d·i·e

Deutsches Institut für Entwicklungspolitik

German Development Institute

The updated Investment Facilitation Index (IFI)

Bacchetta, Marc, Axel Berger, Ali Dadkhah and Zoryana Olekseyuk

German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE)

June 25, 2021

Negotiations on Investment Facilitation for Development

- Joint Ministerial Statement on Investment Facilitation for Development, 11th WTO Ministerial Conference in 2017
- Structured Discussions since March 2018
- Formal negotiations on Investment Facilitation Agreement since September 2020
- Plurilateral negotiations, >100 WTO members
- Driven by a group of developing countries: Friends of Investment Facilitation for Development (e.g., Argentina, Brazil, China, Kazakhstan, Russia), MIKTA (Mexico, Indonesia, Korea, Turkey and Australia)
- Substantial outcome by the 12th WTO Ministerial Conference scheduled for the end of 2021
- Need in empirical research to inform the policymakers

Investment Facilitation Index: Scope

- **Proposals in WTO:**
  - Russia (March 30, 2017)
  - Argentina and Brazil (April 24,2017)
  - MIKTA (April 4, 2017)
  - China (April 21, 2017)
  - FIFD (April 21, 2017)
  - Brazil (December 13, 2017)
- **Latest available draft of the negotiated agreement at the WTO**
- **Negative approach**:
  - Market Access
  - Investment Protection
  - Government Procurement
  - Investor-State Dispute Settlement
- **Positive approach:**
  - Transparency and Predictability
  - Corporate Social Responsibility
  - Mechanisms for Dialogue
  - National Focal Point
  - Single Window

IFI Policy Areas

Policy Area	Description
Transparency and Predictability	• Provide full, clear and up-to-date picture of investment regime. • Promote legislative simplification including plain language drafting.
Electronic Governance	• Establish single window and use of information and communications technology. • Apply new technology to improve application and approval processes.
Cooperation	• Make use of international and regional initiatives aimed at building investment expertise. • Provide institutionalised mechanism to support domestic coordination.
Application Process	• Establish clear criteria and transparent procedures for administrative decisions. • Reduce the number and complexity of fees and charges.
Responsible Business Conduct and Anti-Corruption	• Provide information on whether the countries have incorporated and support the good governance and corporate social responsibility. • Fight against corruption.
Focal Point and Review	• Provide mechanisms to improve relations or facilitate contacts between host governments and relevant stakeholders. • Receive complaints from investors and help them solve difficulties or to carry out policy advocacy. • Encourage development of effective mechanisms at reasonable cost for resolving disputes including private arbitration services. • Provide framework to identify and address problems encountered by investors.

Source: Authors

Major changes in the updated IFI

- Included a new policy area: **Responsible Business Conduct and Anti-Corruption**

F.98	ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy	(0) The Member does not encourage enterprises operating within its territory to incorporate in their internal policies ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy; (2) The Member encourages enterprises operating within its territory to incorporate in their internal policies ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy
F.99	United Nations Model Double Taxation Convention between Developed and Developing Countries	(0) The Member does not encourage enterprises operating within its territory to incorporate in their internal policies United Nations Model Double Taxation Convention between Developed and Developing Countries; (2) The Member encourages enterprises operating within its territory to incorporate in their internal policies United Nations Model Double Taxation Convention between Developed and Developing Countries
F.100	United Nations Convention against Corruption	(0) Members have not adopted measures to prevent and fight corruption in accordance to United Nations Convention against Corruption; (2) Members have adopted measures to prevent and fight corruption in accordance to United Nations Convention against Corruption
F.101	Combating Bribery of Foreign Public Officials in International Business Transactions	(0) Members have not adopted measures to prevent and fight corruption in accordance to Combating Bribery of Foreign Public Officials in International Business Transactions; (2) Members have adopted measures to prevent and fight corruption in accordance to Combating Bribery of Foreign Public Officials in International Business Transactions

Major changes in the updated IFI

- Removed outward investment policy area while keeping two core measures regarding outward FDI under other policy areas:

A.17	Insurance and guarantees: Home country provides investment insurance and guarantees	(0) Home country does not provide investment insurance and guarantees (2) Home country provides investment insurance and guarantees
E.88	Cooperation in exchange of information with respect to investment opportunities and information on domestic investors	(0) There is no exchange of information with respect to investment opportunities and information on domestic investors with other countries; (2) There is an exchange of information with respect to investment opportunities and information on domestic investors with other countries.

