



Draft

**Concept Note on OIC High Level Public and
Private Investment Conference**

***“Unleashing Intra-OIC Investment Opportunities:
Investment for Solidarity and Development”***

Istanbul, Republic of Turkey, 8-9 December 2019

I. BACKGROUND

1. Domestic and foreign direct investments remain the main precondition for the creation of wealth, new employment opportunities, and the improvement of living standards. An increase of sustained and resilient investment growth will contribute positively towards attaining the OIC-2025: Programme of Action.
2. In recent years, the global market has witnessed volatility that includes slower trade liberalization and value chain integration, as well as elevated policy uncertainty. This continues to weigh on the outlook for investment and trade. As highlighted in the aforementioned 2018 global outlook, the economic global trends remain characterized by uncertainty and volatility in some markets, especially in trade, while the FDI inflows have recorded impressive growth in 2018 in some developed countries.
3. While the OIC region is not quite as strongly exposed to the risks of the global economic crisis, as is Asia, there will, however, be significant indirect effects if Official Development Assistance (ODA) is curtailed and exports, foreign direct investment, and Diaspora remittances are reduced.
4. The cognizance of the critical role played by investment in attaining high levels of economic growth and enhancing the integration agenda of the OIC member countries (MCs) should go along with improving the existing legal framework in order to create a sound business environment characterized by predictable and stable macroeconomic conditions, strong legal systems, low levels of corruption, effective corporate governance mechanisms, and sound institutional frameworks.
5. Many OIC countries have sought to increase the flow of investment resources into their economies. However, considering the need for regional responses towards addressing the various challenges of globalization, limited financial resources, dearth of skilled man- power, and other structural weaknesses of their national economies, efforts are being focused on increasing intra-OIC engagements for investment promotion.
6. OIC MCs are conscious that without effective policies on investment protection and promotion they will continue to be marginalized in terms of global investment global share. It is therefore important that OIC Governments, IPAs, Sectoral and Regional Business Associations, Chambers of Commerce, and other relevant private and public stakeholders adopt a common development vision that facilitate and stimulate the investment flows, technology transfers, and innovation into the OIC MCs.

7. Most OIC countries have in place Investment Promotion Agencies, which market an individual country as a destination for investment and which facilitates new investment. As markets integrate, it is acknowledged that there is a need for greater cooperation under the umbrella of WAIPA where the role of IPAs (Investment Promotion Agencies) in the OIC region needs to be strengthened as a vehicle of promoting FDI into their respective countries.
8. For example, the sudden decline of commodities prices has resulted in upheaval transformation of the economic and social conditions where the policymakers had to implement innovative solutions that address the issue of adaptability toward the high dependency of their economy to commodities revenues.
9. OIC member countries therefore are advised to continue to speed up the reforms by setting-up schemes that promote new investment policy measures to be geared towards investment liberalization and promotion.
10. To support our MCs to access global markets, the collective partnership between OIC MCs, IDB Group and other MDBs, private and public financiers, and relevant stakeholders, will be looking at promoting the investment and trade flows from both the public and private spheres.
11. The political risks are associated with the foreign investment insurance. The risks that an investor faces in a third country are multifaceted. Some of the risks faced by investors cannot be assumed under political risk insurance. Risks like project risk, transaction related risk, fraud, non-performing of business, theft etc.
12. However, risks covered by Export Credit Agencies (ECAs) are those inherent from the action of the government or the people of the country. These risks include expropriation, war and civil disturbance, transfer or inability of currency exchange, breach of contract, and non-honoring of a sovereign guarantee.
13. The above risks faced by exporters during the life cycle of the transaction can be mitigated by the following facilities and schemes provided by MDBs and ECAs, a) Financing facility, b) Guarantee Financing, c) Credit Insurance facilities, d) Investment Insurance facility, e) Bonding facilities (these services which take a number of forms such as bid bonds, performance bonds), f) Re-insurance services, g) Advisory services, h) Training services.
14. The new model of investment code based on best practice will address the issue of proliferation of International Investment Treaties (treaty-bases investor-state) as well the ambiguity with Bilateral Investment Treaties that carries significant economic and political weight and causes at the same time a negative impact on the arbitration for the developing countries in general and OIC MCs in particular. The entry into force of the OIC Agreement for Promotion, Protection, and Guarantee of Investments could facilitate the investment flows in the region from

both the Government and Promoter of the Investment interests. Further, the OIC Arbitration Centre will serve as a platform where both commercial and investment-related disputes among the OIC member countries can be resolved.

