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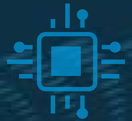
ANNUAL REPORT ON INVESTMENT CLIMATE AND OPPORTUNITIES IN OIC COUNTRIES 2022



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ANNUAL REPORT ON INVESTMENT CLIMATE AND OPPORTUNITIES IN OIC COUNTRIES

2022

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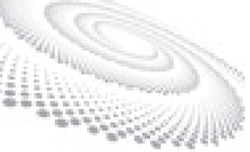

Acronyms

BIT	Bilateral investment treaty
CDIS	IMF's Coordinated Direct Investment Survey
CDS	Credit default swap
CIP	Competitive Industrial Performance Index
COMCEC	OIC Standing Committee for Economic and Commercial Cooperation
CRA	Credit rating agency
ECA	Export credit agency
EDBI	Ease of Doing Business Index
ESG	Environmental, social, and governance criteria
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign direct investment
FTA	Free trade agreement
GCC	Cooperation Council for the Arab States of the Gulf
GDP	Gross domestic product
GFCF	Gross fixed capital formation
GTA	Global Trade Alert
GVC	Global value chains
ICCIA	Islamic Chamber of Commerce, Industry and Agriculture
ICD	Islamic Corporation for the Development of the Private Sector
ICDT	Islamic Centre for Development of Trade
ICIEC	Islamic Corporation for the Insurance of Investment and Export Credit
ICT	Information and communications technology
IFI	International financial institution
ILO	International Labour Organization
IMF	International Monetary Fund
IPA	Investment promotion agency
IsDB	Islamic Development Bank
IT	Information technology
M&A	Mergers & acquisitions
MENA	Middle East and North Africa
MNE	Multinational enterprise
MoU	Memorandum of Understanding
NDC	Nationally determined contributions
NIIP	Net international investment position
OBIC	OIC Business Intelligence Center
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OIC	Organization of Islamic Cooperation
PPP	Public-private partnership
RCEP	Regional Comprehensive Economic Partnership
SDG	Sustainable Development Goals
SESRIC	Statistical, Economic and Social Research and Training Centre for Islamic Countries
SME	Small-to-medium enterprise
SPE	Special purpose entities
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
USMCA	US-Mexico-Canada Agreement
VAT	Value added tax
VNR	Voluntary national review
WAIPA	World Association of Investment Promotion Agencies
WTO	World Trade Organization

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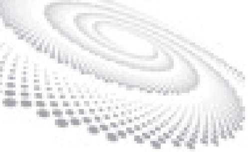

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Message from Latifa El Bouabdellaoui Director General Islamic Centre for Development of Trade

It is with great pleasure that I present to you this report on the Investment Climate and Opportunities in OIC Countries. The report offers an analysis of long-term developments in foreign direct investment (FDI) flows and stocks worldwide and in OIC countries. The report is the first comprehensive effort dedicated to the OIC countries, with knowledge on achieving more sustainable development by attracting FDI. It presents valuable FDI-related statistics and insights on the OIC economies that help analyze the main trends, identify issues, and shape future policy.

One of the advantages of this report is the comparability between the OIC countries, which allows authorities to understand how their FDI attractiveness and policies have developed and learn from best practices. The report aims to keep FDI issues high on the OIC agenda and become a driver for a positive change by providing valuable inputs for the political elites, policymakers, and analysts in OIC countries.

OIC governments continue to struggle with the impact of the Covid-19 pandemic while also trying to maintain a focus on economic recovery. However, the lack of financing remains one of the primary barriers to long-term development. FDIs may help OIC countries in their economic development plans if they unlock this potential and ensure that foreign direct investment flows are directed to sectors that offer vital opportunities for economic development.

OIC governments shall strengthen their investment incentives by learning from good practices, giving investors assurance and predictability, and introducing more effective policies, regulations, and investment promotion activities. In this regard, investment promotion agencies (IPAs) must be more flexible to adjust to the fast-changing world economy and technological innovations. IPAs shall also further engage in OIC cooperation structures and play a bridge-building role in transferring know-how on improving the investment climate to relevant policymakers.

The ICDT welcomes the fact that OIC countries' FDI outlook started to recover in 2021. However, the messages from the report are very clear: OIC countries have a lot of work to do, to address many important issues highlighted by the report, thus keep growing the FDI flows.

As an organization committed to promoting trade and investments among the OIC countries, ICDT will continue to monitor FDI-related developments in OIC countries, which we believe will help us make the necessary impact to change some of the issues negatively highlighted in the report. In any case, findings from this report will ensure that the ICDT and other OIC institutions make sound and evidence-based decisions when programming their activities.

I would also like to mention that the ICDT will do everything it can to secure the conditions necessary to fulfill its mission and achieve its purpose. In this regard, ICDT commits to working closely with member states to drive the exciting cooperation toward greater heights. Moreover, the ICDT will act as an incubator for new intra-OIC initiatives related to FDI in areas where the report identifies needs but cooperation mechanisms do not exist. In this context, I would like to thank all Member States for upholding a strong commitment to cooperation and for categorical support to the ICDT over these years.

I hope you will enjoy reading this report and benefit from its findings.

