

## **Report: 10th virtual meeting of the Commentary Group on a Multilateral Framework on Investment Facilitation for Development**

The 10<sup>th</sup> meeting of the Investment Facilitation Commentary Group took place virtually on 12 January 2022 from 9:00am to 10:15am Eastern Daylight Time (EDT).

The meeting focused on optimizing national and sub-national cooperation and coordination on investment facilitation for development. The meeting addressed key practical issues regarding the relationship between national and sub-national investment promotion agencies (IPAs), as well as best practices and practical lessons regarding how national and sub-national IPAs can cooperate and coordinate to facilitate sustainable foreign direct investment (FDI). The meeting also identified concrete measures that can be taken in the context of investment facilitation, including in the context of the WTO negotiations of an Investment Facilitation for Development (IFD) Agreement.

The meeting was moderated by Karl P. Sauvant, Resident Senior Fellow, Columbia University, CCSI, and included the following speakers: Hania Kronfol, Private Sector Specialist, Investment Climate Unit, World Bank Group; Dushyant Thakor, Senior Vice President, Invest India; and Adalberto Netto, Chief Investment Officer, Brazilian Trade and Investment Promotion Agency (APEXBrazil), Brazil and former CEO of the IPA of the Brazilian state of Parana. Concluding remarks were provided by Matthew Stephenson, Policy and Community Lead, International Trade and Investment, World Economic Forum.

A list of the participating members in the meeting and the programme are attached to this report.

### **Discussion highlights**

The discussion during the webinar focused on the following points, which are further elaborated upon in separate sections below.

- Mechanisms that ensure coordination among national and sub-national entities that facilitate FDI should be put in place. Institutional coordination, partnerships and the transparent exchange of information between the national and sub-national level are important in order for governments to effectively service foreign investors.
- An effective division of responsibilities between national and sub-national IPAs should reflect the differing needs of different stages of the investment lifecycle. National IPAs are typically responsible for the overall investment facilitation national strategy and are better positioned to address the earlier stages of the investment lifecycle. The sub-national IPA is better positioned to provide onsite services and to support investors in their establishment and expansion operations. Sub-national IPAs can also play a key role in linkages and spillovers to the local economy.
- Mechanisms should be put in place to mitigate the risk of competition between sub-national IPAs that can lead to fiscal wars. When dividing the roles and responsibilities at the sub-national level, a well-defined strategy should be developed and tailored to address

the value propositions for investors for each IPA jurisdiction. Each sub-national region should focus on its particular competitive strengths.

- The IFD Agreement should include the establishment of institutional mechanisms of cooperation and coordination among all relevant stakeholders in the investment facilitation process, both at the national and sub-national levels. Cooperation mechanisms should ensure the flow of information and transparency between the national and sub-national levels. The IFD Agreement should ensure that the sub-national level is given technical assistance and capacity building, where needed, to implement the provisions of the IFD Agreement.

## **I. The importance of national and sub-national coordination for investment facilitation**

Institutional coordination and partnerships at the national and sub-national levels are critical for IPAs to effectively service foreign investors. Well-coordinated, complementary national and sub-national IPAs are vital for avoiding the duplication of services and for enabling the transparent exchange of information on new investment projects. Such coordination is especially relevant for promoting reinvestments, which are particularly important in the current global economy, in the wake of COVID-19. Accordingly, mechanisms that ensure complementarity and coordination among national and sub-national government entities that facilitate FDI should be put in place.

## **II. Responsibilities of national and sub-national IPAs: dividing the work properly regarding investment facilitation**

The number of IPAs operating at the national and sub-national levels has proliferated over the past two decades, and IPAs play a growing role in attracting, retaining and growing FDI. National and sub-national collaboration and coordination in implementing investment facilitation measures for development, as well as a clear distribution of the functions and roles at different stages of the investment lifecycle, are important to maximize the impact of investment facilitation activities. These efforts may also involve institutions other than IPAs, both at the national and sub-national levels.

The role and influence of sub-national IPAs may depend on the size of a country, its political structure in terms of decentralisation and the level of development or institutional capabilities of a country's institutions. Federal countries are more likely to offer sub-national investment facilitation services.

If coordination is done properly, tailored to a country's circumstances, both national and sub-national IPAs can play mutually reinforcing and complementary roles to attract, retain and grow investment. Accordingly, when constructing a framework for the division of labour, it should be through the lens of different stages of the investment lifecycle, which include attraction, entry, establishment, retention, expansion, and finally linkages and spillovers linking FDI to the local economy.