15. Further, the role of IPAs in the OIC region needs to be strengthened as a vehicle for promoting FDI into their respective countries. One of the specific weaknesses facing the IPAs is the lack of talented skills to undertake project appraisal for bankable projects and resource mobilization as well as to engage in negotiation of international contracts.

II. CHALLENGES AND OPPORTUNITIES IN PROMOTING INTRA-OIC INVESTMENT

16. Despite the recognition of the need to improve the business environment and to attract a substantial portion of the global foreign direct investment, FDI inflows into the OIC region followed a negative trend in recent years in line with the global trend. It was recorded at US\$ 107.4 billion in 2018, which was about US\$ 35.6 billion lower than its value recorded in 2011.
17. Due to the sharp decline in global FDI inflows stemming from risks of trade wars, increased protectionism wave and global economic slowdown, the share of OIC member countries in global FDI inflows increased from 7.2% in 2017 to 8.3% in 2018. OIC member countries, on the other hand, collectively hosted 6.2% of the global FDI stock in 2018, which marked a 0.1 percentage point increase compared to the value observed in 2017.
18. Overall, both FDI inward flows and stocks figures for the OIC region indicate that OIC member countries underperformed in terms of attracting and hosting foreign investors despite having large size of economies, young and dynamic populations, and abundant natural resources.
19. A closer look into the OIC country level FDI data shows that FDI flows to OIC member countries exhibited a high level of concentration, with bulk of it persistently being directed to a few of them. In 2018, the top 5 OIC member countries with the largest inward FDI flows together accounted for 56.1% of total FDI flows to OIC member countries, whereas the top 10 countries accounted for 73.5%. Indonesia took the lead in FDI inflows with US\$ 22 billion of inward FDI flow, and a 20.5% share in total FDI flows to OIC countries. It was followed by Turkey and the United Arab Emirates. As in the FDI inward flows, only a few OIC member countries host the vast majority of FDI inward stocks. In 2018, the top 5 OIC member countries hosted 45.1% of total OIC inward FDI stocks, whereas the top 10 countries represented a share of 69.2% in the OIC total.

20. The OIC country level data on FDI inward flows and stocks reveal that a good number of OIC member countries could not attract a sizeable amount of FDI, and therefore they were unable to reap benefits such as job creation and technology transfer from foreign investors as expected.
21. FDI flows into developing countries are expected to decline in upcoming years stemming from the fragility of the global economy, persistent weakness of aggregate demand, sluggish growth in some commodity exporting countries, and effective policy measures to curb tax inversion deals. All of these factors are expected to make FDI markets more competitive, especially for the developing world, and that has the potential to affect many OIC member countries.
22. The growing competition and dwindling FDI figures that are not reflective of the full potential of the OIC region require member countries to scale up concerted efforts towards improving the overall investment climate and improving the business outlook for investors while addressing persistent challenges from ineffective infrastructure to the high-degree of bureaucracy in doing business.
23. As in other dimensions of the economic integration among OIC countries (e.g. intra-OIC trade and tourism), intra-OIC FDI trends can be a good indicator to assess the level of economic integration among OIC Member States. A higher volume of intra-OIC FDI inflows implies the existence of stronger economic ties among OIC member countries. In a similar fashion, an increased volume of intra-OIC FDI inward stocks indicates improvement among intra-OIC economic cooperation stemming from FDI originating from OIC member countries.
24. Existing barriers in OIC member countries ahead of investors in terms of institutional quality, visa regimes, and restrictions on profit and capital transfers also limit the level and scope of economic cooperation among OIC Member States. Therefore, intra-OIC FDI figures could not reach their potential and thus economic integration stays limited in terms investment.
25. As in the overall FDI figures, only a few OIC member countries were able to attract a significant amount of FDI from investors originating from other OIC member countries. For instance, over the period 2008-2012, the volume of intra-OIC FDI inflows recorded by the top four performer OIC member countries represented 75.2% of all intra-OIC FDI inflows seen in this period. Therefore, the trends seen in intra-OIC FDI figures are not always stemming from an overall improvement in intra-OIC cooperation, rather it is a result of increased economic integration among some OIC member countries.