Message from Amer Bukvic Acting Director General, Global Practice & Partnerships Islamic Development Bank

At the Islamic Development Bank (IsDB), we strive, in many ways, to support our member countries in their efforts to attract more investment by collaborating with a wide range of partners at the national and international levels. Our ultimate objective is to translate the 2030 Agenda for Sustainable Development into concrete actions toward boosting trade and investment among the 57 member states of the Organization of Islamic Cooperation (OIC).

Foreign Direct Investment (FDI) is a key driver of growth and development. OIC Member States witnessed a rise in their share of global FDI flows from 8% in 2019 to 10% in 2020, followed by a drop to 8.3% in 2021. Statistics show that the shares of OIC Member States of global FDI flow rose when developed countries experienced a significant decrease, as in 2020. In addition, the share of earning reinvestment rose from 9% in 2015 to 29% in 2020. The message from these numbers is that increasing shares of FDI in 46 of 57 OIC Member States are financed from retained profits rather than new foreign equity.

The role of FDI as an external source for financing development is well recognized, particularly in the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda on Financing for Development. While OIC Member States have been working actively to attract as much FDI as possible, more efforts are still needed to use FDI to diversify the industrial base by, for example, developing biotechnology, pharmaceuticals, and petrochemical industries.

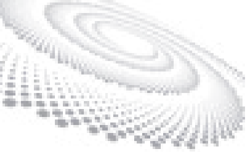
The global context for FDI is competitive, and OIC Member States need to improve their rankings on key indicators, such as infrastructure, regulatory efficiency, and the ease of doing business. This report provides a comprehensive overview of the investment climate in OIC Member States by examining selected indicators and indices used globally to assess the investment climate from the perspective of investors and decision-makers. According to the report, OIC member states completed 1,289 reforms related to doing business from the year 2003 to 2020. This reflects that they recognize the critical role their policies and behavior have in shaping the investment climates of their societies, and that they are making changes accordingly.

An interesting insight from this report is the establishment of a network or forum for investment promotion agencies (IPAs) in OIC Member States. Such a network could bring a set of opportunities to improve the capacities of IPAs in OIC Member States and enhance the dialogue among them by exchanging good practices and lessons learned in this domain. Moreover, this network could help increase FDI flows among OIC member states by promoting their investment opportunities. This idea is well-aligned with the strategies of IsDB's Cooperation and Capacity Development Department and its partner, the Islamic Center for Development of Trade (ICDT).

The improvement of the investment climate is in line with the IsDB mission to promote comprehensive human development and will generally contribute to attracting FDI and identifying investment opportunities in OIC member states. It is also aligned with IsDB's Strategic Realignment; specifically, its pillar "Support Inclusive Human Capital Development", which emphasizes disseminating best practices and sharing experiences for promoting investment among IPAs to help IsDB Member Countries meet their development challenges and increase the share of OIC Member States in global FDI.

The importance of this report stems from the close consultation that was held with IPAs in OIC Member States based on extensive surveys designed and conducted in partnership with ICDT. To that end, the team behind the report collected data; summarized the findings and recommendations of global institutions, including OECD, UNCTAD, and the World Bank Group; and presented that clearly and comprehensively.

I would like to recommend this report to all players involved in developing a sustainable investment future.



Note for readers

Information contained in this publication has been researched and analyzed from data sources believed to be accurate and reliable. While every effort has been made to use the most recent updates and backward revisions of data, the ICDT cannot accept any responsibility for updates that may occur after the time of publication of this report.

Data collecting efforts for preparing this report suggest that missing FDI data are not random but rather systematic for OIC countries, particularly for FDI data disaggregated across different countries and sectors. Only a few OIC countries' bilateral and sectoral FDI data are accessible online through national statistical offices and central banks. It is believed that some OIC countries' central banks do not track the origin of FDI at all. Therefore, time series of FDI data are primarily based on information from UNCTAD FDI/MNE database and partly from the IMF Coordinated Direct Investment Survey.

Official figures used by governments to monitor the evolution of FDI flows frequently differ from UNCTAD and IMF data - collected by a standardized methodology. The reasons for that could be several. For example, some countries report book value of FDI, an increasing number of countries report market value, and some use mixed valuation (market value for listed companies and book value for non-listed companies). Special Purpose Entities (SPEs) further complicate the picture. FDI channeled to SPEs abroad as outward FDI may subsequently return home to the local economy in the form of inward FDI (round tripping FDI). Similarly, FDI conducted by direct investors to SPE abroad may later be invested in third countries (transshipped FDI).

The report provides OIC level, regional level, and country-level analysis. OIC countries are clustered under the OIC African group, OIC Arab group, and OIC Asian group. Guyana and Suriname are geographically located in Latin America and Albania in Europe. Still, as practiced in many OIC reports, these three countries are considered in OIC Asian group for practical reasons.

OIC African group		OIC Arab group		OIC Asian group	
Benin	Mali	Algeria	Morocco	Afghanistan	Malaysia
Burkina Faso	Mozambique	Bahrain	Oman	Albania	Maldives
Cameroon	Niger	Comoros	Palestine	Azerbaijan	Pakistan
Chad	Nigeria	Djibouti	Qatar	Bangladesh	Tajikistan
Cote d'ivoire	Senegal	Egypt	Saudi Arabia	Brunei	Turkey
Gabon	Sierra Leone	Iraq	Somalia	Indonesia	Turkmenistan
Gambia	Togo	Jordan	Sudan	Iran	Uzbekistan
Guinea	Uganda	Kuwait	Syria	Kazakhstan	Guyana
Guinea-Bissau		Lebanon	Tunisia	Kyrgyzstan	Suriname
		Libya	UAE		
		Mauritania	Yemen		

Executive summary

Dependency on external financial flows is significant in some OIC countries.

