



Forum on the Policy Dialogue of the Investment Promotion Agencies of the OIC Member States

Concept Note and Program

Dakar, Senegal, 15 June 2022

A. Background

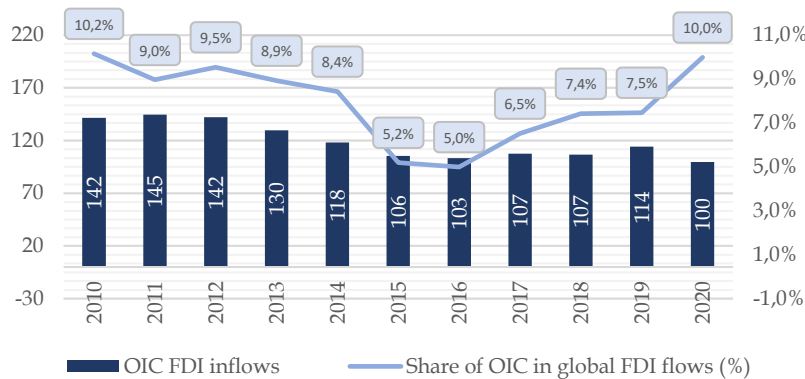
1. ICDT organizes biennial OIC Trade Fair in one of the OIC Member States. The main goal of the Trade Fair is to introduce products, industries, and services of the OIC Member States and raise the level of trade and investment opportunities among them.
2. During 22 - 26 May 2016, the Islamic Centre for development of Trade (ICDT) organized its 15th Trade Fair for the OIC Member States in Riyadh at the International Convention Centre and Exhibition. Concomitantly with the 15th Trade Fair, and within the framework of cooperation between ICDT and the IsDB, ICDT requested the Regional Cooperation and Integration of the IsDB to join hands in organizing the Forum on the Policy Dialogue of the Investment Promotion Agencies of the OIC Member States. The first Policy Dialogue Forum is planned to be held on the sidelines of the 17th OIC Trade Fair in Dakar, Senegal, on 15th June 2022, dedicated to the OIC African group of countries.
3. The objective is to support the Member States' IPAs to overcome the negative consequences of Covid-19 on attracting FDIs through sharing relevant experiences and best practices and initiating investment strategies pertinent to the context of participating Member States.
4. The Policy Dialogue Forum is expected to advance the interaction among OIC Member States' IPAs and provide a platform for a strategic dialogue on various investment promotion issues.
5. IPAs are at the forefront of investment, business attraction, and supply chain management. However, the Covid-19 has exposed IPAs to near and medium-term challenges. This timely Forum shall address investment-related challenges and contribute to IPA's effort in extending assistance to the respective government's economic recovery efforts.
6. Different efforts are being made at the domestic and international levels to revive the investment ambience. Similarly, to attract FDI, the OIC Member States' IPAs need to take proactive steps to reap the opportunities. The steps should include improving the business environment, advocating upgrading infrastructures (especially transport and energy), promoting intra-OIC trade and investment, and adopting the right investment promotion policies.
7. The Policy Dialogue Forum is expected to develop recommendations that would support the Member States' IPAs in attracting investment to their countries, thus contributing to the financing of the developmental projects. In addition, the Forum shall foster collaboration and networking between IPAs of OIC Member States and encourage more systematic sharing of knowledge and best practices related to investment promotion.

B. FDI Landscape

FDI in the OIC Member States

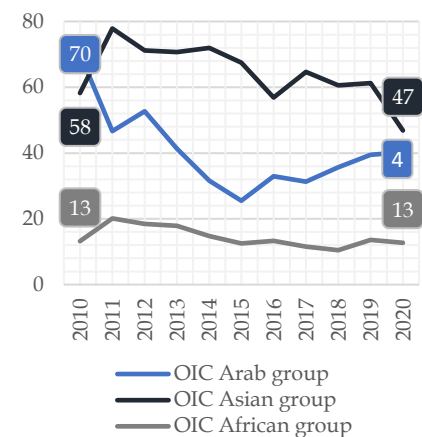
8. With a moderate decline in 2020, FDI flows to OIC countries amount to \$100 billion in 2020, compared to \$114 billion in 2019. The most significant decrease in FDI flows occurred in the OIC Asian group (\$14,4 billion), followed by a \$0,9 billion decrease in the OIC African group and a \$0,8 billion increase in the OIC Arab group of countries. Since the Covid-19 pandemic caused a more dramatic fall in FDI in developed countries, the FDI inflows to OIC countries reached 10% of the world total, the highest rate in the last decade (Figure-1). The share of OIC countries in the flows to developing countries was estimated at 14.8% in 2020 and remained almost unchanged in the previous 4-years due to the parallel trends of FDI inflows to both groups.

