

## **Webinar report: Increasing the development impact of FDI – Creating linkages between foreign investors and the local economy in light of the COVID-19 pandemic**

The 9<sup>th</sup> public webinar “*Increasing the development impact of FDI – Creating linkages between foreign investors and the local economy in light of the COVID-19 pandemic*”, held in the framework of a joint [project](#) by the International Trade Centre (ITC) and the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) on Investment Facilitation for Development, took place on 26 October 2021, 15:00-16:15 Central European Time (CET). The webinar hosted 170 participants.

The webinar focused on increasing the development impact of foreign direct investment (FDI) by creating linkages between foreign investors and the local economy. The webinar discussed options to maximize linkages and positive spillover effects for the host economy, including the upgrading of local firms and the design and implementation of supplier development programmes that facilitate the retention, expansion and diversification of FDI while deepening links with local suppliers.

The webinar was opened by Rajesh Aggarwal, Officer in Charge, Director, Division for Market Development, ITC. It was moderated by Axel Berger, Senior Researcher, DIE, and included the following speakers: Ivan Anton Nimac, Lead Private Sector Specialist and Global Lead, World Bank; Silvia Campos, Lead of Linkages, CINDE; and Simon Galpin, Senior Advisor, OCO Global. Concluding remarks were provided by Karl P. Sauvant, Resident Senior Fellow, Columbia University, CCSI.

The webinar programme is annexed to this report.

### **Discussion highlights**

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

- Measures should be undertaken by governments to encourage the creation of linkages and otherwise to maximize positive spillovers from foreign affiliates to domestic firms, to upgrade local suppliers and the skills of their employees; measures include improving access to information, building stakeholder relationships, providing aftercare services, using digital means, and ensuring intergovernmental cooperation.
- Additional measures include creating focal points within the government that would be responsible for supporting the establishment of supplier development programmes and

local supplier databases and that are responsible for the provision of technical assistance and capacity building to ensure the implementation of these measures.

## **I. Maximising linkages and positive spillover effects from FDI to domestic firms and host economies in light of the COVID-19 pandemic**

The declining FDI flows as a result of the COVID-19 pandemic have further emphasized the important role that governments and, specifically, investment promotion agencies (IPAs), have in facilitating sustainable FDI by creating linkages between foreign investors and the local economy. To build linkages that maximize spillover effects from FDI, it is important to create the right policy environment and institutions that align with the goals of incoming foreign investors, the goals of local companies and the goals of other stakeholders. During the webinar, the following elements were indicated as important for maximising linkages and positive spillover effects from FDI:

*Demand-led approach for promoting FDI linkages:* Governments should undertake an analysis of potential linkages and prioritize value chain segments in light of the comparative advantage of their economies. They should designate a responsible lead agency to identify supply chain gaps and support the development of local suppliers that may have the potential to provide inputs at the quality, price and volume required by foreign affiliates.

*Upgrading local suppliers and skills:* In order for local suppliers to meet the demand of foreign affiliates, governments should strengthen the ability of local firms to provide dedicated inputs to them. This can be done through supplier development programmes and the upgrading of the skills of employees in local firms. In addition, access to finance for local firms should be provided in order for them to capture new opportunities and create additional jobs.

*Improving access to information:* It is important to streamline access to information on local suppliers and establish systematic mechanisms for matchmaking between foreign affiliates and domestic firms. This can include creating an online marketplace or local supplier databases to match the demand of foreign affiliates with the supply by local firms. Due to the COVID-19 pandemic, MNEs are looking to increasingly recruit locally or outsource specific tasks to local suppliers as key personnel may not be able to travel; accordingly, such marketplaces or databases are particularly important today. It was emphasized that the use of digital measures for bridging information asymmetries between foreign affiliates and domestic firms is especially beneficial. Often, a simple online spreadsheet that includes a list of foreign affiliates operating in the host country and a list of local suppliers is a good first step. It is important that such lists are updated regularly.

*Incentives:* Governments should increase the transparency of FDI incentives that promote the upgrading of local suppliers. Incentives should be targeted and time bound.

*Build stakeholder relationships:* Governments should focus on fostering relationships and trust between the public and private sectors, including foreign affiliates. In this context, it is important to ensure that there is one dedicated lead agency for promoting linkages.

*Aftercare services:* Due to the COVID-19 pandemic, companies are trying to organise their operations in a more localized form, to increase the resilience of their supply chains. Companies that are already established in a host economy may need aftercare support to assist them source locally and to ensure that they can carry on with their operations, as many supply chains have been disrupted due to the pandemic.

*Digitalization:* The COVID-19 pandemic has increased the need for governmental agencies to increasingly use digital tools to identify supply chain disruptions through online aftercare surveys or actively reaching out to foreign investors to create linkages with local suppliers. In addition, LinkedIn and other social media channels that are also available to IPAs with limited institutional and financial capacity can be used to effectively target foreign investors.

## **II. Linkage provisions in investment facilitation agreements**

The following provisions were mentioned as important provisions that should be included in investment facilitation agreements, such as the IFD Agreement.

*Establish focal points for creating linkages:* Include provisions for the establishment of focal points, such as IPAs, that will be responsible for facilitating linkages between foreign affiliates and the local economy.

*Local supplier databases:* When constructing local supplier databases, it is important to provide specific investment opportunities of relevance for foreign investors. It is critical that databases be updated regularly to ensure the accuracy of the information.

*Supplier development programmes:* Investment facilitation agreements should include provisions that help upgrade domestic firms and improve their readiness to supply MNEs.