- Merged some detailed measures
- Dropped some measure not under discussion during the negotiations
- Included 16 new measures

IFI Scoring Scheme

- **IFI Scoring Scheme**

Measure	Answer
Publication of Investment Guidebook	(0) Investment authorities do not publish an investment guidebook; (1) Investment authorities publish an investment guidebook; (2) Investment authorities publish an investment guidebook on Single Window website

- (2) corresponds to the best performance
- Transform qualitative regulatory information into a multiple binary scheme
- Variables representing measures coded with 0, 1, or 2: to reflect the state of implementation
- Variables are broken down on thresholds of 0/1/2 where variables depend on numerical answers

Measure	Answer
WEF Global Competitiveness Report: Judicial independence	(0) “Answer” is set below 3.3 (30th percentile of the country sample); (1) “Answer” is set between 3.3 and 4.7; (2) “Answer” is set above 4.7 (70th percentile)

IFI: Weighting the Policy Areas - Survey

Survey is available online: https://survey.alchemer.eu/s3/90337379/Investment-Facilitation-Index-2021

Please allocate a total of 100 points across the six areas in a manner that reflects each area's relative importance in investment facilitation, in particular with regard to attracting and retaining FDI flows. For instance, if the measures under policy area X are the most important for the attraction of FDI in your opinion, that area would be allocated the highest number of points.

The aggregate of all points allocated to the six areas should add up to 100. Please note that the these policy areas are displayed in a random order.