Figure 1: FDI inflows in OIC and share in world total
(Billions of dollars and per cent)



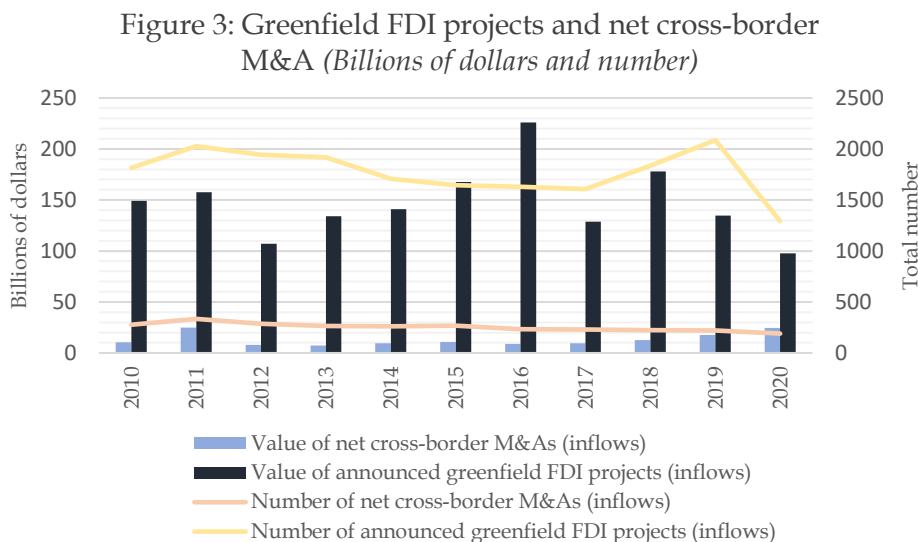
Source: UNCTAD.

Figure 2: FDI inflows in OIC by country groups (Billions)



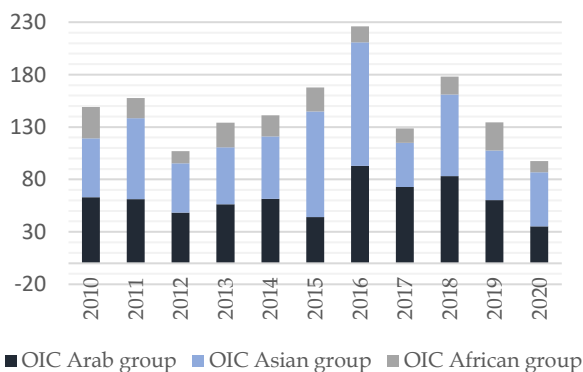
9. In OIC countries, the decline was also substantial, both in value and the number of announced FDI greenfield projects. From 2019 to 2020, the number of projects decreased by 38.1% to attain 1,292 - the lowest figure since 2008 - while the value of announced greenfield projects decreased by 27.4% to remain at \$97.7 billion, which is less than \$100 billion for the first time, with data available dating back to 2003 (Figure-3). Therefore, in terms of the number of greenfield projects, OIC countries accounted for 10% of the global total in 2020, compared to 11.4% in 2019, while their share in the sum of developing countries has increased from 26.3% to 28.1%. In terms of net cross-border mergers and acquisitions (M&As), in 2020, the OIC countries have sold \$24.5 billion of existing operations, an increase of \$6.9 billion compared to 2019. The value of inward M&As has increased by 72,3% in the OIC African group, 29,3% in the OIC Arab group, and 17,8% in the OIC Asian group of countries (Figure-5).

