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Increasing transparency in investment facilitation: focused support is needed

By
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The WTO negotiations on an Investment Facilitation Framework for Development (IFF4D) are in an advanced stage. A key objective is to improve transparency regarding investment facilitation procedures. One would expect host countries seeking to attract FDI to have a self-interest in being transparent about their FDI regulatory frameworks and related matters: it reduces transaction costs for investors and facilitates locational decisions.

An assessment of a selective sample of 60 countries[1]—57 WTO members and 3 observers—provides insights on the extent to which countries currently make FDI information easily available, electronically, to foreign investors. These insights are based on desk research limited to the websites of investment promotion agencies (IPAs),[2] the principal agencies tasked with investment facilitation and often the first-best option for foreign investors to obtain detailed information on a country's investment framework. These are the results:

- *Laws and regulations*. Fourteen countries out of the 60 examined make texts of their FDI laws and regulations available, with some of them however providing only partial information. Two seemingly provide links to their FDI laws and regulations, but these are defective.
- *Administrative rulings*. Only one country provides the text of FDI-related administrative rulings.
- *Procedures for setting up a business*. Thirty-five countries provide summaries of the procedures foreign investors need to follow to invest in their economies, with one country providing only a partial summary.
- *Entry conditions*. Thirty-five countries list these conditions, but only 20 discuss the procedures for meeting these conditions. Some countries detail entry conditions, but not on their IPA websites.
- *Fees/charges associated with FDI entry*. Twenty-seven countries specify these.

- *Contact information of competent authorities*. Most countries provide some form of contact information (email address, online contact forms, telephone numbers): 39 countries provide their IPA email addresses and 10 the email addresses of IPA officials.

More broadly, a few countries have defective links to documents or tabs that may provide relevant information, while others either do not have easily accessible IPA websites or do not make certain investor information available to the general public.

Overall, developing countries are better in providing electronic texts of their FDI laws and regulations; the Africa region dominates this category. The least developed countries (LDCs) covered in this survey do not perform as well as other developing countries across the different regions. Among developing countries, fewer Asian countries provide information on FDI procedures compared with counterparts in Africa. All countries provide the information in at least one official WTO language.

These results are sobering. After all, making this kind of information easily available electronically is neither very difficult nor expensive. It is, in fact, quite basic; and, as mentioned before, it is in the self-interest of countries to make this information available to investors.

Hence, the results suggest that both developed and developing countries have work to do to enhance transparency. If other and more complicated measures were to be added—including measures that help directly to increase FDI's development impact (e.g., supplier-development programs) that ought to feature in an IFF4D[3]—developed countries could be expected to perform much better when compared to developed countries. This is, indeed, clearly documented elsewhere.[4]

The implications are clear: many countries must make substantial efforts to strengthen their investment-facilitation capacity. Developed countries and some advanced developing countries can do that on their own, at least in most cases. But many other developing countries, and especially the LDCs, simply do not have the resources to do so. They need substantial technical assistance to considerably strengthen their investment-facilitation capacity to be successful in the highly competitive FDI world market. They will need such capacity also because future investment treaties will contain investment-facilitation provisions, and because separate investment-facilitation agreements will be negotiated.

As to the IFF4D, developing countries, and especially LDCs, need to know that, if and when they sign on to this agreement, they can count on extensive technical assistance to implement their commitments. The time to make firm and substantial commitments on technical assistance is now.

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[1] Fifteen countries each in Africa, Asia and Latin America (including 11 least developed countries); and 15 developed countries.

[2] Other websites may contain relevant information, e.g., focal-point websites or official gazettes. They were not researched for this *Perspective* as its focus is on "easily available" information.

[3] For examples of such measures, see Axel Berger and Karl P. Sauvant, eds., *Investment Facilitation for Development: A Toolkit for Policymakers* (Geneva: ITC, 2021).

[4] Axel Berger, Zoryana Olekseyuk and Ali Dadkhah, "Quantifying investment facilitation at country level: Introducing a new index" (Bonn: DIE, forthcoming).

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