The growing needs of countries are seldom accompanied by the necessary resources to meet them. Many developing countries lack capital for investments because of weak national savings. This situation increases their reliance on external financial flows, including Official Development Assistance (ODA), remittances, external loans, portfolio investments, and foreign direct investment (FDI).

From 2010 to 2020, 23 out of 46 OIC countries with available data had larger total investments than gross national savings. For these 23 countries, domestic savings were insufficient to achieve national economic objectives, and foreign savings played an essential role in their economic development.

Holdings of external assets and liabilities are summarized in the net International Investment Position (NIIP) of countries' balance of payments. From 2000 to 2020, external financial claims exceed the external financial liabilities of the OIC Arab group (positive NIIP), indicating that this group of countries, particularly oil exporters, has increasingly become a source of net foreign capital outflows.

OIC Asian group is experiencing a negative NIIP position. For that reason, a sudden slowdown in external financial flows could increase the vulnerability to global shocks, particularly in those economies with significant debt liabilities denominated in foreign currency. In OIC African countries, there has also been an increase in external financial liabilities from 2009 to 2020. In 2020, a negative NIIP exceeded 100% of national GDP in 11 OIC countries and had remained between 50%-95% in 16 OIC countries.

The total value of external finance flows to OIC countries averaged $531 billion from 2015 to 2020. From 2010 to 2020, the average share of FDI inflows to OIC countries accounted for nearly 23% of total external financing inflows to their economies. The more considerable increase in FDI inflows could reduce the exposure to external economic shocks of many vulnerable OIC countries.

The role of FDI for sustainable development has been recognized in the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda on Financing for Development. Being aware of the increasing importance of FDI, as of December 2021, 28 OIC countries were contributing to negotiations regarding developing a multilateral agreement on Investment Facilitation for Development under the auspices of the World Trade Organization.

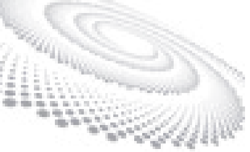
Most OIC countries attribute great significance to international investment agreements. As of March 2021, globally, the OIC countries were part of 1,087 bilateral investment treaties (BITs) in force.

The global FDI landscape is subject to considerable changes.

Foreign direct investment (FDI) statistics for 2020 were heavily affected by interruption from the Covid-19 pandemic. However, the reality is that FDI was in trouble long before. After 2016, global FDI flows were going down, and this negative trend became a long-term concern. FDI inflows fell significantly in developed countries and remained more stable in developing countries.

Before the Covid-19 pandemic, FDI flows fell due to lower FDI returns and increasing geopolitical uncertainties that boosted nationalism and protectionism. Rates of return on inward FDI fell more in developing countries than in developed countries. Profitability fell in OIC countries as well, while the OIC African group saw a much steeper decline in rates on return on inward FDI. From 2015 onwards, the rates of return are highest in the OIC Asian group.

Sharp reductions in FDI inflows occurred in 2020 due to the Covid-19 pandemic. Lockdown measures, successive pandemic waves, and economic uncertainty led to the postponement of investment by companies. Global FDI flows dropped by 35% in 2020, to $963 billion from nearly $1.5 trillion in 2019. The decline of FDI flows was significant in developed countries, where FDI inflows fell sharply by 58% to $319.2 billion in 2020, a level that was last seen before 2005. FDI to developing economies decreased at a more moderate 10% rate in 2020, mainly because of robust flows in Asia. Asia remains to be the largest FDI recipient in the developing world.



After a significant drop in 2020, global FDI flows reached an estimated $1.58 trillion in 2021, showing a stronger than expected rebound. FDI flows to developed countries in 2021 reached $745.7 billion (134% increase from the previous year), whereas inflows to developing economies are calculated at nearly $836.6 billion, which is a 30% increase compared to 2020. High technology was the leading target sector for foreign investors in 2021. A significant increase in cross-border deals was the main source of FDI increase. In contrast, the recovery of greenfield investment remained fragile in 2021 in many sectors, especially in developing countries.
The war in Ukraine affected the FDI environment dramatically in 2022, with downward pressure on global FDI. Particularly greenfield investments are likely to suffer more in 2022, according to UNCTAD. The war in Ukraine has created a far worse situation with rising prices, heightening existing concerns about energy and food security.

Understanding that the Covid-19 pandemic was not a cyclical shock in the global economy is critical. Instead, it led to a paradigm shift in the world economic order. One evolving development in the global economy is related to global value chains, illustrating that different shocks affect almost all countries. Today, governments are interested in restructuring their global value chains, diversifying supplier networks, and building resilient ones, more flexible to global disruptions. The US-China trade war and the pandemic have already disrupted supply chains. The difficulties caused by the war in Ukraine have prolonged these disruptions and added pressure on companies in sectors such as automotive to shorten their supply chains and build resilience.