*

Cooperation

Focal Point and Review

Transparency and Predictability

Responsible Business Conduct and Anti-Corruption

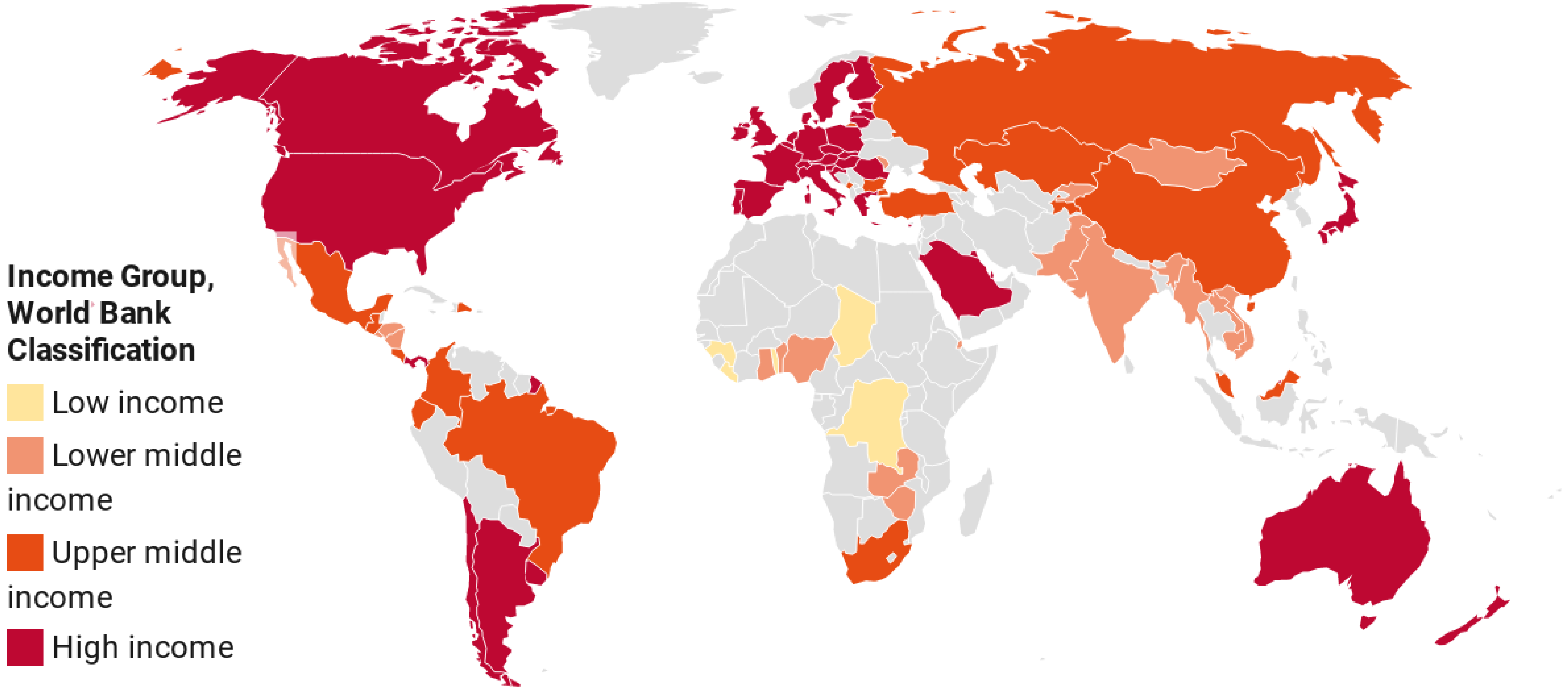