The division of roles between the national and sub-national level should depend on the proximity to the investment transaction. Usually, national IPAs determine the national investment facilitation strategy and are better positioned to address the earlier stages of the investment lifecycle. National IPAs, for example, can leverage their overseas presence in embassies and consulates to promote the attractiveness of a location. They are also well positioned to play the role of advocacy and to promote policy reforms to create a better investment climate for FDI. Complementing this role, the sub-national level can better provide onsite services, because it has the local knowledge of the stakeholders, both in the public and

private sectors. Accordingly, sub-national IPAs are better positioned to support investors in the establishment of their operations and expansion, and can also play a key role in promoting linkages and spillovers, including by connecting investors to regional innovation systems and supply chains. It was noted that national entities should not try to control sub-national IPAs. It is important that all agencies have a political mandate, whether national or sub-national, and that sub-national IPAs are provided with technical assistance for capacity building.

### **III. Mitigating the risk of competition among sub-national IPAs**

When dividing the roles and responsibilities at sub-national levels, as a first stage, a well-defined strategy should be developed and tailored to address the value propositions for investment for each IPA jurisdiction, based on comparative advantages. This means that each sub-national region should focus on its particular competitive strengths and niches. National IPAs need to spend the time and resources to understand the services and value propositions at the sub-national level. At the institutional level, it is important to establish a formal coordination framework with clear roles and responsibilities for each agency. The framework should include a memorandum of understanding, terms of reference, regular meeting requirements, and the designation of committees or teams. These mechanisms can mitigate the risk of competition among sub-national IPAs that can lead to fiscal wars.

*Cooperative and competitive federalism – Lessons from India:* The national level in India has been running a series of projects and capacity building programmes to upgrade sub-national IPAs. They include regular meetings among sub-national IPAs for sharing best practices and case studies. Since 2017, the national agency has been undertaking a formal assessment of sub-national IPAs against a series of parameters reflective of a good practice IPA. This project motivated many sub-national IPAs to create an investment strategy, adopt information communication technology tools and adopt standard operating procedures across their areas of work. The flagship Ease of Doing Business Project of the Government, also based on the principles of competitive and cooperative federalism has led to the introduction of single window systems and reduced licenses and approvals required from small and medium-sized enterprises. A similar project rated the best industrial parks in India. These competitive projects fostered a "race to the top" among sub-national IPAs in India. It was noted that it is important to first facilitate capacity building projects for sub-national IPAs and to avoid a shaming sort of exercise in order to upgrade the standards of performance.

*Fiscal wars among sub-national IPAs to attract FDI – Lessons from Brazil:* Brazil suffered for ten years from fiscal wars due to a lack of coordination between the national and sub-national levels, the absence of technical review mechanisms at the central government level to regulate the competition among sub-national entities and no limit to the concession of incentives, which led to fiscal wars. In order to end the fiscal wars, Brazil put in place tools that ensured targeted incentives with periodical review; strong economic reviews to guide the concession of incentives, preferably tied to long-term policies; and executive oversight (an incentives board) of the entire incentive cycle (i.e., 4 years). It was noted that it is also important to build trust among national, sub-national and local agencies through transparency measures. This can be done through a shared use of customer relationship management (CRM) systems.

In order to avoid fiscal wars among sub-national IPAs, investment promotion strategies should not be led by incentives but by developing a compelling value proposition. Only merit-based incentives that are focused on sub-national priorities and based on a sound cost-benefit analysis should be provided. It was also noted that it is important not to monopolise information including, for example, by sharing lead information and being transparent about the incentives provided. Sub-national IPAs should have the capacity to play a monitoring role in the implementation of incentives.

#### **IV. The role of national and sub-national IPAs in the IFD Agreement**

The importance of coordination between the national and sub-national levels to advance investment facilitation is addressed in the current IFD draft, including sections that are aimed at encouraging domestic coordination and regulatory coherence among the relevant authorities. In addition, the scope of the IFD text mentions that the obligations under the Agreement apply to measures adapted or maintained by central, regional or local governments.

During the meeting, a number of measures were mentioned as ones that should be included in the IFD Agreement. It was emphasised that institutional mechanisms of cooperation and coordination need to exist among all relevant stakeholders in the investment facilitation process, both at the national and sub-national levels. It is also important to create a clear "division of labour" between the national and sub-national levels on investment facilitation measures.