Forces such as technology, emerging economic powers, consumer values, geopolitical risks, and the Covid-19 pandemic are shifting globalization towards a new era of regionalism. Some early evidence suggests that member states of major economic blocs, such as the US-Mexico-Canada Agreement (USMCA), the European Union, and Asia's Regional Comprehensive Economic Partnership (RCEP), are intensifying their intra-block investments.

Since 2015, policies have become less conducive to FDI with the growth of FDI regimes. Many countries have adopted FDI screening regimes or tightened those already in place. The growing geopolitical risks and the Covid-19 pandemic have accelerated this trend. Especially developed countries are trying to ensure domestic development of advanced technology, protect their critical infrastructure, strategic industries, and businesses from opportunistic foreign investors, and decrease reliance on non-domestic suppliers.

Climate change and the need to decarbonize are more critical than ever, and companies and countries are under increasing pressure to improve their environmental, social and governance (ESG) scores. Accordingly, the last decade witnessed a significant fall in greenfield projects directed at the fossil fuels (coal, oil, and gas) sector. In 2020, greenfield FDI into renewable energy exceeded flows into fossil fuels for the first time.

OIC countries have significantly increased their FDI inflows in 2021.

FDI inflows into OIC countries declined by 16.2% in 2020 to nearly $97 billion, compared with the 2019 data, then increased in 2021 to $132 billion- the highest level seen after 2012. Still, in 2021 FDI inflows to OIC countries were far below the 2008 record of $165 billion, after which a continuous decline in FDI inflows is evident. Data for 2021 shows that all OIC groups have significantly increased their FDI inflows compared to the previous year. A record increase of 53.7% was seen in the OIC African group, 42.1% in the OIC Arab group, and 27.4% in OIC Asian group. In absolute figures, in 2021, FDI inflows were highest in United Arab Emirates ($20.7 billion), Indonesia ($20.1 billion), Saudi Arabia ($19.3 billion), Turkey ($12.5 billion), Malaysia ($11.6 billion), Egypt ($5.1 billion), Mozambique ($5.1 billion), Nigeria ($4.8 billion), Oman ($3.6 billion), and Kazakhstan ($3.2 billion).

FDI entries by its major components (equity capital, reinvested earnings, and inter-company loans) in 46 OIC countries with available data show essential changes. The main novelty in the FDI inflows to OIC countries is that share of reinvestment of earnings has increased. Particularly in recent years, the share of reinvestment of earnings rose from 9% in 2015 to 29% in 2020. The message of these numbers is that increasing shares of the FDI in 46 OIC countries are financed from retained profits rather than new foreign equity.

Two main sub-categories of equity capital are greenfield FDI projects and cross-border mergers & acquisitions (M&As). Existing statistics show that OIC countries as a group are much more attractive for greenfield FDI projects. In 2021, the estimated value of announced greenfield projects was 2.6 times higher compared to net cross-border M&A transactions targeting OIC countries. Data on announced greenfield projects targeting OIC countries shows that the OIC Asian group particularly remained on foreign investors' radar in 2021. On the other hand, increases in net cross-border M&As targeting OIC countries were led by OIC Arab group from 2015 to 2021.

The OIC countries' share of global FDI flows rose from 8% in 2019 to 10% in 2020 and decreased to 8.3% in 2021. Statistics show that OIC countries' shares in global FDI flow became higher when a significant decrease in FDI flows to developed countries happens, as in 2020. Non-OIC developing economies appear to be more attractive destinations than OIC countries in terms of FDI inflow for almost three decades.

Inward FDI stock of OIC countries has significantly increased in the last three decades. It reached almost $2.22 trillion in 2021, from $113 billion in 1992. From 2013 to 2020 growth of inward FDI stock in OIC countries lost momentum. In the last years, the worsening FDI performance has been reflected by decreasing shares of OIC countries in global FDI stock, which reduced from 7.1% in 2012 to 4.9% in 2021. As of 2021, the OIC Arab group led in FDI stock by hosting 45.5% of inward FDI stock in OIC countries. OIC Asian group accumulated 43.4% of OIC inward FDI stock and the OIC African group 11.1%. Over the long term, Saudi Arabia was the most prominent FDI target among OIC countries, with $261.1 billion FDI in stock in 2021, accounting for 11.8% of OIC inward FDI stock.

Indonesia accumulated the second-largest stock of FDI in OIC ($259.3 billion in 2021, or 11.7% of OIC in stock), slightly below Saudi Arabia. Malaysia ($187.4 billion), United Arab Emirates ($171.6 billion), and Kazakhstan ($152 billion) were the remaining top 5 OIC countries by accumulated inward FDI stock in 2021.

In 2020, the top five investors in OIC countries' inward FDI stock were the Netherlands ($188.2 billion), the United States ($165.3 billion), Singapore ($104.8 billion), United Kingdom ($80.2 billion), and France ($70.2 billion).

From 2016 to 2020, FDIs targeting the services sector of OIC countries have increased, indicating the growth of a more service-oriented FDI. However, not all sub-service sectors of the OIC economies have equally benefited. The tourism sector was one of the most affected by the Covid-19 pandemic and the unprecedented global travel shutdown. The health crisis caused by the pandemic is likely to accelerate some trends in the tourism sector, such as digitalization, automation, and biometrics.