26. Fortunately, the potential for intra-OIC investment flows are evident within the OIC economies. According to the IMF, 31 OIC countries are classified as middle-income countries, including 19 fuel-exporting countries, while 19 other OIC countries are low-income countries. The 21 least developed OIC countries rank high among agricultural land rich countries, a situation that presents a good case for rewarding trade and investment flows.
27. In view of the foregoing, there is evidently a need for more comprehensive policy-interventions to reduce intra-OIC investment barriers and encourage investments among OIC member countries given the high potential, especially in terms of economic complementarities. These policy-interventions should not only be limited to the free movement of capital across the borders of OIC member countries, but they also need to address the restrictive visa regimes applied to citizens of OIC member countries by other member countries since foreign investors usually look for eased movement of human capital across borders. OIC member countries also need to get a common understanding that there is a great potential in terms of intra-OIC FDI flows, which can boost economic growth and trigger development within the OIC region. However, existing, barriers in many OIC member countries faced by investors such as institutional quality, visa regimes, and restrictions on profit and capital transfers downsize the level of economic cooperation among OIC member countries.
28. In this connection, this Conference aims to promote intra-OIC investment through elimination of all kinds of barriers to free movement of goods, services, people, and finance among OIC member states, while at the same time promoting the ease of doing business within the OIC space.

III. RATIONALE

29. In line with the Resolution 2/46-E adopted by the 46th Council of Foreign Ministers, held in Abu Dhabi from 1-2 March 2019, the OIC Secretariat General in partnership with the Government of Turkey is organizing an OIC High Level Private Public Investment Conference to be held in 8-9 December 2019 in Istanbul (Turkey).
30. As stated by the Resolution, the Government of the Republic of Turkey is convening this conference in cooperation with OIC General Secretariat, IsDB Group, ICDDT, and SESRIC and other public and private key stakeholders.
31. OIC Investment Conference will represent a key win-win platform between the OIC private and public policymakers to discuss policy recommendations that will enable us to reach a vibrant public and private dialogue. The Conference will also highlight the main hindrances to be lifted in order to boost the intra-OIC investment and trade.

32. It will also underscore the main drivers of socio-economic transformation of the OIC MCs that will lead to inclusive and resilient growth.
33. This 2 day high-level Conference aims to generate a large array of new business opportunities.
34. Public and Private Representatives from the OIC region will showcase their success stories and unveil new projects.

IV. MAIN OBJECTIVES

35. The overall objectives of the Conference are to:
 - Get a better assessment on the investment opportunities and implications associated with doing business in the region by involving all key stakeholders and allowing them to make informed decisions about investment and reform.
 - Identify the frameworks that are driving growth and contributing to a favorable business environment in the OIC Region.
 - Forge sustainable partnerships between the OIC public/private actors with a view to enhancing trade and investment in the region.
 - Create an opportunity for business leaders to explore the challenges and opportunities in key strategic commodity sectors.
 - Provide a platform for OIC public and private policymakers to meet directly with policy makers at national, regional and continental levels with a view to sharing ideas on ways of improving the business climate.
 - Generate the opportunity for public and business actors to discuss ways of enhancing competitiveness by exchanging views on issues such as access to finance and external markets.
 - Meet those that are driving the agenda of economic growth at an event which offers an unparalleled platform to get to know and do business with the emerging giants of the future.
 - Demonstrate the benefits of Intra-OIC Investment, particularly in cases where OIC countries produce goods that are complementary, and enhance the intra-OIC trade and investment.
 - Prove the role played by ECAs and MDBs in reducing transaction risk and fostering FDI inflows into OIC countries due to its unparalleled expertise on commercial and country risk in these countries.
 - Highlight the Partnership around a win-win Dialogue between the Government and Private Stakeholders, highlighting their complementarity roles and addressing the risk perception toward the investment's decision.
 - Ensure the buy-in by OIC MCs in relation to the entry-into force of the Resolutions and their implementation (e.g. General Agreement for Economic, Technical and Commercial Cooperation among Member States of the Organisation of Islamic Cooperation, and the Agreement for Promotion,

- Protection and Guarantee of Investments among Member States of the Organisation of Islamic Cooperation)
- Engage the Private and Public Dialogue around:
 - o Advancing cooperation in the area of arbitration of trade and investment disputes
 - o Tackling the Data Revolution in the OIC MCs
 - o Expanding Islamic finance, including micro-finance and takaful
 - o Developing South-South cooperation model for investment promotion: Reverse Linkage
 - o Empowering Youth and Women in the economic transformation of the OIC MCs

V. PRIORITY SECTORS

36. The following are the sectors perceived to be of interest to public policymakers and the business community (but not limited to):
- Agribusiness (with particular emphasis on processing)
 - Marine Resources and Fisheries
 - Mining, Metal, Mineral
 - Transportation and Infrastructure
 - Coal, Oil, and Natural Gas
 - Business and Services
 - Financial Services
 - Industrial Machinery, Equipment, and Tools
 - Communications, Software, and IT Services
 - Hotels and Tourism
 - Textiles
 - Alternative and Renewable Energy
 - Chemicals and Pharmaceutical sectors

