

Investment Facilitation for FDI in the Sustainable Development Goals

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Jan Smit

International Consultant

United Nations Conference on Trade and Development



Key Sustainable Development Goal sectors

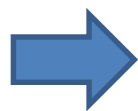
Sector	Description
Power	Investment in generation, transmission, and distribution of electricity
Transport	Investment in roads, airports, ports and rail
Telecommunications	Investment in infrastructure (fixed lines, mobile and Internet)
Water and sanitation	Provision of water and sanitation to industry and households
Food security and agriculture	Investment in agriculture, research, rural development and safety nets
Climate change mitigation	Investment in relevant infrastructure, renewable energy generation, research and deployment of climate-friendly technologies
Climate change adaptation	Investment to cope with impact of climate change in agriculture, infrastructure, water management and coastal zones
Eco-systems/ biodiversity	Investment in conservation and safeguarding ecosystems, marine resource management and sustainable forestry
Health	Infrastructural investment, e.g. new hospitals
Education	Infrastructural investment, e.g. new schools

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Investments in the SDGs require a new generation of investment promotion policies

1. **First generation:** Liberalization of FDI regimes
2. **Second generation:** Marketing of countries and locations
3. **Third generation:** Investor targeting



4. **New: Fourth generation:**



Source: ©UNCTAD

What is Investment Facilitation – for SDGs?

Investment Facilitation (IF) is: *"The set of policies and actions aimed at making it easier for investors to establish and expand their investments, as well as to conduct their day-to-day business in host countries"* (UNCTAD 2017).

IF is different to investment promotion as it focuses on removing ground level obstacles to investment and improving things that already work well, whereas investment promotion is primarily about promoting a location as an investment destination.

IF is a core activity of an IPA because it directly addresses the market failures that IPAs are designed to compensate for: ***information problems, co-ordination issues, externalities and non-exclusion from public goods and services. These challenges are greater in the context of the SDGs.***

However, research by UNCTAD shows that investment facilitation in support of inward investment has received relatively little attention.

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UNCTAD's Global Action Menu for Investment Facilitation

To encourage increased IF activity at regional, national and sub-national level, UNCTAD has developed a Global Action Menu (GAM) for Investment Facilitation, consisting of 10 Action Lines as set out in the table below. The GAM is based on UNCTAD's Investment Policy Framework.

Action Line 1

Promote accessibility and transparency in investment policies and regulations and procedures relevant to investors

Action Line 2

Enhance predictability and consistency in the application of investment policies

Action Line 3

Improve the efficiency of investment administrative procedures

Action Line 4

Build constructive stakeholder relationships in investment policy practice

Action Line 5

Designate a lead agency, focal point or investment facilitator

Action Line 6

Establish monitoring and review mechanisms for investment facilitation

Action Line 7

Enhance international cooperation on investment facilitation

Action Line 8

Strengthen investment facilitation efforts in developing-country partners, through support and technical assistance

Action Line 9

Enhance investment policy and proactive investment attraction in developing country partners

Action Line 10

Complement investment facilitation by enhancing international cooperation for investment promotion for development, including through provisions in IIAs

What is the role of the IPAs?

- **Set up appropriate internal structures** to intervene with foreign and domestic policy makers and institutions regarding investment facilitation (IF) – that includes staffing, training, support from senior executives and the IPA's overseeing body.
- **Plan carefully** with regard to foreign institutions as this could be considered the territory of the government's Ministry of Foreign Affairs.
- **Develop expertise on IF in target SDG areas.** The IPA can't cover all SDGs, so there might have to be access to an external source – should this be public, or private?

Source: ©UNCTAD, WIR 2014.



Develop a Plan to deal with IF in SDGs

The IPA should develop a plan to identify, assess and deal with IF issues that directly affect it

- **Identify key issues related to SDG investments by:** reviewing past projects, interviewing/ surveying established SG project managers, carrying out further research, and using an proactive approach.
- **Assess and prioritise the key issues:** importance, impact, long versus short term.
- **Identify which actions can be taken by the IPA** and who else needs to be involved?
- **Develop an action plan** to deal with them and assign appropriate resources.
- **Monitor and evaluate**



What challenges are faced by IPAs in IF for SDGs?

- **Resource constraints**
- **Lack of expertise and experience**
- **Ad hoc or systemic approach to deal with SDGs?**
- **Turf wars**
- **MDAs different compliance criteria**
- **Domestic vested interests**
- **Complexity of projects and challenges**
- **Who should lead?**



SDG Investment Facilitation throughout the project cycle

Stage	Investment facilitation activities - examples
Pre-establishment	Create a positive environment (e.g. regional agreements that deal with SDGs, BITs) Develop key partnerships with international donors/ funders to facilitate co-operation/ Update information on investment regulations Provide clear screening guidelines and definitions for assessing investment proposals Pre-empt SDG –specific facilitation issues that might arise Partner locally with experts in the SDG areas targeted
Establishment	Drive for centralised start-up support for SDG projects Partner locally to facilitate set-up and establishment Avoid bureaucratic discrimination in laws and regulations Apply consistently investment regulations Provide for amicable dispute settlement decision-making
Post-establishment	Incorporate SDG projects into IPA aftercare program Ensure SDG impacts envisaged that also form the basis of re-investments Advocate policy – to promote national development through investment Inform and support new establishment through improved IF Monitor, evaluate and feedback systematically



Strategic issues for SDG IF

The IPA's organisation

- Provide **resources that specifically deal with intelligence on SDGs priorities** (e.g. policies, institutions, key individuals, examples of relevant SDG projects).
- Use **existing units** (e.g. the promotion and aftercare units) or a **separate specialist unit** integrating all SDG-related matters.
- Identify **(un)foreseen facilitation issues** in the course of implementation, monitoring their impacts, reporting on them, and advocating for their removal.
- Identify and drive **activity required at policy level**.
- **A proactive approach – map out (generic) processes and procedures** (a template) to invest in a given SDG sector.