10. OIC Asian countries were more successful than other OIC groups in announced greenfield projects, whose value from 2019 to 2020 has increased by 8.5%. The value of announced greenfield FDI projects has decreased by 41.4% in the OIC Arab group and 60.5% in the OIC African countries in the same period (Figure-4).



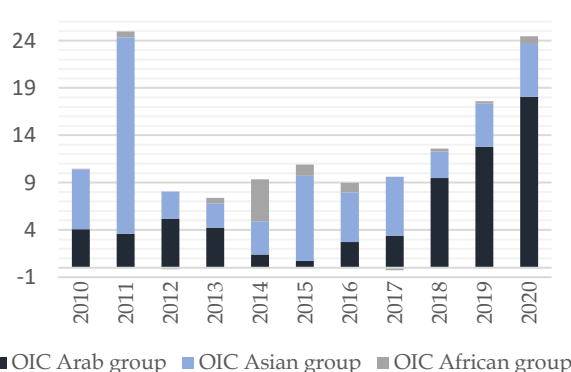
Source: UNCTAD.

Figure 4: Value of announced greenfield projects by country groups (Inflows, billions)



Source: UNCTAD.

Figure 5: Net cross-border M&As by country groups (Inflows, billions)



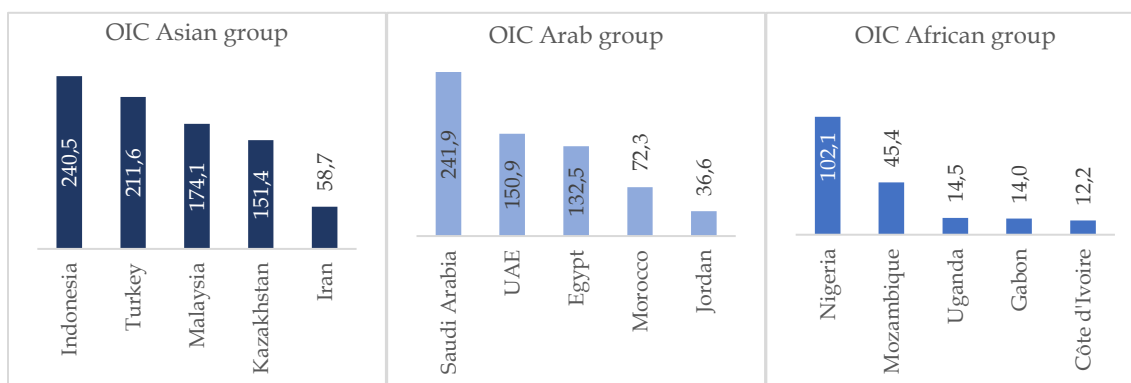
Source: UNCTAD.

11. From 2010 to 2020, FDI stocks have become 1.6 times higher in OIC countries to reach near \$2.2 trillion in 2020. However, the share of OIC countries in the world's total FDI stock has reduced from 6.7% in 2010-2015 to 5.8% in the 2016-2020 period, decreasing to 5.1% in 2020.

12. As is the case in other macroeconomic aggregates, FDI attracting performance exhibited a high concentration level among OIC countries. The majority of FDI stocks are accumulated in a small number of countries. Thus, inward FDI stock accumulated

in Saudi Arabia, Indonesia, Turkey, Malaysia, Kazakhstan, United Arab Emirates, Egypt, and Nigeria accounts for 65% of OIC countries' total inward FDI stock. In this respect, Indonesia (\$240.5 billion) dominates in the OIC Asian group, Saudi Arabia (\$241.9 billion) in the OIC Arab group, and Nigeria (102.1 billion) in the OIC African group of countries.

Figure 7: Top five OIC countries in inward FDI stock by country groups
(Billions of dollars)



Source: UNCTAD.

