors. MSMEs can also be listed in local supplier databases that can include sustainability dimensions to facilitate sustainable FDI and thus both reward and motivate sustainable operations. Cambodia, for example, has launched a supplier database with sustainability dimensions.
- Environmental and social impact assessments should be performed to ensure that potential negative impacts from investment are identified and addressed beforehand.
- Quality standards and standards relating to responsible business conduct in attracting FDI should be adopted in order to increase investment flows that will have an impact on development. It was mentioned that sometimes companies are interested in adopting responsible business conduct standards especially related to environmental issues, but they do not know how to develop such standards and need host countries to provide practical guidelines, such as in the case of carbon commitments.
- Adopting targeted incentives that are aligned with sustainable investment goals. This can be done through the Recognized Sustainable Investor category, which includes providing more support in the form of financial and non-financial incentives to investors that commit to investing sustainably.
- Providing expedited approval procedures for MSMEs. For example, some states in India allow MSMEs to invest in the country immediately, and have 36 months before they need to fulfil paperwork requirements.

A few other measures were mentioned as measures that do not directly contribute to development but help increase investment flows. Such measures include: investment grievance management mechanisms and early

warning systems for investor complaints to address them before they become legal disputes; adopting a risk-based approach for investments, as not all investments are equally risky, and approval of low-risk investments may need only light review; a “silence is consent” policy for project approval; developing partnerships between economies to develop knowledge sharing and peer learning; and supporting outward investment through home country measures. Such home country measures can be geared specifically to supporting MSMEs, such as financing feasibility studies for MSMEs.

## II. MSMEs, the development dimension and the role of technical assistance

**A gap analysis of developing countries’ capacities to facilitate sustainable investment:** During the webinar the DIE Investment Facilitation Index was presented. The DIE index covers over 100 investment facilitation measures in six policy areas, and maps the implementation of investment facilitation measures at a country level of 86 WTO members (more countries will be added). From the index it is clear that the level of implementation of investment facilitation measures is closely related to the development level of a country. Those countries that are most in need of investment facilitation measures to attract FDI have the lowest investment facilitation implementation scores. The index shows that the establishment of focal points and review received the lowest implementation score in all groups. The e-government implementation score is also low in LDCs, though higher in other groups.

**Key investment facilitation measures that require technical assistance and capacity building for implementation:** As a first step for technical assistance and capacity building, it was indicated that a needs assessment for each country regarding its implementation gaps, the time needed for implementation and the technical assistance that is required should be conducted. In addition, data collection regarding the investment facilitation measures that have the highest impact on FDI is required. The following investment facilitation measures were indicated during the webinar as measures that require technical assistance for implementation by developing countries and LDCs.

**Training of IPA officials:** Training should include investor relationship management, targeting, and proper follow-up to meet investors’ needs and support their operations, including the development of promotional materials.

**Digitalization:** IPAs should access and use new technology to promote the investment environment. Digitalization assists in streamlining administrative procedures, including the establishment of single window enquiry points for all enquiries concerning investor applications.

**Assessing investment contracts:** IPAs in developing countries do not have the capacity and knowledge to evaluate contracts to ensure that stable, win-win contracts are developed. Technical assistance is needed in order to bring multi-disciplinary expertise to IPAs in order for them to assess and negotiate investment contracts.

**Dispute management mechanisms:** IPAs need assistance in establishing dispute prevention mechanisms that will identify, receive, resolve, and track investor grievances in a transparent, fair and timely manner. Dispute management mechanisms are important not only to avoid an escalation of grievances to investment disputes, but also because a large share of investments is reinvestment and investors are likely to make additional investment when their claims are addressed.

**Attracting quality and sustainable investment:** Capacity building is needed to assist IPAs in understanding how to attract quality and sustainable investment that will promote job creation, environmental protection, and promote responsible business conduct. Government officials do not always understand the concept of sustainable investment, and do not know how to identify and promote such investment.

**Stakeholder consultations:** Governments should establish mechanisms for building relationships with stakeholders, provide opportunities to share experiences, and provide investors with the opportunity to

comment on new regulations and laws that effect the investment climate, and specifically to make sure that laws that relate to investment facilitation meet investors' needs.

*Policy advocacy:* Technical assistance should be provided to IPAs to enable them to undertake regulatory impact assessments by means of stakeholder consultations and provide such assessments to the relevant government authorities.