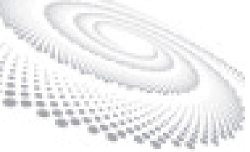
Market-seeking appears to be the dominant goal of FDI in the service sector of OIC countries because the biggest share of FDIs in the services went to financial and insurance activities and trade sectors. The energy and utility industry is expected to continue to be a promising sector in attracting FDIs, as OIC governments increase their priorities related to renewable energies. Similarly, lockdown restrictions imposed across the globe due to Covid-19 and the rise of e-commerce have increased the importance of the telecom & IT services industry, which is expected to attract more FDI in upcoming years.

Due to natural resources, the significance of the primary sector in attracting FDI remains high for many OIC countries. On the other hand, the shares of manufacturing in FDI inflows point to the relatively high integration of many OIC countries into global production chains. However, most OIC countries must import high-value-added goods such as new technologies required for economic modernization.

OIC countries are net importers of capital.

Most OIC countries do not actively promote or incentivize outward investment. However, the OIC governments generally do not restrict domestic investors from investing abroad. OIC countries' total outward FDI flows have started to grow significantly after 2003. In 2013, OIC outward FDI flows reached the historically highest value of $72.7 billion. After 2013, a downward trend is visible in the OIC outward FDI. In 2021, the total value of OIC outward investment flows accounted for $69.8 billion, which is almost 57% higher than the value in 2020. From 2003 to 2021, the OIC Arab group realized 60.9% of OIC outward FDI flows, 36.7% belonged to the OIC Asian group and only 2.4% to the OIC African group.

The outward FDI stock of OIC countries has increased from $47.3 billion in 2000 to $903.8 billion in 2021. Still, the net FDI of OIC countries - the difference between outward and inward FDI flows shows that this group of countries is a net importer of capital. From 1992 to 2020, inward FDI flows to OIC countries were higher each year than outward FDI realized by them. Over the last decade, Kuwait and Qatar, and after 2015 Azerbaijan, Malaysia, and the United Arab Emirates displayed an upward trend in FDI outflow, gradually turning from net recipients of FDI to net sources of foreign investment.



Intra-OIC investments became more visible.

Intra-OIC inward FDI stock accumulated in 50 OIC countries (corresponding to 96% of OIC GDP) has increased by $36.7 billion from 2018 to 2020, reaching $242 billion and accounting for 29% of OIC countries' total inward FDI stock. As of 2020, 56% ($134.8 billion) of intra-OIC FDI stock was accumulated in the OIC Arab group, 37% ($89.7 billion) in OIC Asian group, and 7% ($17.5 billion) in the OIC African group.

The most significant investor in OIC countries is the United Arab Emirates. As of 2020, this country contributed to intra-OIC investments with an estimated $70,9 billion, or 29% of the total intra-OIC FDI stock. Qatar had the second-largest share of intra-OIC FDI stocks - 18% in 2020, or about $43.5 billion. However, Qatar's investments are significantly concentrated in Turkey. In 2020 Saudi Arabia had the third-largest share of intra-OIC inward FDI stocks, which accounted for $27.6 billion, or 11.4%. Other relatively more significant investors in OIC countries are Kuwait, Malaysia, and Turkey. In total, investments from Kuwait, Malaysia, Qatar, Saudi Arabia, Turkey, and the United Arab Emirates represent 83% of intra-OIC FDI stock.

Despite the Covid-19 pandemic, the number of intra-OIC cross-border M&As transactions remained stable in 2020, compared with 2019, and has increased significantly from 49 transactions in 2020 to 82 transactions in 2021. From 2018 to 2021, the United Arab Emirates led intra-OIC cross-border M&A, with 80 transactions targeting other OIC countries. The second most significant acquirer nation within intra-OIC cross-border M&As was Saudi Arabia, with 34 transactions from 2018 to 2021.

Many OIC countries should improve their investment climate

Over the past two decades, OIC countries have taken swift measures and reforms to improve their investment climate to attract more FDI. However, many OIC countries shall perform better in establishing free and open investment regimes by removing investment barriers, facilitating the free flow of factors of production, and pursuing policies and actions that support the inflow of FDI. Moreover, FDI attraction policies should be dynamic and require some flexibility to respond to the changing needs of investors.

45 OIC countries have investment promotion agencies (IPAs) that are primarily responsible for FDI promotion and attraction. In the other 10 OIC countries, IPAs or responsible agencies have other mandates like export promotion and regional development. Not all OIC countries have solid and well-functioning IPAs. The limited number of staff, limited international exposure, and issues related to governance are some challenges faced by IPAs in many OIC countries. Moreover, many professionals working in IPAs require training to sharpen their skills and increase their knowledge of investment policies and strategies.

As of 2021, only 23 OIC countries had established single-window portals. In 2021, Benin, Iraq, Kazakhstan, Oman, Togo, and Uzbekistan were among the countries with the world's best single windows, according to the UNCTAD/Global Entrepreneurship Network ranking. The same source ranked business registration information portals of Algeria, Benin, Burkina Faso, Cameroon, Comoros, Guinea-Bissau, Iraq, Libya, Mali, and Togo among the best in the world.