FDI in Africa

13. The African continent has historically suffered from low FDI inflows that revolved around 3% of global FDI inflows. That low level of FDI is neither proportionate to the continent population nor its development needs. Covid-19 negative consequences on the global flow of FDI impacted Africa as well, but at a lower ratio. However, the rebound of FDI inflows in developing countries in general, including African countries, is expected to be slower than in developed countries, according to UNCTAD estimates.
14. FDI and remittances are the largest sources of external finance for developing countries. FDI is also a catalyst for job creation, technology transfer, and economic growth. Africa's share of global FDI has been generally characterized by being limited and declining. According to UNCTAD, Africa attracted \$39.8 billion in 2020, nearly 4% of total global FDI flows in that year, which is a small share compared to the continent's population, which constitutes around 17% of the world's population. Figure 1 depicts the state of FDI in the African Continent in 2020.
15. The covid-19 pandemic posed significant challenges to the global FDI landscape. Lockdowns, disruption of global value chains (GVCs), and reduced earnings of FDI key stimulus, i.e., multinational enterprises (MNEs), resulted in a sharp decline in global FDI flows.
16. OECD and UNCTAD estimate that global FDI flows plunged to USD 846-859 billion

in 2020, respectively, a 38-42% decrease compared to 2019, the lowest level since 2005. Moreover, FDI flows represented only 1% of World GDP in 2020, which is again the lowest level since 1999. The fall in global FDI flows is expected to continue by 5-10% in 2021 and 2022.

17. In the African context, FDI inflows into the continent contracted by 18%, which seems to be better than the global decline rate (38-42%). However, the fall of FDI in Africa is still significant, particularly when the already low FDI levels in the continent before the crisis are factored in. Furthermore, the announced fall of greenfield investments by 46% and international project finance by 7% is not a good sign for developing countries because those investments are critical for productive capacity and infrastructure development.
18. Despite Africa's challenges in attracting development-oriented FDI and the negative consequences of Covid-19 on the global FDI flows, the continent is still offering promising investment opportunities, given its rich resources and growing young demographics. For example, PWC expects two African OIC countries to be ranked among the top 15 economies globally by 2050, namely Nigeria (14) and Egypt (15). Besides, the commencement of the African Continental Free Trade Area (AfCFTA) in January 2021 and the progress in drafting its investment protocol is another excellent opportunity to advance the investment climate in the continent.

C. Project Description

19. The proposed cooperation between ICDT and the Regional Cooperation and Integration (RCI) Department of the IsDB is to join hands in organizing two IPAs Policy Dialogue Forum of African Countries. The first Policy Dialogue meeting will be on the margin of the 17th Trade fair of OIC Member States in Dakar, Senegal, on 13-19 June 2022. A second Policy dialogue for Arab and Asian IPAs will be organized on the sidelines of the 18th OIC Trade Fair to be held in Lahore, Pakistan
20. The proposed Policy Dialogue Fora of OIC IPAs is coming at a time that witnessed declining FDI flows, disinvestments, and relocation of investments in member countries. Hence the concerns for intensified FDI competition among and within countries have become more pronounced; it is the right time to focus on improving the investment environment and share the varied experiences of governments in investment challenges, policy, and promotion practices.

Objectives

21. Investment promotion agencies (IPAs) of respective countries are especially in a significant challenging position in the near to medium term posed by the COVID-19 pandemic. They are at the forefront of investment, business attraction, and supply chain management. Therefore, investment-related challenges will likely affect IPAs'

core functions, activities, and operations to extend contribution to their government's economic recovery efforts.

22. The main objective of this Policy Dialogue Fora is to discuss and share experiences on FDI attraction, incentives, and obstacles in the OIC Member States and to initiate investment strategies that are relevant to the context of OIC IPAs. Such a discussion would help identify policy challenges and possible areas of dialogue and cooperation among them.
23. The Policy Dialogue is meant to help officials of IPAs in member countries cultivate peer-to-peer learning and experience sharing and create a greater understanding of investor priorities and requirements in their decision process.
24. Both Fora will also take notes of the investment-related activities and initiatives currently underway in the region to avoid duplication of efforts and achieve synergies. The intention is to develop, considering the discussions with and suggestions from main stakeholders, an IsDB member countries' investment policy dialogue initiative that will facilitate inward investments, job creation, and technology transfer to the economies of IsDB member countries.
25. Changes in economic dynamics may lead IPAs to reorient their lists of priority sectors. Accordingly, IPAs need to engage in this Policy Dialogue to exchange experience and knowledge on how to be innovative, change their existing business models and, in some cases, reinvent themselves to continue adding value. In addition, IPAs carefully need to observe the need for countries' economic recovery and the changes in global FDI and government policies to redesign their strategies and policies.

