World Trade Organization (WTO)/
Friends of Investment Facilitation for Development (FIFD)
Main Obstacles when Investing in Foreign Markets and
how they can be Addressed through Investment Facilitation

Dr. Christoph Sprich

10. July 2017
Expanding World Economy

FDI - Driver of Globalization

Entwicklung der Weltwirtschaft seit 1980
Entwicklung von Weltproduktion, Welthandel und Direktinvestitionen (Prozent)

Quelle: WTO (Welthandel), UNCTAD (BIP und ADI), (eingesehen am 21.11.2016).
FDI: A Risky Business
Hurdles for Investing Abroad

Hurdles for Investment Abroad. And where Investment Facilitation Could Possibly Help
Percent of companies (German SMEs) having problems with...

- Lack of legal certainty abroad: 43%
- No suitable business partner: 36%
- Bureaucratic effort: 34%
- Lack of management capacities: 30%
- Lacking experience abroad: 24%
- Financing the investment: 24%
- Language barriers: 15%
- Protection of intellectual property: 14%
- Problems finding skilled workers: 13%

A Case Study for Investment Facilitation
The Compact with Africa

Compact with Africa (CwA): Objective

The Compact with Africa is the central pillar of the German G20 Presidency’s Africa Partnership: African Countries, International Financial Institutions (IFIs: African Development Bank, World Bank Group, International Monetary Fund) and bilateral partners prepare comprehensive, coordinated, and country-specific Investment Compacts to promote private investment, including in infrastructure with early private sector engagement and political backing from the G20. The approach promises credibility, visibility, and scale.

Challenges for African Countries
- Increase private investment towards
  - Creating jobs
  - Closing the infrastructure gap

Benefits for African Countries
- Signals country’s enhanced investment framework
- Secures comprehensive and tailor-made approach
- Encourages private investors at home and from partner countries

Compact with Africa Modules

Macroeconomic Framework: Makes investment projects viable by providing stable macroeconomic conditions
- e.g. Ensuring macroeconomic stability and debt sustainability

Business Framework: Makes investment projects bankable by attracting private investors
- e.g. Promoting reliable regulations and institutions

Financing Framework: Makes investment projects fundable by mobilizing private finance
- e.g. Developing efficient risk mitigation instruments
A Case Study for Investment Facilitation
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Exhibit 6 | The Africa Infrastructure Development Index (0-100), 2018


Note: The Africa Infrastructure Development Index covers the latest data collected by the AfDB over the period 2000-2013 under the infrastructure statistics component of its Statistical Capacity Building program in African countries. The AIDI is based on four major components: (i) Transport, (ii) Electricity, (iii) ICT, and (iv) Water & Sanitation. These components are disaggregated into 9 indicators that have a direct or indirect impact on productivity and economic growth.
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Exhibit 8 | Population without Electricity Access in 2014

Thank you!

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