Introducing ICSID

International Centre for Settlement of Investment Disputes

The global leader in international investment dispute settlement
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ICSID facilitates foreign investment by providing an impartial system for dispute settlement.
Introducing ICSID

One of the more remarkable economic trends in recent decades has been the expansion of international investment. This benefits countries by providing access to external financing, technology and expertise. But it also means that there are more opportunities for tensions to arise amongst investors and States.

The International Centre for Settlement of Investment Disputes (ICSID) provides an independent forum to conciliate and arbitrate these disputes. ICSID was established under the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the ICSID Convention)—a treaty that entered force in 1966, and which today has been signed and ratified by 153 States.

Today, ICSID is as relevant as ever—with a membership and caseload that is larger than at any other point in its history.
What is investor-State dispute settlement?

Investor-State dispute settlement (ISDS) is—as the term implies—a system of conflict resolution between foreign investors and the State that hosts the investment.

Both the foreign investor and the host State must consent to ISDS before a proceeding may commence. Usually, the consent of the State is contained in international investment agreements between States. These agreements can be bilateral (between two countries), or multilateral (between more than two countries). There are currently more than 3,300 international agreements providing for ISDS.

Consent to ISDS can also be found in the domestic investment laws of some States and in contracts between a foreign investor and a State, or a State-affiliated agency.

How does ICSID facilitate dispute settlement?

ICSID provides the institutional facility and procedural rules for independent conciliation commissions and arbitral tribunals constituted in each case.

The ISDS provisions in international agreements usually allow the investor to select the applicable rules. ICSID has two sets of rules that govern most proceedings under its auspices: the ICSID Convention, Regulations and Rules; and the ICSID Additional Facility Rules. However, ICSID also administers investment cases under other rules, such as the rules of the United Nations Commission on International Trade Law (UNCITRAL).
World Bank Group

Five institutions

<table>
<thead>
<tr>
<th>ICSID</th>
<th>IBRD</th>
<th>IDA</th>
<th>IFC</th>
<th>MIGA</th>
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<tr>
<td>The International Centre for Settlement of Investment Disputes facilitates foreign investment by providing a multilaterally-agreed system for dispute settlement.</td>
<td>The International Bank for Reconstruction and Development lends to governments of middle-income and creditworthy low-income countries.</td>
<td>The International Development Association provides interest-free loans – called credits – and grants to governments of the poorest countries.</td>
<td>The International Finance Corporation helps developing countries achieve sustainable growth by financing investment, mobilizing capital in international financial markets, and providing advisory services to businesses and governments.</td>
<td>The Multilateral Investment Guarantee Agency promotes foreign direct investment into developing countries by offering political risk insurance (guarantees) to investors and lenders.</td>
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ICSID Organizational Structure

Two components, two separate functions

<table>
<thead>
<tr>
<th>ADMINISTRATIVE COUNCIL</th>
<th>SECRETARIAT</th>
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<tr>
<td>• One representative of each Member State, and one vote per State</td>
<td>• Led by Secretary-General</td>
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<td>• Adopts ICSID arbitration, conciliation and fact-finding rules</td>
<td>• Provides technical and administrative support to proceedings</td>
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<td>• Adopts annual budget and approves annual report</td>
<td>• Offers training and technical assistance to governments and the public</td>
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<td>• Elects Secretary-General and Deputy Secretaries-General</td>
<td>• Contributes to the development of investment law through publishing and outreach</td>
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<td>• Each State designates persons to a list of arbitrators and conciliators</td>
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Q: How is ICSID structured?

A: ICSID has an Administrative Council and a Secretariat. Each ICSID Member State has one seat, and one vote, on the Administrative Council. The Administrative Council plays no role in the administration of individual cases. Rather, its mandate is to address organizational matters related to ICSID’s institutional framework.

The ICSID Secretariat consists of about 70 professionals who administer arbitration and conciliation cases and support other ICSID activities. It is led by the Secretary-General, who is the legal representative of ICSID, the registrar of ICSID proceedings, and the principal officer of the Centre.

ICSID is one of the five organizations that make up the World Bank Group. However, ICSID cases are separate and independent from the work of the World Bank.

Q: Who decides ICSID arbitrations?

A: International jurists from all over the world decide ICSID cases. In most instances, the tribunals consist of three arbitrators: one appointed by the investor, another appointed by the State, and the third, presiding arbitrator appointed by agreement of both parties. When a party fails to make an appointment or when the parties do not agree on a tribunal president, ICSID may be asked to make the missing appointments.

ICSID maintains a list of individuals who may be named as arbitrators and conciliators in ICSID proceedings, known as the ICSID Panel of Arbitrators and Panel of Conciliators. Each ICSID Member State may designate four persons to each Panel. The ICSID Panels provide a source from which the parties to ICSID cases may select conciliators and arbitrators, but parties to a dispute may select any person they wish.
Notably, proceedings are detached from domestic procedures under the ICSID Convention. This means that local courts do not intervene in the ICSID process. Awards are final and binding, and may not be set aside by the courts of any Member State.

**Q:** Why do States and investors choose ICSID?

**A:** ICSID is the only institution designed with the special characteristics of international investment disputes in mind, and its rules are drafted to balance the interests of investors and States. Moreover, dispute settlement at ICSID is efficient and cost-effective, and therefore accessible to a broad range of investors, including many small and medium-sized enterprises.

The ICSID Secretariat also provides extensive administrative and legal support. ICSID maintains panels of experienced conciliators and arbitrators, and offers state-of-the-art facilities around the world.

Arbitration under the ICSID Convention entails a strong enforcement mechanism. An award by an ICSID tribunal is binding on all parties to the proceeding, and all Member States must recognize and enforce the award.

Also, ICSID provides registers for all cases, up-to-date listings of procedural steps, and links to awards and other case materials. Parties have the option of public hearings, and ICSID facilitates the participation of non-disputing parties. These features enhance accountability and public confidence in the process.
What are the steps in an ICSID arbitration?

The first step is submitting a request for arbitration to the Secretary-General of ICSID, outlining the facts and legal issues to be addressed. Once requested, the case will be registered unless the dispute is manifestly outside the jurisdiction of ICSID.

Next, an arbitral tribunal is constituted, and a first session is held to deal with preliminary questions of procedure. From there, the proceeding usually comprises two distinct phases: a written procedure followed by in-person hearings. After the parties present their case, the tribunal deliberates and renders its award. Parties may agree to hold an ICSID proceeding in any location. Where suitable, hearings and sessions are conducted by telephone or video conference to reduce the cost and increase the efficiency of proceedings.

What are some trends at ICSID?

The ICSID caseload has increased in the last twenty years. This reflects the substantial growth in cross-border investment and the increased number of international investment agreements offering ISDS. ICSID has administered over 650 investment cases to date.

ICSID cases involve a full range of economic sectors. Traditionally, the extractives sector—i.e. oil, gas and mining—as well as the energy sectors have accounted for the largest share. Disputes related to finance, transport, and construction are also prominent. Up-to-date caseload statistics, covering a broad range of trends, are available on the ICSID website.

States from all regions of the world have been involved in ICSID arbitration and conciliation. Originally, disputes involved mainly investors from developing States which invested in developing countries. However, that trend is changing as countries develop and their investors venture overseas.
Where can I learn more?

ICSID’s website offers a wealth of information in the Centre’s three official languages: English, French and Spanish.

Visit us at
https://icsid.worldbank.org/en
https://icsid.worldbank.org/fr
https://icsid.worldbank.org/sp