Program Outcomes

- Establishing an initial network among investment officials from participating countries. The meetings are expected to stimulate the exchange of ideas and suggestions among all participants.
- Enhancing the policy advocacy functions of Investment Promotion Agencies to play an effective bridging role between investors and policymakers in improving the investment climate.
- Deepening the dialogue on key elements of the investment promotion agencies' agenda, such as policy advocacy, administrative reforms, the relationship between bilateral, regional, and international investment instruments, and the use of incentives.
- Identification of the current status of policy reform and development in the designated policy areas related to international investment,
- Regular policy dialogue meetings on emerging investment policy and promotion issues.
- In addition, the current situation is a timely opportunity to involve IPAs in

discussing the difficulties caused by COVID and the opportunities created through it. The additional expected outcomes due to the COVID-19 situation are the following:

- Increased collaboration among IPAs
- Increase knowledge on the implication of COVID both in the short and long term
- Building up knowledge for scaling up promotion efforts

Methodology

26. Participants shall be split into 4 to 6 groups; there will be facilitators from IsDB, ICDT, and possible consultants. Each group will discuss specific issues that are foreseen to cover part of the entire investment life cycle and specifically includes the following:
- What are the main challenges IPAs face and what opportunities exist in the near to medium term?
 - How could IPAs develop innovative approaches to reach and serve their clients promptly?
 - How could IPAs review and enhance their value propositions and target sectors for investment attraction? and
 - How could IPAs detect opportunities created through COVID and scale up their impact with new and existing investors?
 - How could IPAs promote and attract digital FDI, what role will digital investments play in the COVID-19 recovery, and how can IPAs contribute to creating a digital-friendly investment climate?
27. The finalization of the recommendations related to each topic will be done according to the respective facilitators and the organizing parties.

Target Audience:

28. The main partners in this Policy Dialogue will be Officials of Investment Promotion Agencies in OIC Member States.

Draft Programme

9.00-10.00	Registration
10.00-10.30	<p>Master of Ceremony Opening remarks:</p> <ul style="list-style-type: none"> ➤ Welcoming address of the Director-General of APIX Senegal ➤ Speech of the Acting Director of the Cooperation and Regional Integration Department of IsDB ➤ Speech of the Director-General of ICDT ➤ Photo of participants
10.30-11.00	Coffee Break
11.00-12.00	<p>Chair: ICDT Representative Session I: Current status of World and OIC Investment flows and impact of COVID-19 Speakers:</p> <ul style="list-style-type: none"> ➤ OIC FDI Outlook by ICDT Representative ➤ Role of Investment Agreements on enhancing policy dialogue between OIC IPAs and Intra-OIC Investment Flows by UNCTAD Representative ➤ Impact of COVID on Intra-OIC Investment flows and Strategies for enhancing intra-OIC Investment flows by SESRIC Representative ➤ Role of BADEA in supporting IPAs in Sub Saharan Africa ➤ Debate
12.00-13.00	<p>Facilitator: IsDB Representative Session II: Investment Promotion Agencies (IPAs) Policy Dialogue Presentations:</p> <ul style="list-style-type: none"> ➤ Presentation of the dialogue between OIC IPAs by a group of 4 members ➤ Debate
13.00-14.30	Lunch Break
14.30-15.30	<p>Facilitator: IsDB Representative Session II: Investment Promotion Agencies (IPAs) Policy Dialogue (Continuation) Presentations:</p> <ul style="list-style-type: none"> ➤ Presentation of the Dialogue between OIC IPAs by a group of 4 members ➤ Debate
15.30-16.00	<p>Closing Ceremony:</p> <ul style="list-style-type: none"> ➤ Reading out the policy dialogue recommendations ➤ Closing remarks by ICDT, IsDB, and APIX