Investment opportunities in OIC countries are flourishing.

There are many opportunities and untapped potential to increase intra-OIC investments. Information on countries' investment opportunities could be tracked online from the websites of IPAs. The agriculture-related activities, tourism, infrastructure, services, and energy appear as the most frequently promoted sectors by OIC IPAs.

Almost all OIC countries offer various incentives to foreign investors. These may include exemptions from import duties, income tax, VAT, sales tax, and fewer required permits and licenses. OIC countries tend to provide further incentives for foreign investors in special economic and industrial zones. Other than that, some existing investment opportunities and related policies provide the potential for an increase in intra-OIC FDI.

PART I:

FOREIGN DIRECT INVESTMENT AND SUSTAINABLE DEVELOPMENT

I.A Importance of external financing flows for development

In 2015, the international community adopted the 2030 Agenda for Sustainable Development, which challenges the conventional growth-based development wisdom with the people-centered logic, and calls for making transformative changes to achieve equal and inclusive development goals - "leaving no one behind." The 2030 Agenda has incorporated the vision for the development of the Global South, and all economies, including OIC countries, have developed a series of national, regional, and local strategies and programs to achieve seventeen Sustainable Development Goals (SDGs). These strategies and programs are documented in countries' Voluntary National Reviews (VNRs) and Nationally Determined Contributions (NDCs) and translated into national development plans.

Governments are also adapting their institutions to the requirements of this new development paradigm, made up of not only the 2030 Agenda for Sustainable Development but also the Paris Agreement on Climate Change, the Sendai Framework for Disaster Risk Reduction, the New Urban Agenda, and the Addis Ababa Action Agenda. However, achieving these documents' goals remains a challenge for many OIC countries due to different stages of development, diverse priorities, and insufficient investment resources.

I.A.1 Challenges with achieving SDGs

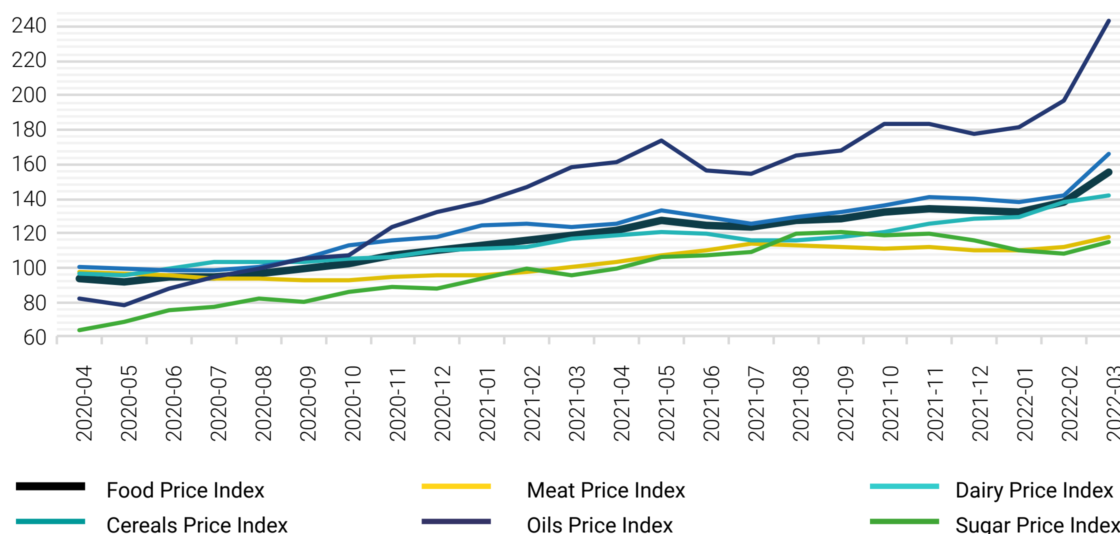
The world has been moving backward concerning most of the SDGs in the last four years. Before the Covid-19 outbreak, the world economy grew slower, and substantial risks arose. Heaviness in the world economy was present due to different risk factors, including the rising threat of protectionism, vulnerabilities in emerging markets, Brexit, and growing geopolitical factors in Asia. Moreover, for many years the world has been suffering from crises triggered by climate change, pollution, desertification and biodiversity loss, and many conflicts, which have increased in intensity in the last decade (Pettersson and Öberg, 2020).

In 2020, Covid-19 became the world's most challenging crisis since World War II. The global economy decreased to -3.1% in 2020, far worse than during the Global Financial Crisis in 2018-2019. The challenges that the Covid-19 pandemic caused to health and the national economies are unquestionably visible. Further, the pandemic has left people who were already vulnerable even further behind. The International Labour Organization estimated that worldwide unemployment increased by nearly 38 million from 2019 to 2020, while job losses reached almost 5.7 million in OIC countries (ILO, 2022). About 100 million additional people were globally pushed into extreme poverty due to the Covid-19 pandemic (Mahler et al., 2021).

More than two years after the Covid-19 outbreak, governments worldwide continue to struggle with the impact of the pandemic while also trying to maintain a focus on economic recovery. However, the picture became more complicated with the Russian-Ukrainian war, whose impact became global. The war boosts food, energy, and financial crisis and pressures many developing economies. In other words, the Russian-Ukrainian war has created a far worse situation, with prices already rising.

