Modeling investment facilitation: Potential effects of the EU Sustainable Investment Facilitation Agreements

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Background & Motivation

What is Investment Facilitation (IF)

SET OF PRACTICAL MEASURES

Transparency, predictability and streamlining of investment laws and regulations

UNLIKE OTHER INVESTMENT APPROACHES

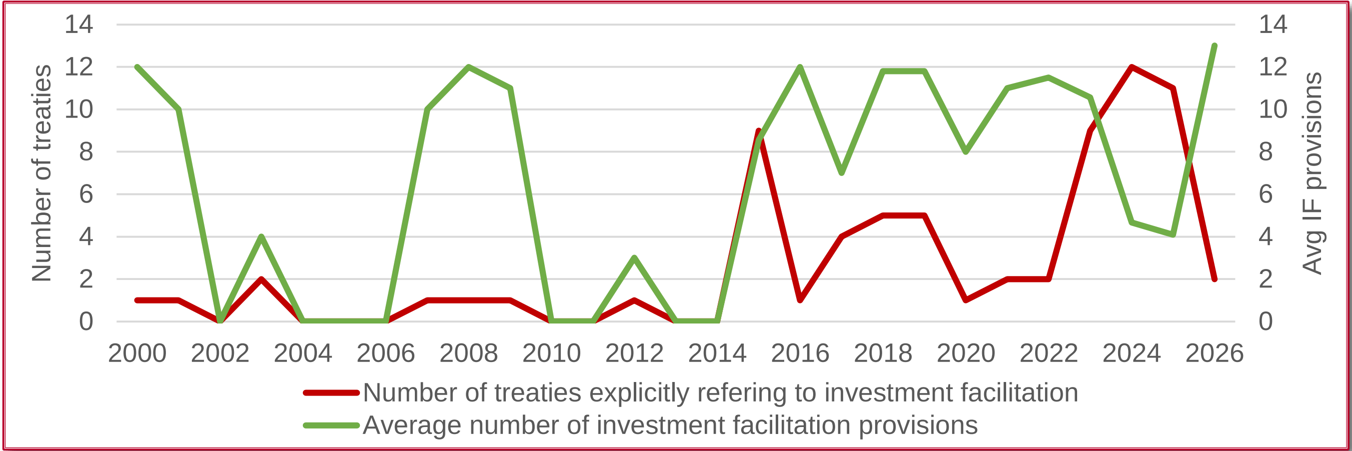
Does not include investment liberalisation and protection or investor-state dispute settlements

IMPROVES DOMESTIC INVESTMENT ENVIRONMENT

Without substantive changes to domestic regulations

IF in International Investment Agreements (IIAs)

71 out of 3,386 globally signed IIAs include the term „investment facilitation“ within the last 25 years



Dedicated IF Agreements

- WTO Investment Facilitation for Development Agreement (IFDA)
- EU-Angola Sustainable Investment Facilitation Agreement (SIFA)
- Brazil’s Cooperation and Facilitation Investment Agreements (CFIAs) with e.g. Chile, Colombia, Malawi, Mexico, Angola...