Application Process

Electronic Governance

0 out of 100 Total

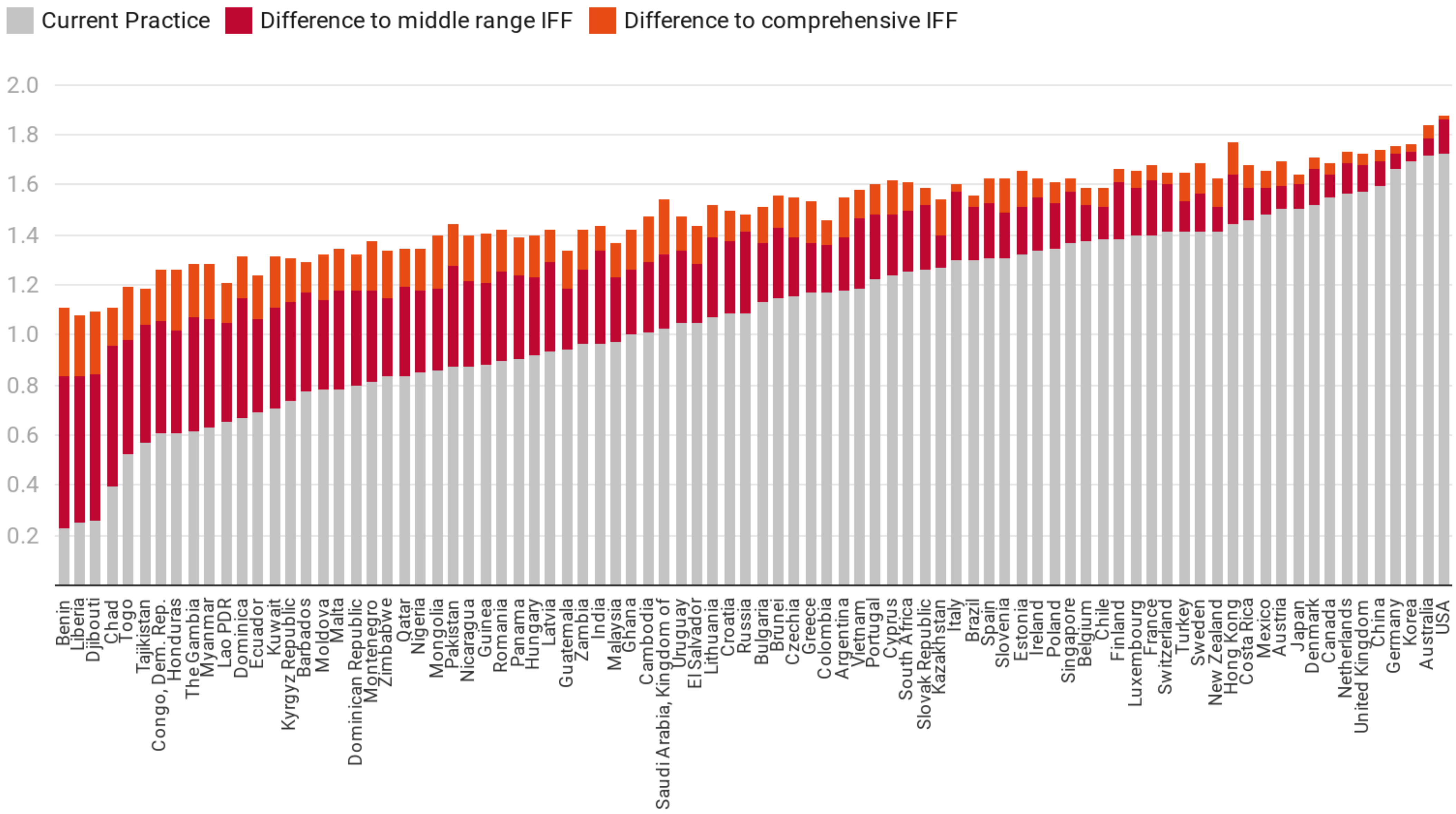
Investment Facilitation Index – country coverage