Natural gas prices went up by 42%, and oil prices by 34% from 29 November 2021 to 11 April 2022. Prices for raw materials that constitute the fertilizer market went up above 30% in the same period. These commodities' price increases threaten longer-term agricultural yields and global food security. The FAO's global food price index is at its highest level ever (Figure I.1).
According to the OECD, the war in Ukraine threatens to contract the world economy by more than %1 in 2022 (OECD, March 2022). While economic growth prospects are shrinking and inflation is rising, many developing countries may face stagflation, a situation that is not easy to control. Therefore, accelerating international finance to implement the SDGs may become more challenging in the upcoming period.

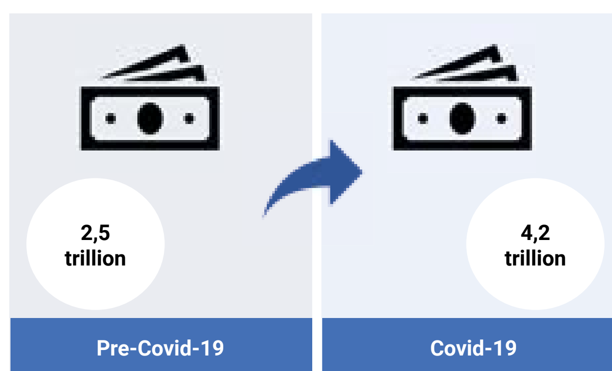
Figure I.1 : FAO real food price indices (2014-2016=100)



Source : FAO

Before the Covid-19 outbreak, the annual investment gap in major SDG sectors in developing countries was $2.5 trillion per year, mainly for basic infrastructure, food security, climate change mitigation and adaptation, health, and education. However, according to the OECD estimates, due to Covid-19, the annual gap to finance the SDGs has increased from $2.5 trillion to $4.2 trillion. The last figure corresponded to 12% of aggregated GDP of developing countries and 59% of the total GDP of OIC countries in 2020. It is evident from Figure I.2 that resource availability must rise to attain SDGs. Governments must search for new and innovative ways to finance their development needs.

Figure I.2 : The SDG financing gap for developing countries *($US)*



Source : OECD Global Outlook on Financing for Sustainable Development 2021.

I.A.2 External financing needs of OIC countries

The growing needs of countries are seldom accompanied by the necessary resources to meet them. Particularly in the developing world, leaders repeatedly point to the lack of financing as one of the primary barriers to long-term development. Many developing countries lack capital for investments because of weak national savings (from households, government, and corporations). Generally, the financing of investments is provided by domestic savings (private and public) or foreign savings. It is almost impossible to generate enough domestic savings to provide the sources needed to fund investment projects in many smaller low-income countries. This situation increases their reliance on foreign aid and external financial flows.

Ordinary neoclassical growth models accept that foreign savings are ideal substitutes for domestic investment financing. However, some empirical studies suggest that economic growth's sustainability faces considerable risk when the share of foreign savings in total financing in developing countries is very high. Under such conditions, national economies may become more vulnerable to external shocks (Prasad et al., 2007).

Table I.1: Domestic savings-investment gap

	Total investment larger than gross national savings (2010-2020 average)	Gross national savings larger than the total investment (2010-2020 average)
OIC Arab group of countries	Algeria, Comoros, Egypt, Jordan, Mauritania, Morocco, Oman, Tunisia, and Yemen	Bahrain, Djibouti, Kuwait, Saudi Arabia, and the United Arab Emirates
OIC Asian group of countries	Albania, Guyana, Indonesia, Kazakhstan, Kyrgyzstan, Maldives, Pakistan, Tajikistan, and Turkey	Afghanistan, Azerbaijan, Bangladesh, Iran, Malaysia, Uzbekistan
OIC African group of countrie	Benin, Burkina Faso, Cameroon, Chad, Côte d'Ivoire, Gambia, Guinea, Guinea-Bissau, Mali, Mozambique, Niger, Senegal, Sierra Leone, Togo, and Uganda	Gabon and Nigeria