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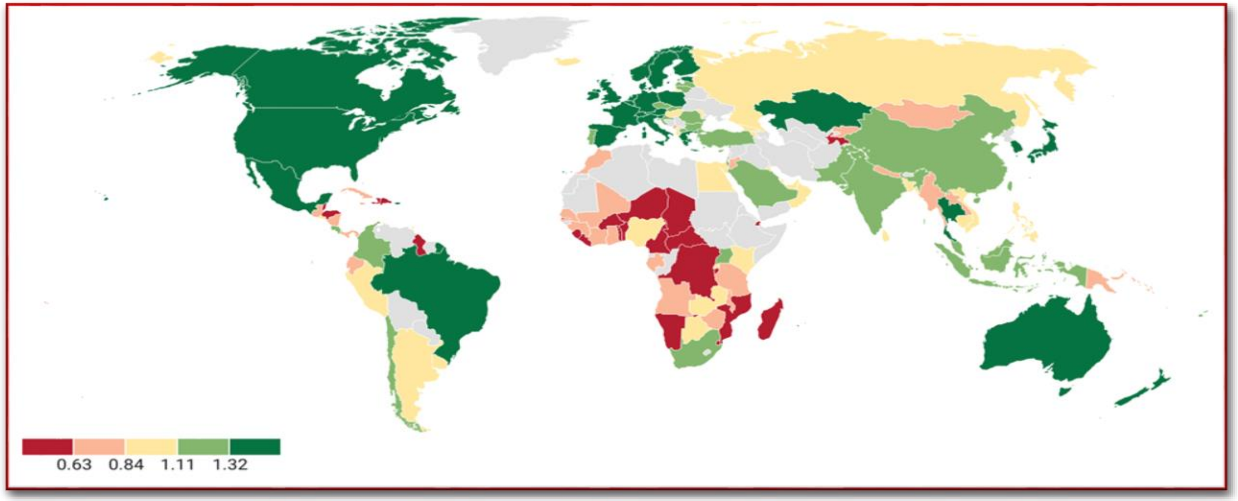
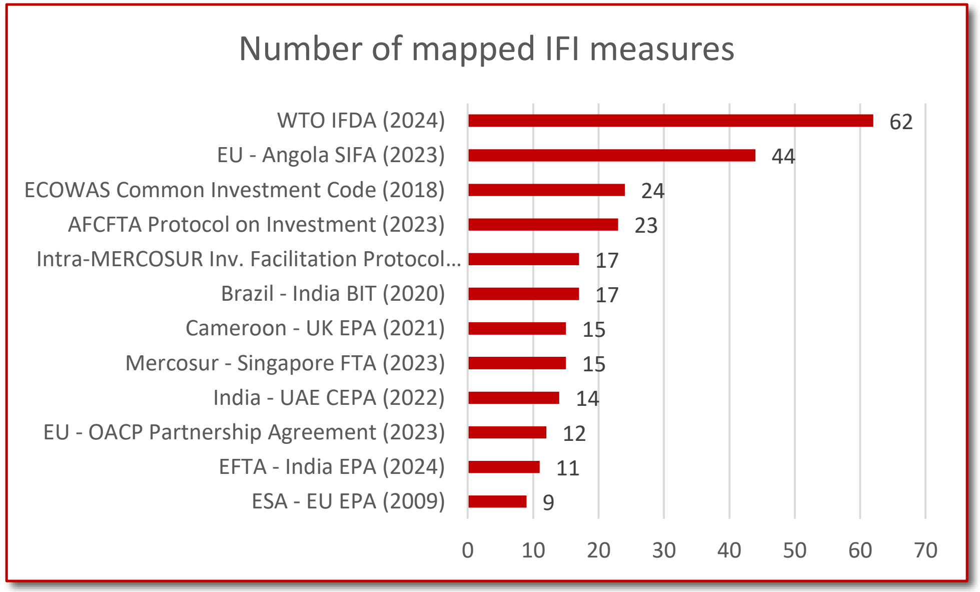
Mapping IIAs to Investment Facilitation Index (IFI)

Investment Facilitation Index (IFI)
is a composite index measuring the adoption of 101 investment facilitation measures in 2021 for 142 countries



Source: [Berger, A., Gitt, F., & Dadkhah, A. (2025).](https://zenodo.org/doi/10.5281/zenodo.7755521) The data is available at https://zenodo.org/doi/10.5281/zenodo.7755521
Note: Overall score ranges between 0 and 2, color scale features five bins based on first to fifth quintile of the distribution of global IFI scores.



Mapping of different IIAs to the IFI:
The EU-Angola SIFA is the second most detailed agreement following the WTO IFDA

Types of SIFA provisions mapped to the IFI

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Binding

Including 27 “shall” commitments

Examples of mapped IFI measures:

- A.11 Publication of the information on competent authorities including contact details
- B.24 Establishment of a national investment website for information purpose
- D.63 Availability of a set of guidelines on application requirements
- E.90 Sharing of best practices and information on the facilitation of foreign direct investments

Conditional

Including 14 conditional commitments

Examples of mapped IFI measures:

- A.4 Publication of information and procedures on laws and regulations affecting investment
- A.18 Drafts of investment regulations and acts are published prior to entry into force
- B.25 Electronic payment system for the investor to pay all fees and charges
- D.68 Provide the applicant with an explanation of why the application is considered incomplete

Best efforts

Including 3 non-binding commitments

Mapped IFI measures:

- B.33 Single Window: Is it possible to submit all documents necessary for investment applications simultaneously
- D.61 Periodic review of investment regulations and documentation requirements
- D.77 Fees and charges periodically reviewed to ensure they are still appropriate and relevant

Altogether

44 (43.6%) out of 101 measures of the Investment Facilitation Index (IFI) are mapped to the EU-Angola SIFA text

Policy shocks based on IFI, %

- Three SIFA scenarios including different types of provisions for Angola, Côte d'Ivoire and Ecuador
- One scenario with extended number of partners:
  - Ghana and Cameroon expressed interest in potential SIFA negotiations
  - Southern Neighbourhood countries (Egypt, Jordan, Morocco) as strategic future SIFA partners (OECD, 2024)
- Ad valorem model shock: 5% of the IFI impovement is assumed to be actionable
- A quarter of shock is applied to domestic firms

