The Updated Investment Facilitation Index

Work in progress

April 15, 2021

To harness the advantages of foreign investment, it is critical that governments have investment procedures in place that do not unnecessarily increase the costs or risk of doing business, or constrain business competition. Investment facilitation is a concept repeated in discussions pertaining to investment policies and treaties, including those addressing the reform of investment treaties. Investment facilitation refers to actions taken by governments designed to attract foreign investment and maximise the effectiveness and efficiency of its administration through all stages of the investment cycle.

The discussion on investment facilitation is taking place in various fora and contexts. Multilateral institutions such as the United Nations Conference on Trade and Development (UNCTAD), the Organisation for Economic Co-operation and Development (OECD) and the World Bank have been engaged in this discussion. Investment facilitation has been on the agenda of the G20 as well. At the regional level, some country blocs have developed their investment facilitation action plan. Finally, selected countries have chosen to address this issue bilaterally through investment treaties.

The 2016 G20 ministerial meeting held in Shanghai had agreed a set of non-binding Guiding Principles for Global Investment Policy-making. The principles also refer to 'investment facilitation', providing that "policies for investment promotion should, to maximize economic benefit, be effective and efficient, aimed at attracting and retaining investment, and matched by facilitation efforts that promote transparency and are conducive for investors to establish, conduct and expand their businesses" (G20 Guiding Principles for Global Investment Policymaking, 2016).

At a regional level, the Asia-Pacific Economic Cooperation (APEC) has adopted an Investment Facilitation Action Plan (IFAP), under which "investment facilitation refers to actions taken by governments designed to attract foreign investment and maximize the effectiveness and efficiency of its administration through all stages of the investment cycle" (APEC IFAP, 2008). APEC points out that the "investment facilitation initiatives were undertaken in recognition of the diversity that exists among APEC member economies, and they provide members with a broad range of policy choices suitable for different economic circumstances" (APEC IFAP, 2008). Similar to the G20's principles, while APEC's IFAP is non-binding, it reinforces APEC's commitment to significantly enhanced regional economic integration.

Discussions on investment facilitation have also drawn much attention from members at the WTO. After more than a decade of negotiation, the Trade Facilitation Agreement (TFA) was concluded in 2013 and went into effect in 2017. Seeing this as a successful example that can be adapted and applied to investment facilitation measures, some WTO members proposed to explore the options for a multilateral instrument on investment facilitation. During the Buenos Aires Ministerial in 2017, 69 countries (including the European Union and each of its member states) issued a joint statement calling for "structured discussions with the aim of developing a multilateral framework on investment facilitation" (WTO, 2017). Since March 2017, there have been various proposals submitted to WTO by members. Participants in the structured discussions on investment facilitation for development began on September 25, 2020 formal negotiations on a multilateral agreement on this issue, with a view to achieving a concrete outcome by the 12th WTO Ministerial

Conference (MC12) scheduled for 2021. At the time of writing 106 Members are participating in the negotiations. At the first in a series of meetings of the joint initiative scheduled until the end of 2020, participating members started to work on concrete drafting proposals for specific provisions based on the "informal consolidated text" that serves as a basis for the negotiations.

Given little research on investment facilitation, the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) developed an Investment Facilitation Index (IFI) to quantify the current level of practice on the country level (Berger & Olekseyuk, 2019). The index covered initially the full spectrum of investment procedures for a broad range of WTO members representing different income levels, geographical regions, and levels of development. The list of detailed measures under six policy areas was based on the Brazil's circulated proposal for WTO[1], UNCTAD's work on Investment Facilitation Action Menu (IFAM)[2], OECD Trade Facilitation Index[3], countries investment acts and regulations as well as other sources. The index maps the adoption of the current investment facilitation measures at the domestic level. In order to validate the domestic adoption of these measures, a review of the current investment regime for the economies covered in the index has been performed. Data are drawn from publicly available information, for example from governmental or investment promotion websites or official publications such as investment acts and guides as well as existing databases.

