Modeling Investment Facilitation: Potential Effects of EU Sustainable Investment Facilitation Agreements

Zoryana Olekseyuk[a]
DRAFT: NOT FOR PUBLICATION

Global FDI flows fell by 11% in 2024 amid geopolitical tensions, trade wars, and rising protectionism, making investment facilitation an increasingly important tool for fostering inclusive and sustainable growth. This paper analyses the economic effects of the EU's new generation of Sustainable Investment Facilitation Agreements (SIFAs), which prioritise sustainable investment and dispute prevention over traditional investment protection. Using the Investment Facilitation Index (IFI) to quantify country-level reform gaps relative to the EU–Angola SIFA — the only fully implemented agreement to date — we simulate the agreement under scenarios of varying implementation depth, distinguishing between binding, conditional, and best-efforts provisions. We apply a multi-region general equilibrium model incorporating monopolistic competition and FDI, based on GTAP 12 data. Our results indicate empirically relevant gains from improved investment frameworks, with developing countries benefiting most due to their greater potential to reduce investment costs. The findings offer timely, evidence-based insights for policymakers engaged in current and upcoming SIFA negotiations.

JEL codes: F12, F17, F13, F21, C68

Keywords: Foreign Direct Investment (FDI), investment climate, deep integration, bilateral representative firms, monopolistic competition.

Amid geopolitical tensions, rising protectionist measures, and heightened uncertainty manifested in military conflicts, trade wars, sanctions, and near-shoring, global FDI flows fell by 11% in 2024 (UNCTAD, 2025), shifting the focus to investment facilitation as a tool to create favorable conditions for FDI to boost inclusive and sustainable economic growth. More than 120 members of the World Trade Organization (WTO) concluded negotiations on the Investment Facilitation for Development Agreement (IFDA) after only three years of formal negotiations (WTO, 2023, 2024). In addition to this plurilateral framework, Polanco, Berger, and Olekseyuk (2026) find that among 3310 international agreements, primarily negotiated between 2000 and 2024, 48 contain explicit investment facilitation provisions. The most notable ones are the EU-Angola Sustainable Investment Facilitation Agreement (SIFA) and the African Continental Free

[a] German Institute of Development and Sustainability (IDOS), Tulpenfeld 6, 53113 Bonn, Germany, email: zoryana.olekseyuk@idos-research.de.

Trade Area (AfCFTA) Investment Protocol.

This study focuses on the EU's new generation of international investment agreements that emphasize sustainable investment facilitation and dispute prevention mechanisms instead of investment protection. Generally, investment facilitation encompasses practical measures that enhance FDI flows without altering substantive rules and regulations (Gabor, 2019). In particular, it refers to actions taken by governments to attract and retain FDI, to increase the effectiveness and efficiency of public administration throughout the investment cycle. Thus, it aims to improve administrative procedures, transparency, regulatory predictability, coordination between stakeholders, and international cooperation on investment matters (Berger, Gsell, and Olekseyuk, 2019).

The EU–Angola SIFA is the only fully signed and implemented agreement to date. It was signed in November 2023 and entered into force in September 2024. According to European Commission (2022), this agreement is part of the broader EU strategy to increase engagement with African countries through the "partnership of equals" approach with the main goal of unlocking economic potential, fostering economic diversification, and promoting inclusive and sustainable growth. In line with the Global Gateway, such agreements are designed to further enhance sustainable trade and investment links between the continents and within Africa itself. In May 2025, the EU and Côte d'Ivoire launched official SIFA negotiations, with the European Commission aiming to conclude the agreement in 2026 (European Commission, 2025b; Francis, R., 2025). In addition to Angola and Côte d'Ivoire, Ghana and Cameroon have also expressed interest in such an agreement. Moreover, Southern Neighbourhood countries, such as Algeria, Egypt, Jordan, Morocco and Tunisia, could constitute strategic partners for SIFA negotiations, given the EU's priorities to deepen its cooperation with the regional partners (OECD, 2024).

In November 2025, the EU also launched formal negotiations with Ecuador, making it the first Latin American country to enter SIFA talks with the EU. This initiative forms part of the EU's broader strategy to deepen economic ties with Latin America and complements the existing EU–Andean Community Multiparty Trade Agreement. The proposed SIFA aims to promote sustainable development in Ecuador by improving the investment environment and facilitating the entry and expansion of EU firms in the country (European Commission, 2025a).

We analyze the economic effects of bilateral SIFAs to inform policymakers for upcoming negotiations and to contribute to the relatively scarce literature on investment facilitation. Given the content and objectives of SIFAs, they are expected to reduce regulatory and non-tariff barriers (NTBs), thereby leading to lower costs for investors. To assess these effects, we leverage the Investment Facilitation Index (IFI), which evaluates the adoption of over 100 investment facilitation measures across 142 economies (Berger et al., 2023). The IFI data illustrates that there is significant variation across countries, with Sub-Saharan Africa (SSA) featuring the lowest levels of adoption (Berger et al., 2024, 2026). For the countries considered, the total IFI scores range from 0.46 in Cameroon to 0.88 in Egypt, with Angola and Côte d'Ivoire each scoring 0.74, relative to an upper bound of 2.00. Based on these data, we quantify the reform gaps relative to the signed EU-Angola SIFA, which serves as the template agreement for all potential partners and maps 44 individual IFI measures. On this basis, we simulate several scenarios reflecting varying depths of implementation. Specifically, we distinguish between different types of investment facilitation provisions according to their level of legalization, namely mandatory or binding, conditional (e.g. "shall, to the extent practicable," "shall endeavor," or "shall encourage"), and best-efforts or non-binding provisions (e.g. "should", "may", "are encouraged").