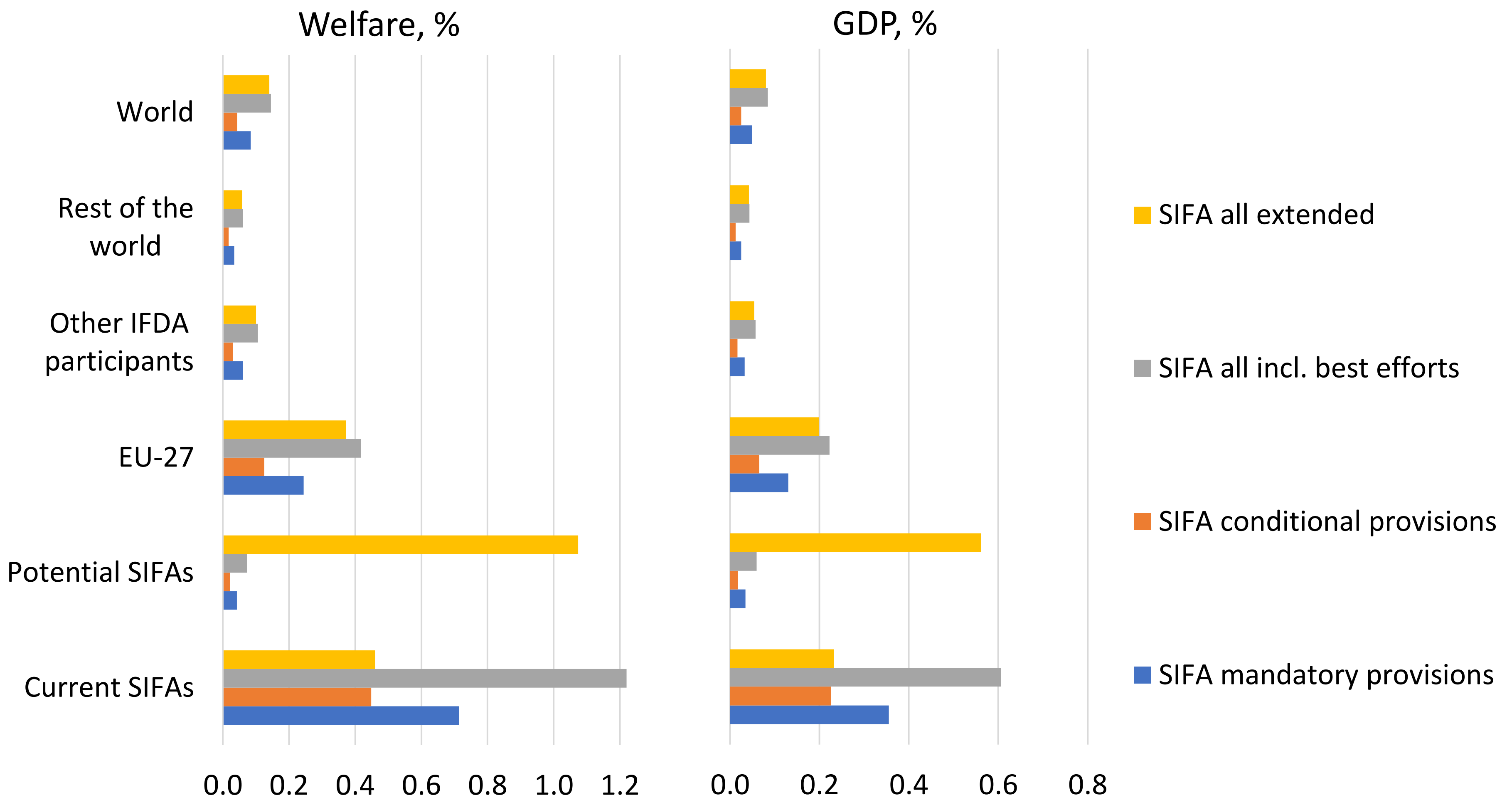
Countries and regions		SIFA mandatory provisions	SIFA conditional provisions	SIFA all incl. best efforts	SIFA all extended
XAC	Angola	46.30	21.41	71.49	71.49
CIV	Côte d'Ivoire	51.45	25.98	81.21	81.21
ECU	Ecuador	42.23	31.83	82.47	82.47
GHA	Ghana				92.23
CMR	Cameroon				147.50
EGY	Egypt				53.67
JOR	Jordan				102.74
MAR	Morocco				78.86
DEU	Germany	2.69	1.24	5.57	5.57
FRA	France	4.82	3.96	8.78	8.78
PRT	Portugal	9.18	8.09	19.31	19.31
ESP	Spain	7.65	2.83	12.31	12.31
REU	Rest of EU-27	7.97	3.75	13.34	13.34
IFD	Other IFDA participants				
CHN	China, incl. Hong Kong				
USA	USA				
ROW	Rest of the world				