***Learning from the experience of implementing technical assistance in the TFA:*** During the TFA negotiations, members were provided with the opportunity to conduct needs assessments that enabled them to provide inputs during the negotiations based on these assessments. In addition, the needs assessment process was useful in generating momentum for the implementation of the agreement. The following main lessons were mentioned as relevant for the IFF4D:

- Start the gap assessment as soon as possible.
- Provide flexibility for implementation. Implementation should be within the timeframe of each country and its implementation capacity. The special and differential treatment clause in the TFA gave confidence to the WTO members that the implementation process will be in their own time and not going to be imposed on them.
- Coordinate between government authorities at all levels. The TFA is a multiagency agreement. Similarly, the IFF4D requires coordination not only among different government authorities, but also between different levels of government, including national and sub national IPAs. The TFA experience shows that, to implement the agreement, there is a need for a holistic government approach that involves all relevant government agencies. It was also indicated that many times the authority that is responsible for negotiating the agreement is not the one that is responsible for its implementation. In the case of the IFF4D, it is important that the negotiators coordinate the technical assistance needs of the IPAs which will need technical support to implement the agreement.
- Establish Institutional mechanisms to bring all stakeholders on board. There should be institutional mechanisms in place that will ensure collaboration among regulators, IPAs and the private sector.
- Provide technical assistance for implementation. Technical expertise should be made available to ensure that developing countries and LDCs can implement the agreement. It is also important that the technical assistance that is provided be easily accessible.

## Annex 1: Programme

### **Webinar 1. The WTO Investment Facilitation Framework for Development and the Importance of Facilitating Sustainable Investment for MSMEs**

**Friday, 28 May 2021, 15:00 to 17:00 (Geneva time)**

One impact of the global health and economic crisis associated with COVID-19 has been the sharp 42% drop in foreign direct investment (FDI) in 2020, compared to 2019. As the world emerges from the pandemic, revitalizing investment will be key to restarting the engine of the global economy.

The Investment Facilitation for Development initiative at the World Trade Organization (WTO) aims to create a multilateral framework for a more transparent, efficient and investment-friendly business climate that serves development. A successful outcome can inject confidence into the global economy and revitalize FDI flows. Enhancing cooperation and transparency, streamlining procedures, improving regulations, and encouraging investment that directly contributes to development are important principles to take into account.

This webinar on “The WTO Investment Facilitation Framework for Development and the Importance of Facilitating Sustainable Investment for MSMEs” will provide an overview on the WTO negotiations on an Investment Facilitation Framework for Development, including the benefits and challenges of a WTO outcome on investment facilitation. In addition, the webinar will reflect on the main issues related to facilitating inward FDI, zooming in especially on micro, small and medium-sized enterprises (MSMEs) and development dimensions. It is meant to facilitate joint learning and knowledge sharing, as well as to bring MSMEs and development perspectives to the attention of policymakers.

The webinar will explore answers to the following questions:

- What measures are most effective for facilitating and encouraging sustainable FDI in the context of the global health and economic crises and the need to relaunch national economies?
- What are the benefits and challenges for a WTO outcome on investment facilitation for development?
- What can we learn from the negotiation and implementation of the WTO Trade Facilitation Agreement, especially in terms of its flexible implementation periods and capacity-building elements?

This session is part of the ITC webinar series, taking place between 28 May and 10 June 2021. It is intended for policymakers and others interested in emerging topics in the multilateral trade discussions to address new challenges and opportunities in the post-pandemic world. For more information, please visit: <https://www.intracen.org/itc-webinar-series/>

The webinar will be delivered through Zoom. To register for the event and receive the webinar link, please [register here](#).

## Programme

14:50 – 15:00	<b>Log-in by participants</b>
15:00 – 15:10	<b>Opening remarks</b> <ul style="list-style-type: none"> <li>• <b>Dorothy Tembo</b>, Deputy Executive Director, ITC</li> </ul>
15:10 – 16:00	<b>Session 1. The benefits and challenges of a WTO outcome on Investment Facilitation for Development</b>

	<p><b>Chair: Rajesh Aggarwal</b>, Chief, Trade Facilitation and Policy for Business, ITC</p> <p><b>Panellists:</b></p> <ul style="list-style-type: none"> <li>• <b>Felipe Henriquez</b>, Counsellor, Permanent Mission of Chile to the WTO <i>Progress and next steps for the negotiations on the WTO Investment Facilitation Framework for Development</i></li> <li>• <b>Karl P. Sauvart</b>, Resident Senior Fellow, Columbia University, CCSI <i>What we have learned from the ITC-DIE investment facilitation for development project?</i></li> <li>• <b>Yewande Sadiku</b>, Executive Secretary/CEO, National Investment Promotion Commission, Nigeria <i>What do IPAs expect from the WTO Investment Facilitation Framework for Development?</i></li> <li>• <b>Matthew Stephenson</b>, Policy and Community Lead, International Trade and Investment, World Economic Forum <i>Promoting sustainable investment through measures directly contributing to development</i></li> </ul> <p><b>Q&amp;A</b></p>
16:00 – 16:05	<b>COFFEE BREAK</b>
16:05 – 16:55	<p><b>Session 2. MSMEs, the development dimension and the role of technical assistance</b></p> <p><b>Chair: Karl P. Sauvart</b>, Resident Senior Fellow, Columbia Centre on Sustainable Investment, Columbia University</p> <p><b>Panellists:</b></p> <ul style="list-style-type: none"> <li>• <b>Axel Berger</b>, Senior Researcher, German Development Institute <i>A gap analysis of developing countries' capacities to facilitate sustainable investment</i></li> <li>• <b>Alice Nikuze</b>, Investment Marketing Analyst, Rwanda Development Board <i>Implementing investment facilitation agreements: key challenges</i></li> <li>• <b>Roslyn Ng'eno</b>, Senior Investment Expert, African Union Commission <i>Key elements of a technical assistance and capacity building programme to strengthen the implementation of investment facilitation measures</i></li> <li>• <b>Mohammad Saeed</b>, Senior Trade Facilitation Officer, ITC <i>Learning from the experience of implementing technical assistance in the WTO Trade Facilitation Agreement</i></li> </ul> <p><b>Q&amp;A</b></p>
16:55 – 17:00	<p><b>Concluding remarks</b> <b>Rajesh Aggarwal</b>, Chief, Trade Facilitation and Policy for Business, ITC</p>