The map shows 86 WTO members, clustered in four income groups.

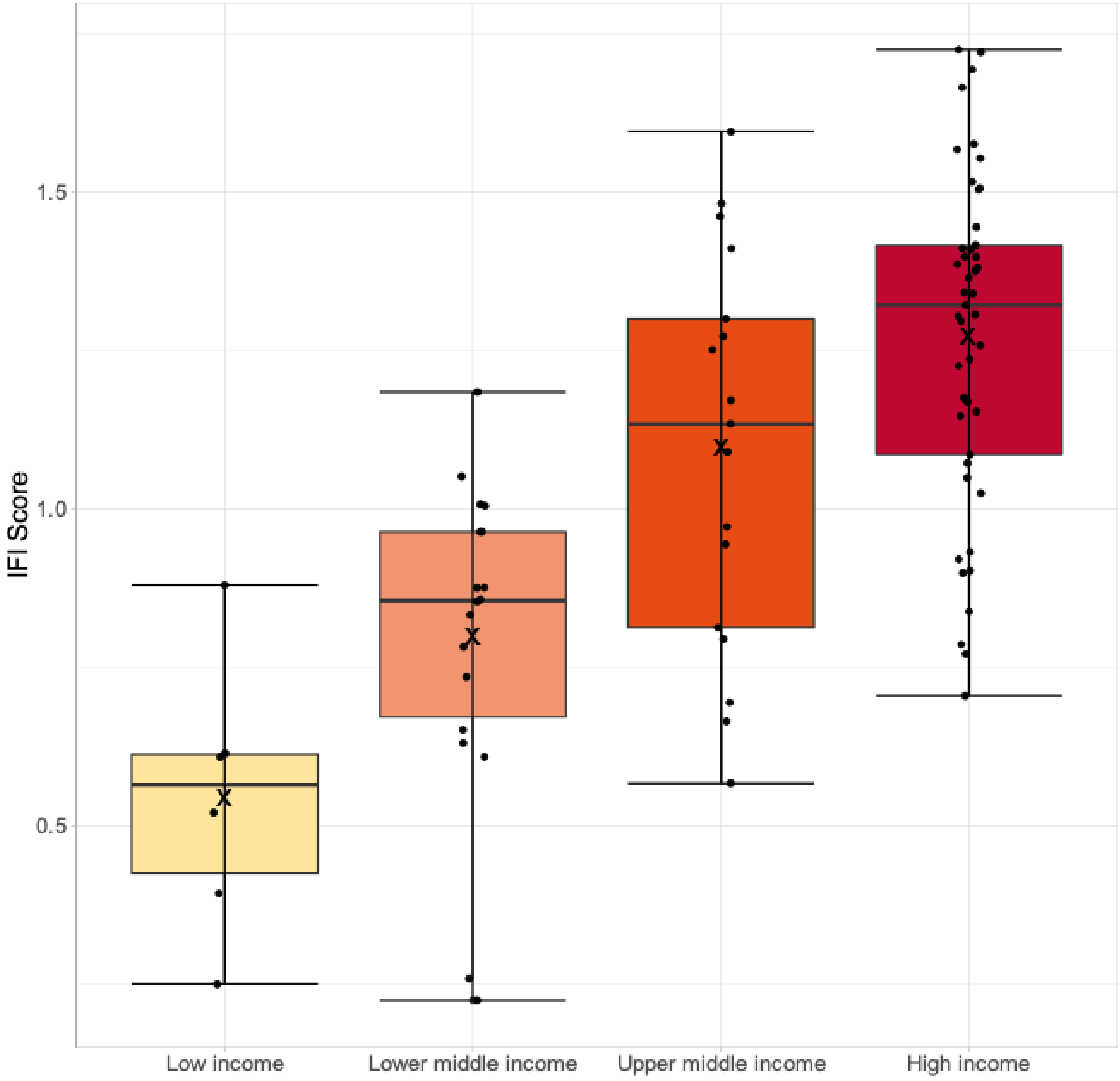


