

Implementation of a future WTO investment facilitation agreement: Identification of reform needs and development policy measures

Context and motivation

The existing financing gap of 3.5 trillion USD is a key challenge in implementing the 2030 Agenda for Sustainable Development in developing countries. However, due to the COVID-19 pandemic, investments in developing countries declined sharply. In this regard, foreign direct investments (FDI) can significantly contribute to closing this financing gap.

A key initiative to improve domestic frameworks for FDI facilitation is the future Investment Facilitation for Development (IFD) Agreement, currently negotiated by more than 100 members of the World Trade Organization (WTO). Investment facilitation can be understood as a set of practical measures that enable a smoother flow of FDI without necessarily requiring changes to substantive rules and regulations, thus protecting domestic policy space.

Against this background, our study aims at investigating the implementation gaps regarding the negotiated IFD Agreement in three case countries (Lao PDR, Togo and Zambia). In addition, the study will identify policy initiatives to overcome potential implementation gaps and conduct an assessment for technical assistance and capacity-building needs for the selected countries. Moreover, we intend to identify specific areas of support for developing countries to provide targeted assistance.

Research questions

The project seeks to answer the following research question:

How can Low- and Lower-Middle-Income Countries (LLMICs) successfully implement key aspects of the WTO Investment Facilitation for Development (IFD) Agreement to contribute to development?

The following four sub-questions specify our perspective and guide our research with regard to our three selected countries (Lao PDR, Togo and Zambia):

1. Which implementation gaps do our selected countries face with respect to the IFD Agreement?
2. What are the key barriers our country cases face when trying to implement the IFD Agreement?
3. What are common challenges regarding the implementation of an IFD Agreement among our country cases?
4. How can development cooperation technically and financially assist LLMICs in building the necessary capacities to implement a future IFD Agreement?

Methodological approach

We deploy an iterative mixed methods approach. Our research design consists of three steps: First, we will conduct a survey to identify the existing implementation gaps.

Related publications

- **Balistreri, E. J., & Olekseyuk, Z. (2021)**
[Economic impacts of investment facilitation.](#)
in: Working Paper 21-WP 615, Center for Agricultural and Rural Development Iowa State University
- **Berger, A., Dadkhah, A., & Olekseyuk, Z. (2021)**
[Quantifying investment facilitation at country level: Introducing a new index.](#)
in: Discussion Paper 23/2021, Bonn: German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE)
- **Berger, A. & Sauvart, K. P., eds. (2021)**
[Investment Facilitation for Development: A toolkit for policymakers](#)
International Trade Centre, Geneva, Switzerland

Second, we will carry out workshops with local stakeholders using focus group discussions to conduct an assessment of technical assistance needs to overcome these implementation gaps. Third, a workshop with an integrated focus group discussion involving international organisations and donors will be held in order to identify potential financial and technical assistance initiatives. Hereby, we apply purposive sampling based on local investment expertise and snowball sampling (only for the survey). The implementation of the project is strongly supported by national ministries responsible for investment and trade as well as by the Missions of Lao PDR, Togo and Zambia to the WTO.

Calendar

- Nov. 2021 - Feb. 2022** Preparation and conceptualisation
- March 2022** **Zambia:** 2-day workshop with relevant stakeholders
Lao PDR: 3-day virtual workshop with relevant stakeholders DR
- April 2022** **Togo:** 2-day workshop with relevant stakeholders
 Virtual workshop with international organisations and donor countries
- May 2022** **Switzerland:** Presentation of results to WTO members
 Presentation of the final report, involving stakeholders from the three case countries

About the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE)

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DIE's research team

The research project is supported by an international group of advisors from various international organisations and institutions: World Economic Forum (WEF), United Nations (UN) Economic Commission for Africa (UNECA), UN Economic and Social Commission for Asia and the Pacific (UNESCAP), German Corporation for International Cooperation (GIZ), International Institute for Sustainable Development (IISD), European University Institute, Columbia Law School and the University of Geneva.

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