The IFD Agreement should also include cooperation mechanisms that will ensure transparency and the flow of information between national and sub-national levels. Much of the information and knowledge to attract and retain FDI arises from the local level. It would be desirable to incorporate this experience and technical know-how as part of the technical cooperation to be provided by the IFD Agreement.

Given the important role sub-national IPAs play in helping investors navigate through the investment process, it is important to ensure that the facilitation measures under the IFD Agreement will be implemented at the sub-national level. This requires having a well-articulated investment facilitation strategy that includes the sub-national level and ensures that the national level can support the sub-national level and provide technical assistance and capacity building where needed. Capacity building should include, for example, assisting sub-national IPAs identify a region's competitive advantages, strengthen it, and communicate it.

## Annex I: Participating members in the 10<sup>th</sup> Commentary Group meeting

First Name	Last Name	Affiliation
Anthony	Assassa	Board Member, European Chamber of Commerce and Industry in Lao PDR and Director of Operations, BDO Francophone West Africa
Mohammed	Baba	Deputy Director, Nigerian Investment Promotion Commission (NIPC), Nigeria
Douglas	van den Berghe	Vice President, Advisory, Conway Inc
Alvaro	Cuervo Cazurra	Professor, Northeastern University
Ismail	Ersahin	Executive Director, a.i., WAIPA
Tommy	Fanning	Head of Strategic Policy, IDA Ireland
Simon	Galpin	Senior Advisor, OCO Global
Yofi	Grant	Chief Executive Officer, Ghana Investment Promotion Centre (GIPC), Ghana
Khalil	Hamdani	Visiting Professor, Lahore School of Economics
Carmel	Haynes	Executive Director of the Barbados International Business Association
Stefano	Nigro	FDI Department Director, Italian Trade Agency
Ana	Novik	Head, Investment Division, OECD
Esaie	Ntidendereza	Head of Division, Investment Promotion, Burundi Investment Promotion Authority
Sebastian	Reil	Senior FDI Consultant, FDI Center
Karl P.	Sauvant	Resident Senior Fellow, Columbia University, CCSI
Bostjan	Skalar	Former Executive Director and CEO, World Association of Investment Promotion Agencies (WAIPA)
Matthew	Stephenson	Policy and Community Lead, International Trade and Investment, World Economic Forum
Brooke	Tenison	Acting Director of Investment Research, SelectUSA
Markus	Thill	President, Africa, Robert Bosch
Dushyant	Thakor	Senior Vice President, Invest India
Hanna	Tatarchenko Welgacz	Manager, Brazilian Trade and Investment Promotion Agency (APEXBrazil), Brazil
Niraj	Varia	Partner, Novastar Ventures
John	Verzeele	Director, Inward Investment, Flanders Investment and Trade

Philippe	Yvergniaux	Director of International Cooperation, Business France
<b>Speakers</b>		
Hania	Kronfol	Private Sector Specialist, Investment Climate Unit, World Bank Group
Adalberto	Netto	Chief Investment Officer, Brazilian Trade and Investment Promotion Agency (APEXBrazil), Brazil and former CEO of the IPA of the Brazilian state of Parana
Karl P.	Sauvant	Columbia Center on Sustainable Investment (CCSI)
Matthew	Stephenson	Policy and Community Lead, International Trade and Investment, World Economic Forum
Dushyant	Thakor	Senior Vice President, Invest India
<b>Additional participants</b>		
Edgard	Carneiro Vieira	Policy Analyst and Engagement Specialist, World Economic Forum
Ritwija	Darbari	World Economic Forum
Pooja	Kulkarni	Managing Director and Chief Executive Officer, Guidance, India
Quan	Zhao	Trade Policy Advisor, Research and Strategies for Exports, ITC

## Annex II: Invitation and agenda

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Deutsches Institut für  
Entwicklungspolitik



German Development  
Institute



International  
Trade  
Centre

WORLD  
ECONOMIC  
FORUM

COMMITTED TO  
IMPROVING THE STATE  
OF THE WORLD

### **Invitation: 10<sup>th</sup> VIRTUAL MEETING OF THE COMMENTARY GROUP ON A MULTILATERAL FRAMEWORK ON INVESTMENT FACILITATION FOR DEVELOPMENT**

**12 January 2022**

Dear Madam/Sir,

We would like to invite you to participate in the 10<sup>th</sup> meeting of the Commentary Group, to take place virtually on 12 January 2022 from 9:00am to 10:15am Eastern Daylight Time (EDT), 15:00 to 16:15 Central European Time (CET).