Scope of the GTAP 11-based model

Model structure follows closely Balistreri and Olekseyuk (2025):

- **Four aggregate sectors:**
  - AGR: Agriculture (CRTS/Armington)
  - ENG: Energy (CRTS/Armington)
  - MAN: Manufacturing (FDI with IRTS/BRF)
  - SRV: Services (FDI with IRTS/BRF)
- **Four primary factors of production aggregated from GTAP:**
  - LAB: Labor (mobile)
  - CAP: Capital (mobile); plus
  - CAP: Capital (sector-specic: 5% of MAN and SRV revenue)
  - LND: Land (CET=1 across sectors)
  - RES: Resources (CET=0.001 across sectors)
- **Extensions of the canonical multi-region model:**
  - FDI formulation and calibration using foreign affiliates sales data from Bekkers et al. (2024) to augment GTAPinGAMS model (Lanz and Rutherford, 2016)
  - Changes in FDI barriers are implemented as pure (TFP) cost savings for FDI firms
  - Extensive-margin adjustments due to monopolistic competition
  - Introduction of a simplified structure that tracks ***Bilateral Representative Firms (BRF)*** as they engage in monopolistic competition and FDI: Balistreri, Böhringer, and Rutherford (2018)

SIFAs simulations - aggregate results



Note: Current SIFAs include Angola, Côte d'Ivoire and Ecuador; potential SIFAs include Ghana, Cameroon, Egypt, Jordan, Morocco; Other IFDA participants include 60 GTAP countries and regions participating in IFDA, in addition to the ones separately included.

Welfare impact (% equivalent variation)