Strategic issues for SDG IF

Information access and transparency:

- **E-regulations portal:** UNCTAD has developed an electronic tool called eRegulations which maps out all relevant rules, procedures and regulations, making them fully transparent and providing detailed practical up-to-date descriptions of steps involved in carrying out business (including trade and investment) transactions.
- **Publishing/making available SDG projects.** - written into the project profile, it is important that there should be an identification of what any regulatory issues involved may be, e.g. related to zoning of land, or cross-border movement of equipment and personnel.



Strategic issues for SDG IF

Partnerships

- **Partner locally.** Given resource constraints - develop linkages with networks that could provide support on a mutually beneficial basis. E.g. WESGRO and Green Cape/ Dubai FDI and the Green Economy Partnership.
- **Partner with outward investment agencies (OIAs)** – strategically important (e.g. in key SDG-target areas or with long-term historic-cultural, economic linkages) to develop a better understanding of the OIA's agenda, processes, and procedures for improving facilitation issues.
- **Use of Public-Private-Partnerships (PPPs):** PPPs has attained increased importance for FDI in the context of the 2030 SDGs



Strategic issues for SDG IF

Fora

- Develop a **national Forum for SDG** and drive IF issues - If there is not already such a forum in existence
 - If such a forum exists, the IPA needs to participate actively and draw attention to inward investment **IF** issues and drive action. (UN's 17 SDG hubs, e.g. SDG–Hub in South Africa).
- A **global SDG facilitation centre of excellence** for IPAs: (with regional chapters) that provides an international forum inclusive of other national, regional and multilateral stakeholders in SDG investment promotion and facilitation.



Strategic issues for SDG IF

Commitments

Client Charters

- IPAs can develop SDG-specific **Client Charters** in which IF would be a significant element, providing for:
 - ✓ **qualify for a range of tailored support services** such as *fast-track approvals, high-quality administrative processes, and guarantees* on a range of matters related to for example *customs clearance, foreign exchange access, taxes, etc.*
 - ✓ **have access to senior staff from key ministries** for implementation of SDG projects
- For Charter commitments not fulfilled, there should be avenues for redress such as an Inward Investors' **Ombudsman with the authority to take matters up at the highest level.**



Strategic issues for SDG IF

Support programmes

Aftercare

- A structured aftercare service that includes administrative, operational and strategic support. With a strategy that will ensure the initial investment's outcomes are realised become the base for further developments and expansion (e.g. through linkages)

Linkages

- Of major importance in a SDG context. Many of the sustainability targets of SDG investment relate to linkages – direct and indirect - with social, environmental, economic and community goals



Strategic issues for SDG IF

Feedback

Policy advocacy

- A key function of the IPA - makes clear to policy makers where the issues surrounding facilitation are, and what the benefits would be of dealing with those issues.

Evaluation and monitoring systems:

- Report on key issues, progress, priorities and achievements regarding investment facilitation for SDG projects (e.g. in the IPA's annual report).
 - ❖ A key aspect: every SDG project proposal will have a set-out of intended results, outcomes and impacts. This needs to be monitored and evaluated and lessons learnt taken up and acted upon.

Source: ©UNCTAD, WIR 2014.



Intra and Inter-regional aspects of IF for SDGs

Enhance international cooperation on investment facilitation

- **Intra-regional** cooperation: establish or strengthen regular communication and collaboration structures and ensure that regional IF matters as identified in the IPA IF Plan, are on the agenda and get acted upon e.g. X-border, customs, residence permits, transport, corrupt practices, etc.
- **Interregional** co-operation is a key practical step as outlined regarding OIA relationship development, but also for, for example, trade and investment agreements and support agreements with partners for other regions – both individual states and groups of states e.g. G-20 Compact on Africa.

Source: ©UNCTAD, WIR 2014.



Intra and Inter-regional aspects of IF for SDGs

- **Developed countries can help strengthen investment facilitation efforts in developing country partners** – by encouraging and supporting the development of the types of actions described above - e.g. clear screening processes, anti-corruption initiatives (whistle-blowing support) and identifying and sharing good practices.
- **Developed countries can enhance investment policy and proactive investment attraction in developing-country partners:** by
 - ✓ supporting IF initiatives
 - ✓ improving capacity to deal with matters such as environmental and social impact assessments,
 - ✓ the improving the ability to implement SDG projects, and
 - ✓ Increasing the capability of the country to absorb SDG benefits.

Source: ©UNCTAD, WIR 2014.



Thank you!

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