



## Webinar report: Incentivizing sustainable foreign direct investment

The 5th webinar for government officials and other stakeholders on “**Incentivizing sustainable foreign direct investment**”, 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 Ghana Investment Promotion Centre (GIPC), and the World Economic Forum (WEF), took place on 1 June 2021, from 15:00 to 16:15 Geneva time. The webinar hosted 75 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 5<sup>th</sup> 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 5<sup>th</sup> webinar focused on practical issues regarding incentivizing sustainable FDI.

Opening remarks were provided by Rajesh Aggarwal, Chief Trade Facilitation and Policy for Business, ITC. The webinar was moderated by Karl P. Sauvant, Resident Senior Fellow, Columbia University, CCSI, and included the following speakers: Ana Novik, Head, Investment Division, OECD; Evan Gabor, Graduate of Columbia Law School, J.D. 2020; Yofi Grant, CEO, Ghana Investment Promotion Centre (GIPC), and Regional Director for sub-Saharan Africa at WAIPA; and Markus Thill, President, Africa, Robert Bosch. Concluding remarks were provided by Matthew Stephenson, Policy and Community Lead, International Trade and Investment, World Economic Forum.

The webinar’s programme is annexed to this report.

### Summary of the main issues

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

- The webinar focused on investment facilitation measures that incentivize sustainable FDI, i.e., measures that directly increase the development impact of FDI. Such measures were referred to as “sustainable behavioral incentives”. These incentives can be made conditional on specific criteria, such as investors contributing to specific sustainable development goals (SDGs) in order to receive incentives from the host country. Incentives can include both financial and non-financial incentives. It was mentioned that a similar approach can be adopted also by home countries by making the provision of investment facilitation measures to outward investors conditional on the development impact of such investments on host economies. Another way of incentivizing the flow of sustainable FDI and increasing the development impact of FDI

includes the establishment of supplier databases that are supported by local supplier development programmes.

- Setting criteria for designating a Recognized Sustainable Investor (RSI) category was elaborated on during the webinar as a way to operationalize behavioural investment incentives, making the provision of incentives conditional on meeting certain international and national standards. An RSI category could be applied on an individual country basis for promoting sustainability standards, or it can be incorporated into an international framework such as the WTO Investment Facilitation Framework for Development (IFF4D).
- Sustainable investment incentives can be integrated into the IFF4D in two main ways: Under the transparency of investment measures section or under the sustainable investment section.

## **I. Key incentives to stimulate the flow of sustainable FDI and increase the development impact of FDI**

Investment facilitation measures can be grouped into two categories. General investment facilitation measures and measures that directly increase the development contribution of FDI to the economy, such as through job creation, skills development and upgrading local suppliers, especially SMEs. The webinar focused on incentivizing sustainable FDI through investment facilitation measures provided to investors that directly contribute to development, which were referred to as “sustainable behavioral incentives”. Such incentives can be made conditional on specific criteria such as investors contributing to specific SDGs, to receive incentives from the host country. Such incentives can include both financial and non-financial incentives, such as tax relief, expediting administrative procedures, “red carpet” services, fast-tracking license approvals, special visa privileges, and providing personalized aftercare services by IPAs to investors that meet specific sustainability criteria. The webinar also addressed investment facilitation measures that can be undertaken by home countries to incentivize sustainable FDI in host countries. It was mentioned that home-economy governments are increasingly adopting guidelines for their firms to undertake sustainable FDI and make home country measures (HCMs) conditional on the development impact in host economies. Examples include making HCMs conditional on environmental and social impact assessments.

Another way of incentivizing the flow of sustainable FDI and increasing the development impact of FDI that was discussed was the establishment of local supplier development programmes and supplier databases. Investors indicated that, when deciding to enter or expand their investments, finding domestic firms to supply goods and services at the right cost, quality and volume can be difficult, and the availability of local suppliers is often an important FDI determinant, as it reduces business costs and expedites operations. Accordingly, a supplier database that would help foreign firms identify and contract with domestic firms, overcoming such information asymmetry, could play an important role in incentivizing sustainable investment. Supplier-development programmes help increase the capacity of domestic suppliers to contract with foreign firms. Such programmes would be a key complementary effort by helping to increase the number of firms that are linkage-ready in the database, thus increasing the potential development benefits from investment.

## **II. The Recognized Sustainable Investor (RSI)**

The RSI category is one way to operationalize behavioral investment incentives. Creating a special category of RSIs could help governments incentivize investors to invest in a manner that is in line with sustainable investment goals and observe corporate social responsibility (CSR) guidelines and international standards of responsible business conduct. An RSI category could be applied on an individual country basis for promoting sustainability standards or it can be incorporated into an international framework, such as the IFF4D. A suggestion was made that, if the RSI category is included in the IFF4D, it should cover three issues: establishment of a set of basic global criteria that all investors must meet to qualify; allowance for country-specific sustainability characteristics established by each host country; and granting of special benefits, beyond those generally available, to qualifying investors. The global set of criteria would require investors to commit to observing intergovernmental guidelines such as the UN Guiding Principles on Business and Human Rights, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and the OECD Guidelines for Multinational Enterprises. In addition, investors would need to meet country-specific sustainability goals, such as prioritizing climate change issues, and promoting linkages or job creation. By meeting such criteria, the RSI would qualify for certain benefits that may not be available to non-RSIs. It was stated that both civil society and competitor firms could assist in making sure investors that are recognized as RSIs are indeed meeting the required criteria.