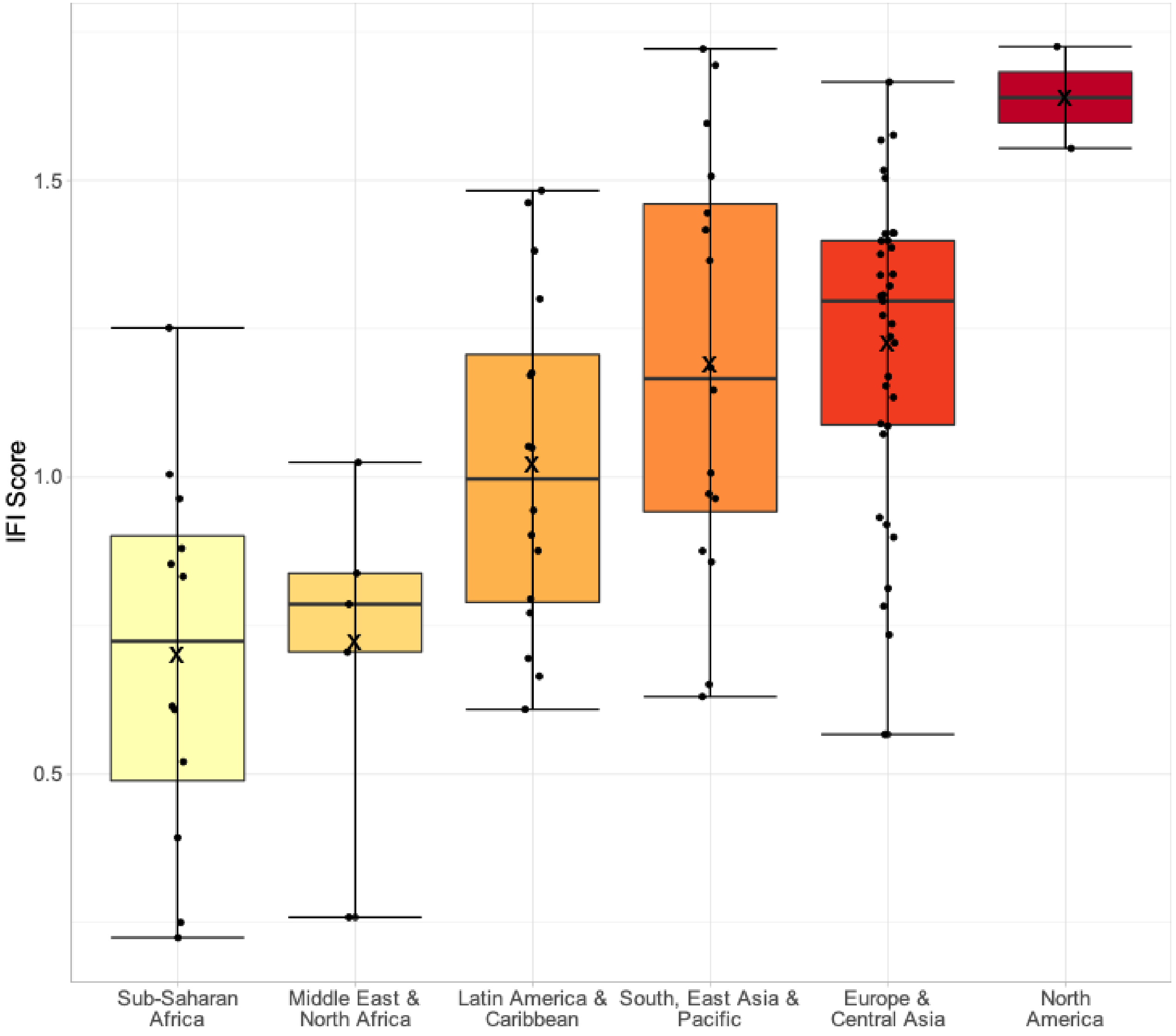
https://blogs.die-gdi.de/longform/investment-facilitation-for-sustainable-development/