*Technical assistance and capacity building:* The provision of technical assistance should be included in investment facilitation agreements and, specifically, the IFD Agreement, to ensure that countries are incentivised and supported, to implement such investment facilitation measures such as supplier databases and supplier development programmes. Such assistance does not only include the provision of financial assistance, but also the sharing of information and best practices.

## Annex 1: Invitation



Deutsches Institut für  
Entwicklungspolitik



German Development  
Institute

**Webinar invitation: Increasing the development impact of FDI: Creating linkages between foreign investors and the local economy in light of the COVID-19 pandemic  
26 October 2021, 15:00-16:15 Central European Time (CET)**

Dear Colleague,

On behalf of the International Trade Centre (ITC) and the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE), we cordially invite you to a webinar on:

**Increasing the development impact of FDI: Creating linkages between foreign investors and the local economy in light of the COVID-19 pandemic  
26 October 2021, 15:00-16:15 Central European Time (CET)**

This is the 9<sup>th</sup> of a webinar series on investment facilitation for development, held in the framework of a joint ITC/DIE [project](#) on Investment Facilitation for Development.

**Like all ITC/DIE events, participation in the webinar is free of charge. However, it is necessary to register for the event in order to receive the meeting link details (please [click here](#)).**

The webinar will focus on increasing the development impact of foreign direct investment (FDI) by creating linkages between foreign investors and the local economy in light of the COVID-19 pandemic. The declining FDI flows as a result of the COVID-19 pandemic have brought into light the important role that the government, and specifically investment promotion agencies (IPAs), have in facilitating sustainable investment by creating linkages between foreign investors and the local economy. Such linkages provide direct benefits to foreign investors while also spreading the benefits of investment widely within the domestic economy, thereby enhancing the development impact of FDI.

The COVID-19 pandemic has caused serious disruptions in global value chains as social distancing had severe effects on local production and suppliers, especially on small and medium sized enterprises with whom foreign investors often have various types of linkages. As a response, IPAs will need to assist foreign investors in finding new suppliers when existing ones are unable to continue operating due to the pandemic or when value chains are disrupted. Such assistance can include, among other interventions, the development of supplier databases and matchmaking portals, supplier development programmes, and additional aftercare services depending on investors' needs.

The webinar will discuss options to maximize linkages and positive spillover effects for the host economy including the upgrading of local firms and the design and implementation of investor aftercare programmes that facilitate the retention, expansion, and diversification of FDI while deepening links with local suppliers.

The webinar will have the following agenda and speakers:

**Introduction:** **Rajesh Aggarwal**, Officer in Charge, Director, Division for Market Development, ITC

**Moderator:** **Axel Berger**, Senior Researcher, DIE

**Speakers:**

**Ivan Anton Nimac**, Lead Private Sector Specialist and Global Lead, World Bank – *“Maximizing linkages and positive spillover effects from FDI to the host economy in light of the COVID-19 pandemic”*

**Silvia Campos**, Lead of Linkages, CINDE – *“Developing linkages between foreign affiliates and the local economy in light of the COVID -19 pandemic – An IPA’s perspective”*

**Simon Galpin**, Senior Advisor, OCO Global – *“Developing linkages between foreign affiliates and the local economy in light of the COVID -19 pandemic – An investor’s perspective”*

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

If you would like to send written questions or comments during the webinar, please feel free to type them into the chat window by clicking on the “chat” button on the middle-bottom pane of the Zoom window.

To join the meeting, kindly click on the link that will be sent to you shortly before **15:00 pm CET on 26 October** and follow the instructions.

We look forward to welcoming you to the webinar!

With kind regards,

Rajesh Aggarwal, Officer in Charge, Director, Division for Market Development, ITC

Axel Berger, Senior Researcher, DIE

Karl P. Sauvant, Resident Senior Fellow, Columbia University, CCSI

**Background material**

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

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

**Bios:**

**Rajesh Aggarwal**

Rajesh Aggarwal is Officer in Charge, Director, Division for Market Development, ITC, Geneva. He is leading a programme of assisting the private sector in developing countries to be the change agent for trade policy reforms and engage in business advocacy with their governments in the design and implementation of 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.

**Silvia Campos**

Silvia Campos is Lead of Linkages at CINDE. She has been part of CINDE since 2011. She coordinates actions aimed at identifying opportunities for productive linkages based on the needs of multinational companies operating in Costa Rica or interested in establishing operations in the country. Additionally, she develops strategies to ensure productive linkages are considered as part of Costa Rica's value proposition throughout the cycle of an investment project. She also coordinates the development of initiatives that strength the ecosystem of productive linkages in Costa Rica with national and international institutions.

**Simon Galpin**

Simon Galpin is Senior Advisor at OCO Global. He also serves as an advisor to governments, corporations and universities on innovation and economic development policy. He has been actively involved in developing the startup ecosystems in Asia and the Middle East. Previously, he was Managing Director at the Bahrain Economic Development Board (EDB) and developed EDB into a full-service investment promotion agency. During that time the EDB delivered an increase in the number of investors supported, resulting in record FDI flows and jobs created. Prior

to joining the EDB, he was the Director-General at Invest Hong Kong and subsequently launched the StartmeupHK initiative, which advanced the start-up and fintech movement in Hong Kong.

### **Ivan Anton Nimac**

Ivan Anton Nimac has been the World Bank Group's (WBG) Global Lead for Investment Policy and Promotion since July 2018. His team supports a portfolio of activities, including government advisory, development lending and an array of learning and knowledge activities to help countries attract and retain FDI. Before joining the WBG in 2006, he held positions in law, diplomacy and international development with the Australian and Croatian governments and the United Nations. He holds degrees in economics, law and international relations.

### **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.