VI. EXPECTED DELIVERABLES

- “The Istanbul Declaration”
- “Conclusions and Recommendations”

VII. FORMAT OF THE CONFERENCE

37. The Conference will focus primarily on how the OIC Public & Private Sector actors can forge sustainable partnerships with a view to enhancing win-win and sustainable partnership between the two. The Conference will be a suitable opportunity to meet key actors from global industries and draw attention to the challenges and opportunities in various key private sector areas as well as provide a platform for engagement with policy makers.

38. The Conference also will feature some national and regional project portfolios with regional investment and export trade opportunities that require international partnerships.
39. This Conference will take the form of a 2-day event to deepen general awareness and enable:
- 2 days of Public-Private Thematic Discussion Sessions between the Governments and CEOs
 - Half a day Governments-CEOs Round Table
 - In parallel and during the two days:
 - Specific Business to Government (B2G) pre-scheduled meetings in 48 hours organized through match-making software, according to participant's wishes with the assistance of interpreters as needed;
 - Matchmaking sessions: connecting OIC investors with potential OIC/ Non OIC partners;
 - Exhibition Stands IPAs and other national and international institutions to promote Doing Business in their respective countries and accompany the OIC MCs
 - A side trade fair to showcase specific potentialities and cultural diversity.

VIII. PROPOSED LEADERS FROM THE OIC MEMBER STATES - ROUND TABLE (2 hours)

40. The underlying challenge the OIC Conference and the Round Table will address is how to harness new industrial and commercial relationships more effectively to achieve the MCs long-term development goals, notably by moving beyond commodities or the extractive sector and by enhancing technology transfer and learning.
41. Unlocking economic opportunities, promoting sustainable development, and raising living standards for the OIC MCs require a long-term commitment to OIC through the local, regional, and global value-chains. CEOs will be invited to share their vision on long-term commitments in the OIC region and to flesh out the conditions for the realization of win-win partnerships
42. It is proposed to have a half-day Governments-CEOs Round Table under the theme "How to translate business and investment expectations into realities".
43. The objectives of the Roundtable include:
- To identify the huge potentials of the OIC Region and how the OIC public & private sectors can capitalize on these;
 - To strengthen linkages among OIC public & private sectors with a view to enhancing business opportunities;

- To identify challenges to doing business in OIC MCs and exchanging views on how to improve the business environment;
- To support the economic transformation of the OIC region for the benefit of their population.

44. The Governments-CEOs Round Table will build on the conclusions and recommendations of OIC High Level Public and Private Investment Conference and provide high profile insights into development challenges in key sectors that will eventually feed the “Istanbul Declaration”

IX. APPLICATION SUBMISSION PROCEDURE (CHECK LIST)

45. To enable the partners to promptly assess the eligibility of a project for investment, interested enterprises should submit a preliminary application covering, in general, the following harmonized format:

- General Information
- Market
- Technical Aspects
- Raw Materials and Procurement
- Infrastructure and Transportation
- Environmental Aspects
- Organization and Management
- Government role, taxation, regulation, insurance, special incentives
- Project Investment Cost and Financing Plan
- Financial and Economic Evaluation
- Risks and Safeguards
- Appendices

Having determined the eligibility of a project financing application, the investors will initiate a full application review. To facilitate this, we will require the following:

- Feasibility study
- Business plan
- Environmental impact assessment (depending on the nature of the project).

X. PARTICIPATION

- Dignitaries
- Heads of States and Governments
- Ministers on Investment, Industry and SMEs and trade officials
- Senior Representatives from Investment Promotion Agencies
- CEO's of companies from OIC MCs and other major multinationals

- Heads of Multilateral Development Banks/Funds
- International Business Leaders to showcase potential investment opportunities in the OIC MCs
- Consultants/Analysts/ Economists/ Legal Experts/Academics/ Risk Professionals
- International organizations and multilateral agencies
- Investment consultants and economic advisors
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- Leading international and local Media
- Regional Economic Communities
- Chambers of Commerce
- Business council

XI. DATES AND VENUE

46. The event will take place in Istanbul, Republic of Turkey, on 8-9 December 2019. For more information, please visit our website to get full details about the event and for the online registration...www: <https://www.oicinvestmentconference.org/>

**General Secretariat of the
Organization of Islamic Cooperation**