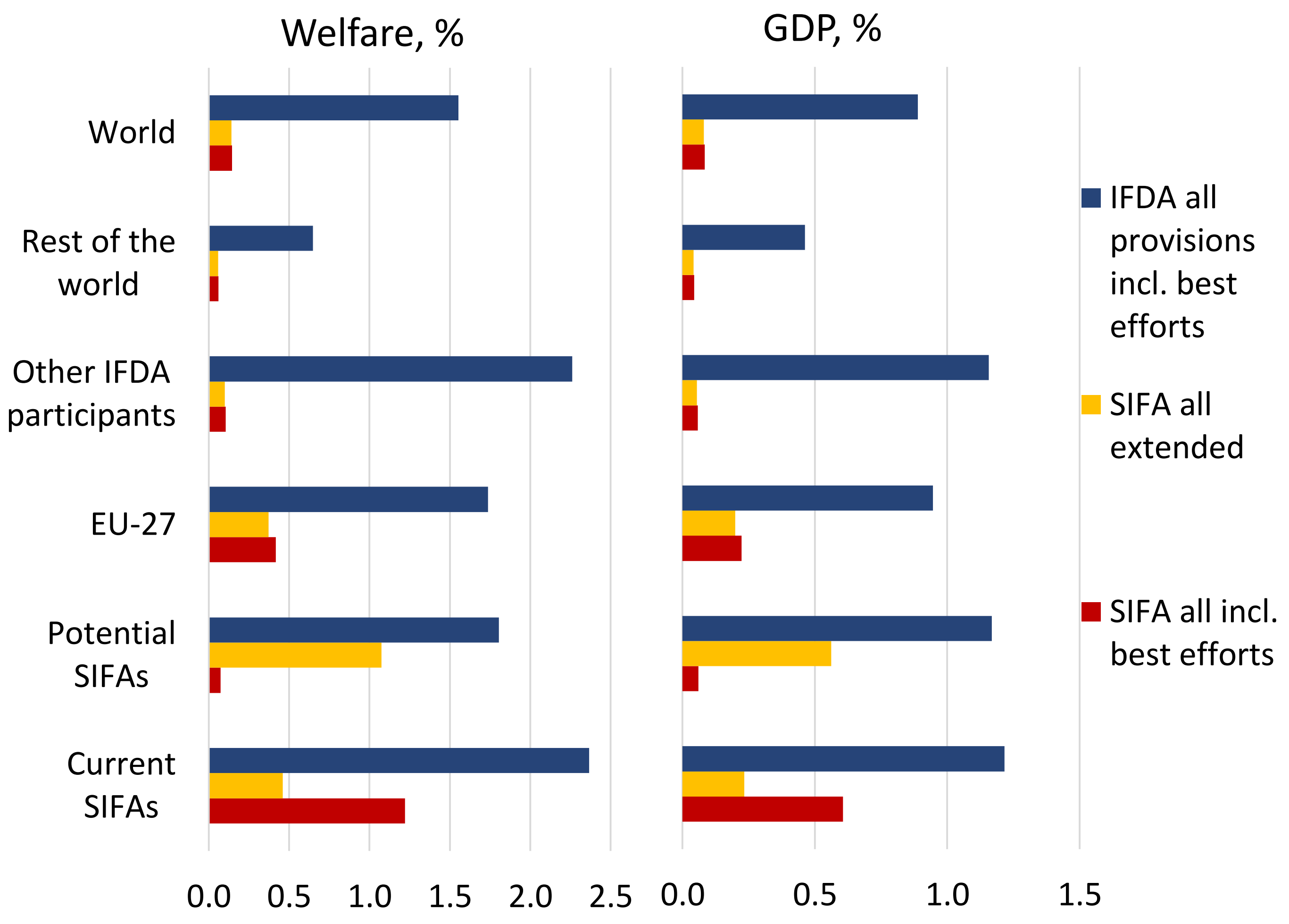
Countries and regions		SIFA mandatory provisions	SIFA conditional provisions	SIFA all incl. best efforts	SIFA all extended
XAC	Angola	0.64	0.31	1.00	0.42
CIV	Côte d'Ivoire	0.72	0.37	1.10	0.43
ECU	Ecuador	0.76	0.57	1.42	0.50
GHA	Ghana	0.04	0.02	0.06	0.91
CMR	Cameroon	0.03	0.02	0.05	1.80
EGY	Egypt	0.03	0.01	0.05	0.67
JOR	Jordan	0.04	0.02	0.07	1.38
MAR	Morocco	0.09	0.05	0.16	2.00
DEU	Germany	0.16	0.08	0.28	0.24
FRA	France	0.19	0.13	0.34	0.25
PRT	Portugal	0.30	0.22	0.57	0.41
ESP	Spain	0.25	0.11	0.41	0.30
REU	Rest of EU-27	0.31	0.15	0.51	0.50
IFD	Other IFDA participants	0.05	0.03	0.09	0.08
CHN	China, incl. Hong Kong	0.09	0.05	0.16	0.15
USA	USA	0.03	0.02	0.06	0.05
ROW	Rest of the world	0.04	0.02	0.07	0.07

Comparing SIFAs and IFDA effects

IFI improvements, %

Countries and regions		SIFA all extended	IFDA all incl. best efforts
XAC	Angola	71.49	112.52
CIV	Côte d'Ivoire	81.21	117.12
ECU	Ecuador	82.47	133.24
GHA	Ghana	92.23	
CMR	Cameroon	147.50	212.53
EGY	Egypt	53.67	83.23
JOR	Jordan	102.74	
MAR	Morocco	78.86	118.29
DEU	Germany	5.57	12.77
FRA	France	8.78	16.67
PRT	Portugal	19.31	32.24
ESP	Spain	12.31	21.45
REU	Rest of EU-27	13.34	23.89
IFD	Other IFDA participants		29.65
CHN	China, incl. Hong Kong		42.96
USA	USA		
ROW	Rest of the world		

Aggregate results



Conclusions

- We illustrate positive, but limited overall impact of SIFAs: Global welfare gains range between 0.04% for conditional provisions and 0.15% for all provision including best efforts
- Effects for the EU-27 are significantly lower than for partner countries due to partners’ higher potential of improving their IF frameworks: Welfare gains of 0.42% compared to 1.22% for current SIFA partners
- Ecuador would gain the most among the current SIFA partners: Welfare gains of 1.42% compared to 1% for Angola and 1.10% for Côte d’Ivoire
- Mandatory commitments generate almost 60% of overall gains including conditional and best efforts provisions
- Implementation of the WTO IFDA would, however, generate significantly higher benefits due to broader coverage of IF measures and participating countries: Global welfare gains equal to 1.55% compared to 0.15%
- Results depend critically on how much of the measured distortions are actionable (central results adopt conservative assumption of 5% actionable)
- **Next steps:**
    - Update to GTAP 12
    - Calculation and application of new AVEs based on Bekkers et al. (2026)
    - Comparison of results using older foreign affiliates sales data from Fukui and Lakatos (2012)
    - Sensitivity analysis including comparative steady-state model formulation

Thank you!

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