Investment Facilitation Index – country performance

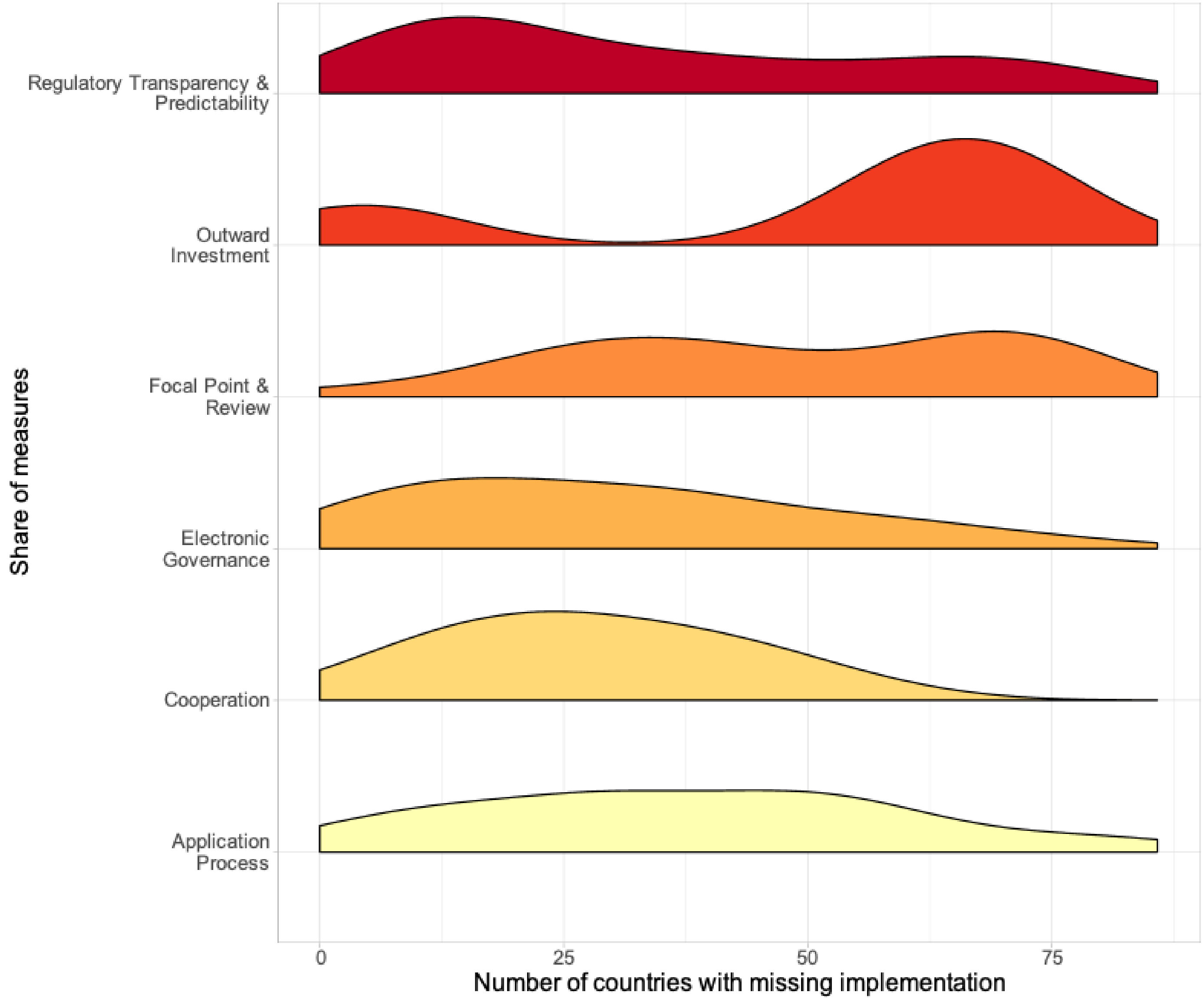


Investment Facilitation Index – distribution

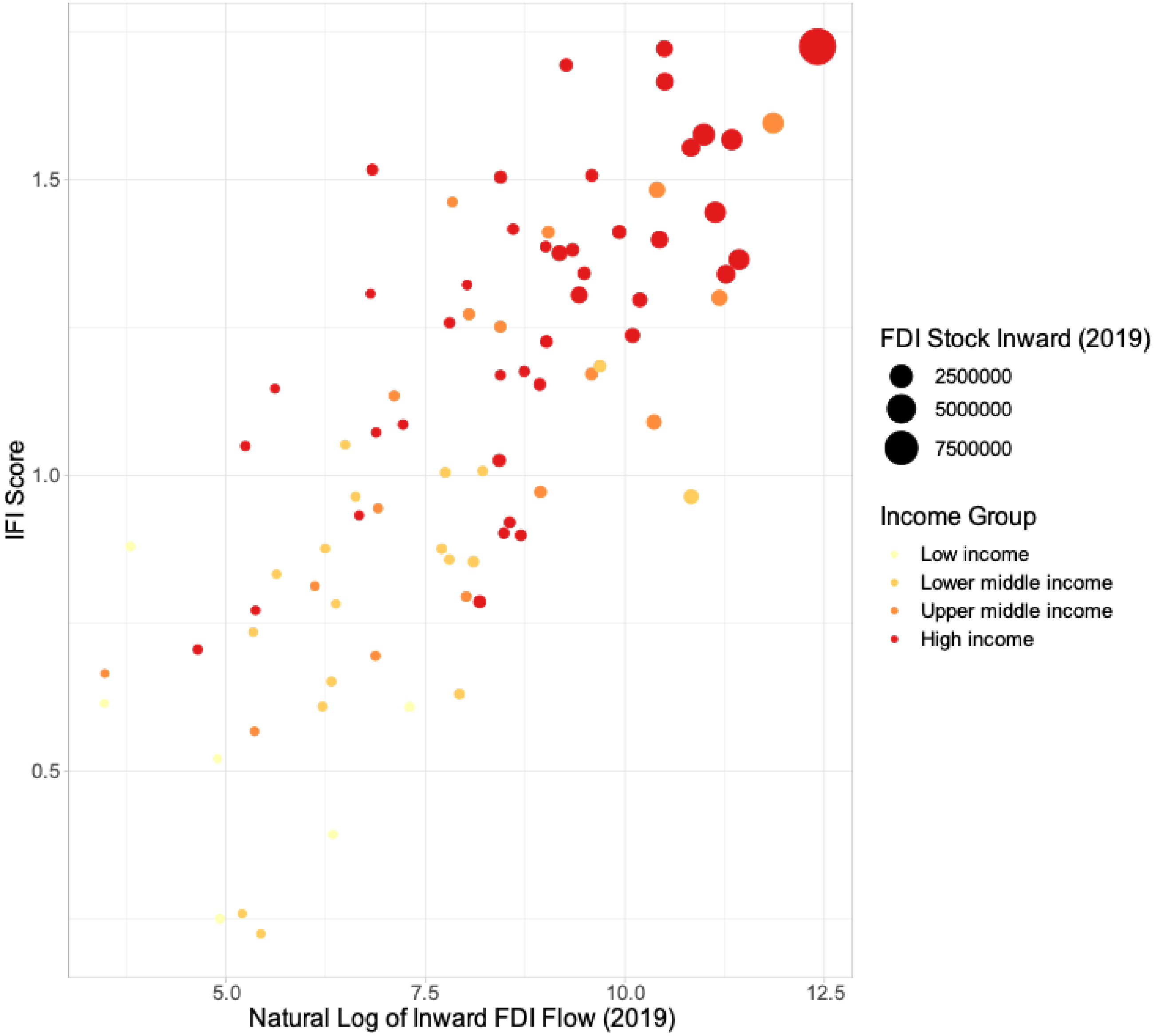




Investment Facilitation Index – implementation gap



Relationship between the IFI score and FDI



Conclusions

- The IFI database will provide a full coverage of investment facilitation measures for preferably all WTO members
- And serves as basis for further research in the field:
  - Analysis of the economic impacts of a potential multilateral investment facilitation framework
  - Estimation of barriers to investment facilitation
  - Measurement of costs associated with the implementation of investment facilitation measures
  - Identification of reform gaps for negotiating countries
  - Development of capacity-building initiatives in developing countries
- Valuable tool for investors to navigate the investment regime of a large number of countries

Deutsches Institut für Entwicklungspolitik

German Development Institute

Thank you!

Dr. Zoryana Olekseyuk

Deutsches Institut für Entwicklungspolitik (DIE)

zoryana.olekseyuk@die-gdi.de | www.die-gdi.de

Top implemented measures

Top implemented measures				
D.59	Independent or higher level administrative and/or judicial appeal procedures available	Focal Point and Review	86	100%
B.23	Applicable legislation published on internet	Electronic Governance	84	98%
C.44	Inform the applicant of the decision concerning an application	Application Process	84	98%
F.88	Are there home-country restrictions to OFDI?	Outward Investment	84	98%
G.96	Publication of information and procedures on laws, regulations and procedures affecting investment	Transparency and Predictability	83	97%
A.12	Public consultations between investors and other interested parties and government	Cooperation	81	94%
B.13	Establishment of a national investment website	Electronic Governance	81	94%
B.21	IT Systems capable of accepting and exchanging data electronically	Electronic Governance	81	94%