Methodologically we follow Balistreri and Olekseyuk (2025), who provide the first illustration of the benefits associated with the recently negotiated IFDA at the WTO. We apply an economic model of global interactions incorporating monopolistic competition and FDI. Our multi-region general equilibrium model is based on GTAP 12 (Aguiar et al., 2025) and extends the basic GTAPinGAMS structure (Lanz and Rutherford, 2016) by including FDI in both manufacturing and services, as well as imperfect competition following Balistreri, Böhringer, and Rutherford (2025). The data is aggregated into four broad sectors (agriculture, manufacturing, services, and energy) reflecting the horizontal nature of investment facilitation (Sauvant, 2023; Francis, R., 2025). In terms of regional coverage, we focus on countries currently negotiating or expressing interest in negotiating a SIFA with the EU, while aggregating the rest of the world into one region.

Our preliminary results suggest empirically relevant gains associated with improved investment frameworks in the form of reduced transaction costs faced by investors. While the effects are relatively limited for the EU, developing countries benefit more due to their higher potential to reduce existing investment costs through the implementation of SIFAs. Overall, our analysis contributes to the still limited literature on investment facilitation. To the best of our knowledge, there is no empirical evidence on the potential effects of the EU–Angola SIFA, although it entered into force in 2024. Thus, our study provides policymakers with important and timely insights into the potential effects of SIFAs at the negotiation and design stage or during implementation, while highlighting how different implementation strategies may shape countries' economic performance.

References

Aguiar, A., U. Baldos, M. Chepeliev, E. Corong, and T. Simonato. 2025. "The Global Trade Analysis Project (GTAP) Data Base: Version 12." *Journal of Global Economic Analysis*, 10(2): 1–45. doi:https://doi.org/10.21642/JGEA.100201AF.

Balistreri, E., and Z. Olekseyuk. 2025. "Investment Facilitation for Development Agreement: Potential Gains." *The World Economy*, 48(7): 1496–1519.

Balistreri, E.J., C. Böhringer, and T.F. Rutherford. 2025. "Quantifying Disruptive Trade Policies." *Journal of Global Economic Analysis*, 10(1): 1–49. doi:https://doi.org/10.21642/JGEA.100101AF.

Berger, A., A. Dadkhah, F. Gitt, and Z. Olekseyuk. 2023. "The Updated Investment Facilitation Index (IFI)." Data set. Zenodo. https://doi.org/10.5281/zenodo.7755521.

Berger, A., A. Dadkhah, F. Gitt, Z. Olekseyuk, and J. Schwab. 2024. "The Investment Facilitation Index (IFI): Quantifying Domestic Investment Facilitation Frameworks." International Trade Centre, Geneva, Switzerland. Available at https://www.intracen.org/file/investmentfacilitationindex-may2024pdf.

Berger, A., A. Dadkhah, F. Gitt, Z. Olekseyuk, and J. Schwab. 2026. "The Investment

Facilitation Index (IFI): Quantifying Domestic Investment Facilitation Frameworks." *World Trade Review*, forthcoming. doi:https://doi.org/10.1017/S1474745625101262.

Berger, A., S. Gsell, and Z. Olekseyuk. 2019. "Investment Facilitation for Development: Structuring the Debate." The German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE), DIE Briefing Paper, forthcoming.

European Commission. 2022. "EU and Angola conclude first-ever Sustainable Investment Facilitation Agreement." European Commission - Press release, November 18, 2022.

European Commission. 2025a. "EU and Ecuador launch negotiations for a Sustainable Investment Facilitation Agreement." https://policy.trade.ec.europa.eu/news/eu-and-ecuador-launch-negotiations-sustainable-investment-facilitation-agreement-2025-11-10_en.

European Commission. 2025b. "Recommendation for a Council Decision authorising the opening of negotiations of a Sustainable Investment Facilitation Agreement between the European Union and the Republic of Côte d'Ivoire." European Commission, Report No. COM(2025) 192 final. https://data.consilium.europa.eu/doc/document/ST-8617-2025-INIT/en/pdf.

Francis, R. 2025. "EU, Côte d'Ivoire launch sustainable investment talks." Borderlex. https://borderlex.net/2025/05/06/eu-cote-divoire-launch-sustainable-investment-talks/.

Gabor, E. 2019. "Keeping 'Development' in a Multilateral Framework on Investment Facilitation for Development." *Journal of World Investment and Trade*, 22(1): 41–91.

Lanz, B., and T. Rutherford. 2016. "GTAPinGAMS: Multiregional and Small Open Economy Models." *Journal of Global Economic Analysis*, 1(2): 1–77.

OECD. 2024. "Towards More Sustainable Investment Frameworks: Evaluating the Feasibility of Sustainable Investment Facilitation Agreements with Southern Neighbourhood Countries." OECD Publishing, Paris, https://doi.org/10.1787/411468b9-en.

Polanco, R., A. Berger, and Z. Olekseyuk. 2026. "International Agreements on Investment Facilitation." IDOS Policy Brief, forthcoming.

Sauvant, K. 2023. "The New WTO Investment Facilitation for Development Agreement." Columbia FDI Perspectives, Columbia Center on Sustainable Investment, Available at https://ssrn.com/abstract=4531684.

UNCTAD. 2025. "World Investment Report 2025: International Investment in the Digital Economy." https://unctad.org/publication/world-investment-report-2025.

WTO. 2023. "Investment Facilitation Negotiators Announce Deal on Agreement's Text." World Trade Organization, Available at https://www.wto.org/english/news_e/news23_e/infac_06jul23_e.htm.

WTO. 2024. "Joint Ministerial Declaration on the Investment Facilitation for Development Agreement." World Trade Organization (WT/MIN(24)/17), February 25, 2024, available at https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/MIN24/17.pdf&Open=True.