Table 1: Policy areas of the Investment Facilitation Index

Codes	**Categories**	**Descriptions**
A	Cooperation	• Internal and international cooperation • Information sharing and exchange of best practices
B	Electronic Governance	• Single window • Use of information and communication technology
C	Application Process	• Measures related to formalities (documents, automation and procedures) • Fees and charges
D	Focal Point and Review	• Mechanisms to improve relations or facilitate contacts between host governments and relevant stakeholders • Receipt of complaints from investors and/or assistance to solve difficulties or to carry out policy advocacy
E	Outward Investment	• Home countries could make comprehensive information available to their foreign investors
F	Regulatory Transparency and Predictability	• Information availability • Involvement of the trade community • Notification to the WTO

[1] See WTO (2018).
[2] See UNCTAD (2017).
[3] See Moïsé, et al. (2011).

In order to enable the measurement of qualitative information about regulatory processes, the index uses a multiple binary strategy that reflects the state of implementation of investment facilitation measures. Variables are broken down on thresholds of 0/1/2 where variables depend on numerical answers. The measures included in the IFI are weighted according to their importance for the promotion of FDI. The weighting scheme relies on the judgment of 125 experts from international organization, academia, private sector and government. The experts have been asked to allocate 100 points among the six policy areas illustrated in Table 1. These are translated into weights by assigning the points the experts allocated to the policy area to each measure that falls under it. Furthermore, the weight assigned to each policy areas is corrected for differences in the number of measures under each policy area.

The country-specific IFI scores (which generally range from zero to two, with zero being the most restrictive and two being the most liberalized) illustrate that particularly developing countries have fewer investment facilitation measures in place compared to developed countries. What becomes apparent is that for low income countries the median score is below 0.4 while in developed countries it is above 1.3. At the same time, the spread indicates that there are some low-income countries such as Guinea (score: 0,88) that have higher scores compared to some high-income countries such as Kuwait (0,71) or Malta (0,79).

This paper envisages an update of the IFI. Given the progress in the negotiations, the main purpose of this assignment is to improve the concept of investment facilitation by reviewing the incorporated measures in the light of the latest available documents and extending the country coverage preferably to all WTO members. Moreover, we intend to update the weighting scheme by conducting a new survey and interviews with experts. The resulting database provides a basis for analyses of the economic impacts of a potential multilateral investment facilitation agreement and allows to measure the costs associated with the implementation of investment facilitation measures. Furthermore, the index allows to identify reform gaps of the economies participating in the WTO negotiations and can be used to tailor capacity-building initiatives in developing countries. In addition, the index is a valuable tool for investors to navigate the investment regime of a large number of countries.

References

G20 (2016). G20 Guiding Principles for Global Investment Policymaking. Retrieved from www.g20.org/English/Documents/Current/201609/t20160914_3464.html.

APEC (2008). Investment Facilitation Action Plan, 2008/MRT/R/004.

WTO (2017). WT/MIN(17)/59. Joint Ministerial Statement on Investment Facilitation for Development. Retrieved from https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009DP.aspx?language=E&CatalogueIdList=240870.

WTO (2018). Brazil: Proposal for an Investment Facilitation Agreement (JOB/GC/169), February 1, 2018.

UNCTAD (2017). Global Action Menu for Investment Facilitation. Geneva: United Nations Conference on Trade and Development (UNCTAD).

Moïsé, E., T. Orliac and P. Minor (2011). Trade Facilitation Indicators: The Impact on Trade Costs, OECD Trade Policy Working Papers, No. 118, OECD Publishing, http://dx.doi.org/10.1787/5kg6nk654hmr-en .

Berger, A., and Z. Olekseyuk (2019). Investment Facilitation for Sustainable Development: Index maps adoption at domestic level. The German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE), available at https://blogs.die-gdi.de/longform/investment-facilitation-for-sustainable-development.