As a reminder, the Commentary Group's mandate is to provide input on the content of a new framework being developed at the WTO to facilitate cross-border investment and increase its development impact, as well as helping inform national, bilateral and regional investment facilitation efforts.

**The 10th meeting of the Investment Facilitation Commentary Group will focus on optimizing national and sub-national cooperation and coordination on investment facilitation for development.** The number of investment promotion agencies (IPAs) operating at the national and sub-national levels has proliferated over the past two decades; they play a key role in attracting, retaining and growing foreign direct investment (FDI). National and sub-national collaboration and coordination in implementing investment facilitation measures for development, as well as a clear distribution of the functions and roles at different stages of the investment life-cycle, are important to maximize the impact of investment facilitation activities. These efforts may also involve institutions other than IPAs, both at the national and sub-national levels.

The meeting will focus on key practical issues regarding the relationship between national and sub-national IPAs, as well as best practices and practical lessons regarding how national and sub-national IPAs can cooperate and coordinate to facilitate sustainable FDI, including in regard to legal frameworks, institutional mechanisms, guidelines, protocols, and information and communications technology tools. The meeting will seek to identify concrete measures that can be taken in the context of investment facilitation, including in the context of the WTO negotiations of an Investment Facilitation for Development Agreement.

The discussions will be informed by "*Investment Facilitation for Development: A Toolkit for Policymakers*", [available here](#).

As with previous meetings, a summary of the discussions will be made available to the WTO's Structured Discussions.

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

## **Panellists:**

**Hania Kronfol**, Private Sector Specialist, Investment Climate Unit, World Bank Group — *“Responsibilities of national and sub-national IPAs: dividing the work properly regarding investment facilitation”*

**Dushyant Thakor**, Senior Vice President, Invest India – *“Cooperative and competitive federalism: what is it and how to make it a race to the top?”*

**Adalberto Netto**, Chief Investment Officer, Brazilian Trade and Investment Promotion Agency (APEXBrazil), Brazil and former CEO of the IPA of the Brazilian state of Parana – *“Lessons from Brazil: fiscal wars among sub-national IPAs to attract FDI”*

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

To join the meeting, kindly click on the link below shortly before 15:00 am CET on 12 January 2022 and follow the instructions.

[Join Zoom Meeting](#)

We hope that you will be able to participate and ask that you confirm your participation with Yardenne Kagan ([ykagan@intracen.org](mailto:ykagan@intracen.org)).

With best regards,

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## **Background information:**

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

WEF [Global Investment Policy and Practice](#) initiative, including workstream on investment facilitation.

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

## **Bios:**

### **Hania Kronfol**

Hania Kronfol is a Private Sector Specialist in the Investment Climate Unit of the World Bank Group, where she leads analytic, advisory and lending projects on investment policy and promotion. Her areas of expertise include FDI-led development, investment attraction and

incentives, institutional strengthening, and trade and investment policy reforms. In her operational roles as the Unit's technical lead on investment incentives and Africa regional coordinator, she has supported over 30 client countries implement investment policy and promotion reforms. She holds a master's degree in public policy from Harvard University.

### **Adalberto Netto**

Adalberto Netto is the Chief Investment Officer of Apex-Brasil, Brazil's National IPA. He is also the former CEO of Invest Parana and former member of WAIPA's Steering Committee. In these capacities he supported Brazilian and foreign MNEs in their global expansion through FDI. He has been a member of several boards on trade and investment matters, including CONVINV, Brazil's National Investment Committee, where he helped shape Brazil's investment policy, including the promotion of sustainable investment and development. He also served as an advisor for the World Bank, IADB, UN, governments, and the private sector on issues related to FDI, investment promotion and policy making.

### **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.

### **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.

### **Dushyant Thakor**

Dushyant Thakor is Senior Vice President at Invest India, where he leads international cooperation and partnerships, among other responsibilities. He has worked in various managerial roles at Invest India for the past decade. Prior to Invest India he worked as a Director for the Federation of Indian Chambers of Commerce and Industry (FICCI), was a senior manager with Newgen Software, a manager with GS1 India, a global standards body, and a software engineer with HCL. He studied Computer Sciences at the University of New Delhi.