C.55	Fees for answering enquiries and providing required forms and documents	Application Process	81	94%
G.91	Establishment of enquiry points	Transparency and Predictability	81	94%
B.14	Use of e-mail by the competent authorities for exchanging information with investors	Electronic Governance	79	92%
F.87	Home country provides investment insurance and guarantees	Outward Investment	79	92%

Top unimplemented measures

Top unimplemented measures				
C.50	Adopting a silent 'yes' approach for administrative approvals	Application Process	3	3%
D.80	Focal Point urges and/or inspects the implementation of the solutions for foreign investment complaints	Focal Point and Review	6	7%
C.36	Availability of an online checklist to assist applicants to complete applications	Application Process	9	10%
G.115	Notification to the WTO of places and URL of websites where relevant information concerning investment is made publicly available	Transparency and Predictability	9	10%
B.28	National contract rule for cross-border transaction deviates from internationally standardised rules	Electronic Governance	10	12%
D.71	Frequent meetings with foreign-invested companies and relevant government officials to mitigate conflicts and facilitate their resolutions	Focal Point and Review	10	12%
G.116	Notification to the WTO of enquiry/focal/contact points	Transparency and Predictability	12	14%
D.79	Focal Point makes corrective recommendations and expression of opinions regarding illegal and unfair administrative measures	Focal Point and Review	13	15%
D.73	Mechanisms to improve relations or facilitate contacts between host governments and relevant stakeholders	Focal Point and Review	14	16%
F.89	Does the home country have institutional arrangements to manage OFDI policy and provide HCMs?	Outward Investment	14	16%
F.90	Collaboration between outward investment agencies (OIAs) and IPAs for the promotion and facilitation of investment projects as well as policy	Outward Investment	14	16%
G.94	Average time between publication end entry into force	Transparency and Predictability	14	16%