*Pioneering the Recognized Sustainable Investor approach in Ghana:* Ghana had, prior to adopting the RSI category, a strategic investor category that provided additional incentives to large scale investors. As Ghana was interested in promoting green investment strategies and SDGs, it started a process of aligning SDGs with incentives provided to investors within the context of Ghana. The RSI model in Ghana requires investors to meet global standards and national criteria in order to receive specific incentives that are given to RSIs.

### **III. Integrating sustainable investment incentives into the IFF4D**

It was mentioned that sustainable investment incentives can be integrated into the IFF4D in two main ways. Under the transparency of investment measures section, members could commit to publish support measures offered both by host and home countries, such as through an incentive inventory, which could include sustainability criteria. The aim would be to increase transparency of investment incentives and encourage smart incentives to target sustainable FDI, while simultaneously creating more predictability and less scope for rent seeking. This information is particularly important for SMEs, which may have fewer resources to find information. Sustainable incentive measures can also be included in the sustainable investment section of the IFF4D. In this regard, the IFF4D could include a clause encouraging members to require companies to publicize their CSR statements and their conformance with those statements. Additionally, including the RSI category within the IFF4D could be an effective policy tool to incentivize sustainable FDI.



## Webinar invitation

### Incentivizing sustainable foreign direct investment

1 June 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 Ghana Investment Promotion Centre (GIPC), and the World Economic Forum (WEF), we cordially invite you to a webinar on:

### Incentivizing sustainable foreign direct investment

The webinar will take place on 1 June 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 5<sup>th</sup> 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 to development; it will also provide an opportunity to exchange experiences regarding investment facilitation, including with investors.

The 5<sup>th</sup> webinar will focus on practical issues regarding **incentivizing sustainable foreign direct investment**. The discussions will be informed by “*Investment Facilitation for Development: A Toolkit for Policymakers*”, [available here](#).

**Please feel free to share this invitation with 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:**

- **Ana Novik**, Head, Investment Division, OECD – *“Key incentives to stimulate the flow of sustainable FDI”*
- **Evan Gabor**, Graduate of Columbia Law School, J.D. 2020 – *“The Recognized Sustainable Investor”*
- **Yofi Grant**, CEO, Ghana Investment Promotion Centre (GIPC), and Regional Director for sub-Saharan Africa at WAIPA– *“Pioneering the Recognized Sustainable Investor approach in Ghana: experience so far”*
- **Markus Thill**, President, Africa, Robert Bosch– *“Incentives that help increase the development impact of FDI”*

**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; Yofi Grant, GIPC; Karl P. Sauvant, Columbia University/CCSI; Bostjan Skalar, WAIPA; Matthew Stephenson, WEF

**Background material**

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

Evan 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 (issue 2) (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 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.

### **Evan Gabor**

Evan Gabor is a graduate of Columbia Law School, J.D. 2020, where he was the Senior Business Relations and Digital Editor of the *Columbia Business Law Review*. He received his B.A. in economics from Boston College in 2012 and was previously a project control specialist for FieldCore and the operations manager for Khunu, Ltd. Publications he has contributed to are available at [https://papers.ssrn.com/sol3/cf\\_dev/AbsByAuth.cfm?per\\_id=3137986](https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=3137986).

### **Yofi Grant**

Yofi Grant is a renowned Ghanaian investment banker with over 30 years of extensive work experience in banking and finance. He currently serves on the advisory boards of the Ghana Export Promotion Authority and the Ministry of Foreign Affairs and Regional Integration; he is also a member of the board of trustees of the ACP Endowment and Trust Fund. Having served in various capacities in corporate finance, credits, marketing, and investment banking, he has broad knowledge and exposure in African financial markets and has cultivated strong relationships with international private equity funds, portfolio investment managers and brokerage funds. He was also Special Advisor to the Minister for Private Sector Development, from 2002-2006.

### **Ana Novik**

Ana Novik is Head of the Investment Division of the OECD Directorate for Financial and Enterprise Affairs. She focusses on improving the international investment climate and promoting good domestic policies to support sustainable and inclusive investment and responsible business conduct. She establishes strategies for the OECD to secure a leadership role in the international investment debate and to advance a more structured economic analysis of investment flows and impact. Prior to joining the OECD, she was the Chilean Ambassador Director of Multilateral Economic Affairs in the Economics Directorate of Chile’s Ministry of Foreign Affairs and Trade, representing Chile in such international organisations as WTO, OECD and APEC.

### **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.

### **Markus Thill**

Markus Thill is President of Africa for Robert Bosch since 2014, reporting directly to Bosch Group management. Prior to co-founding Bosch's global venture arm as managing director in 2007, he worked as Vice President of Bosch's global corporate strategy department. Before joining Bosch, he was a senior manager in leading strategy consulting firms, heading and implementing projects on strategic and operational issues as well as M&As around the globe. He holds university degrees in mathematics and physics, including a doctorate ("summa cum laude") from the Université de Paris (France). He is fluent in English, German and French, and has a good working knowledge of several other languages.