### **Background materials**

Edward J. Balistreri and Zoryana Olekseyuk, "Economic Impacts of Investment Facilitation" (Iowa State University, Center for Agricultural and Rural Development, 2021), [available here](#).

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

Even Gabor, "Keeping 'Development' in a Multilateral Framework on Investment Facilitation for Development", *Journal of World Investment & Trade*, vol. 22 (issue 1) (2021), pp. 41–91, [available here](#).

Karl P. Sauvant and Evan Gabor, “Facilitating Sustainable FDI for Sustainable Development in a WTO Investment Facilitation Framework: Four Concrete Proposals”, *Journal of World Trade*, vol. 55 (2021), pp. 261-286., [available here](#)

### **Bios**

#### **Rajesh Aggarwal**

Rajesh Aggarwal is Chief of the Trade Facilitation & Policy for Business Section of the International Trade Centre (ITC), Geneva. He is leading a programme 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 designing and implementing trade policies and negotiating positions that reflect business interests. Before joining the ITC, he worked for the Indian Government and participated in the 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*.

#### **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.

#### **Felipe Henríquez**

Felipe Henríquez is a Counsellor at the Permanent Mission of Chile to the WTO, in charge of trade in services, investment, e-commerce, trade and environment, and government procurement. He has professional experience as negotiator and head of negotiating teams of free trade agreements (chapters on investment, services, temporary entry of business persons, telecommunications, and e-commerce), participant in plurilateral and multilateral fora (TPP, Pacific Alliance, WTO, OECD, APEC, UNASUR) and negotiator of air services agreements and mutual recognition agreements.

#### **Roslyn Ng’eno**

Roslyn Ng’eno is the Senior Investment Expert to the African Continental Free Trade Area (AfCFTA) Negotiating Support Unit of the African Union Commission. She is in charge of supporting the negotiations and development of the Investment Protocol for the AfCFTA, by providing strategic guidance to the member states. Working for intergovernmental organizations as well as government, she has provided technical assistance in drafting and revising continental and regional investment treaties. She has been involved in the development of national and regional investment policies, advocating for and supporting delivery of initiatives aimed at enhancing private sector led economic growth and competitiveness through targeted investment climate reforms.

#### **Alice Nikuze**

Alice Nikuze has been an investment marketing analyst at the Rwanda Development Board since July 2011. She has expertise in planning and evaluating financial and investment information, based on intensive academic training in economics and business management and more than 10 years of work experience in economic planning and investment marketing. Prior to her current role, she served as the planning and monitoring officer in the Ministry of Health for over 4 years, and she was responsible for leading planning and monitoring activities. She holds both a degree in Economics and a Master’s in Business Administration. She is also certified under the Association of Chartered Certified Accountants-UK. She is a Rwandan and resides in Kigali.

### **Yewande Sadiku**

Yewande Sadiku has been Executive Secretary/CEO of Nigeria's Investment Promotion Commission, Nigeria's foremost investment promotion agency, since November 2016. Until October 2016, she was the Executive Director responsible for Stanbic IBTC Group's Corporate and Investment Banking business. She has an interest in bringing formal financing to the Nigerian film industry and raised funding for *Half of a Yellow Sun* (2014), a full feature film. She was awarded the Eisenhower Fellowship for International Leadership in May 2010 and was one of "35 International Women Under 35" featured in the October 2007 edition of *World Business Magazine*.

### **Mohammad Saeed**

Mohammad Saeed is Senior Adviser on Trade Facilitation and Policy for Business with ITC, where he leads its trade facilitation team. His work focuses on assisting beneficiary countries to promote trade through improving the competitiveness of the private businesses. He has provided advisory services to 50 plus developing countries for their trade policy reforms. Before joining this assignment, he served as Senior Technical Adviser on trade and transport facilitation with UNCTAD. He has extensive experience in handling the complex issues of international trade law. He served on six Dispute Panels of the WTO, including four as Chair. He worked as trade negotiator of Pakistan and played a leading role in designing and developing the market access and trade facilitation negotiating strategy for Pakistan in the WTO Doha Round Negotiations.

### **Karl P. Sauvart**

Karl P. Sauvart 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 programmes in the Middle East. Since 2017 he has been 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.

### **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 (EIF) Programme 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.