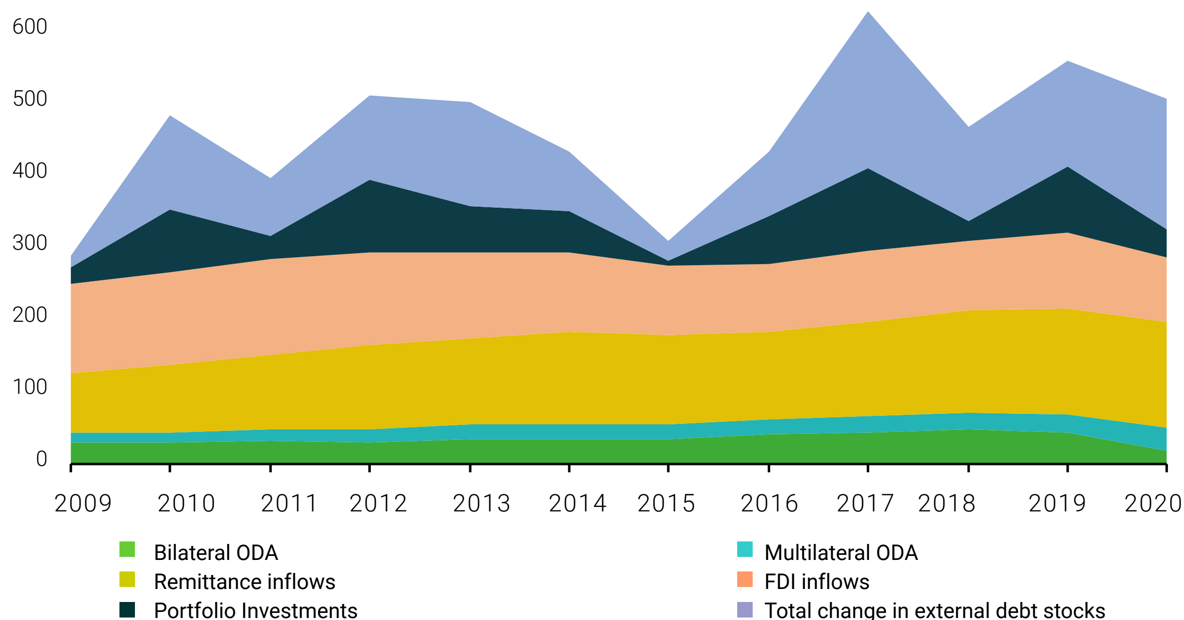
Source: IMF World Economic Outlook, October 2021 update.
Note: The table includes 46 OIC countries with available data. Total investment means gross capital formation or gross domestic investment. Data for Afghanistan, Algeria, Benin, Chad, Comoros, Côte d'Ivoire, Djibouti, Gabon, Guinea, Guinea-Bissau, Iran, Jordan, Mali, Mauritania, Mozambique, Senegal, Sierra Leone, Tajikistan, and Togo includes IMF estimates.

As shown in Table I.1, from 2010 to 2020, on average, 23 out of 46 OIC countries with available data had larger total investments than gross national savings. For these 23 countries, the existing level of savings was insufficient to achieve national economic objectives, and foreign savings played an essential role in their economic development. The savings-investment gap appears to be most widespread among the OIC African countries.

Figure I.3 shows that international actors contribute substantive amounts of cross-border finance to the OIC countries. The external finance flows available to the OIC countries significantly decreased to $555 billion in 2020 from $614 billion in 2009. Despite fluctuations, external finance inflows to OIC countries averaged $531 billion from 2015 to 2020. Figure I.3 also witnesses the change in the global landscape of foreign aid, where increased volumes of cross-border remittances, foreign direct investments, and loans have reduced the significance of the Official Development Assistance (ODA) in relative terms.

At $56 billion in 2020, bilateral and multilateral ODA flows to the OIC countries represented a critical but small proportion of the external financial flows. While the proportion of ODA averaged only 12% of total external finance transfers to the OIC countries from 2010 to 2020 (Figure I.3), it continues to provide critical inputs for the central government expense in some OIC countries. For example, according to the World Bank data, in 2019, net ODA received as a percent of central government expenses accounted for 84% in Mali, 61% in Mozambique, 57% in Guinea-Bissau, and 44% in Uganda and Togo.

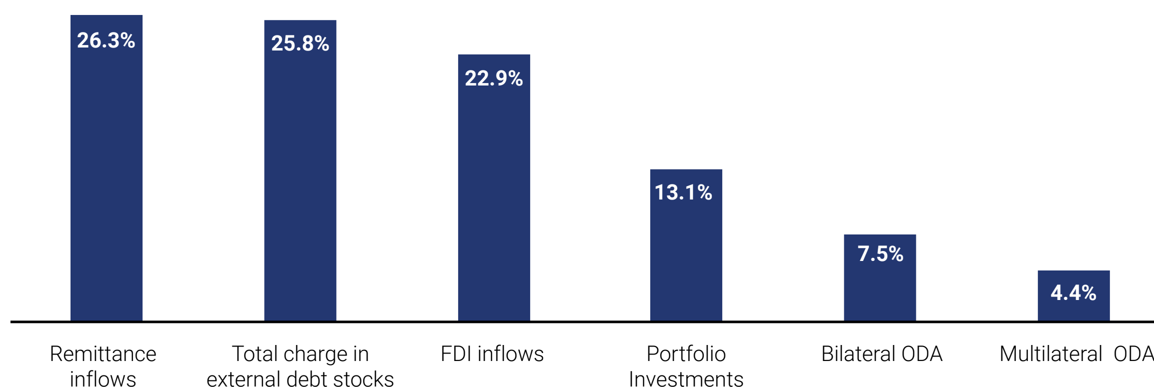
Figure I.3 : External financing flows to the OIC countries (Current prices, billion $US)



Source: Calculations based on OECD "Creditor Reporting System" database for official bilateral and multilateral gross disbursements flows (OIC: N = 51). Bilateral ODA flows are calculated based on 29 DAC countries and 21 Non-DAC countries that are reporting to the OECD); World Bank "Migration and Remittances Data" for remittances (OIC: N = 53); UNCTADSTAT data on FDI (OIC: N = 57); IMF "Balance of Payments Database" for portfolio investments (OIC: N = 51); and World Bank International Debt Statistics and GlobalData for external debt (OIC: N = 50).

Remittances are money or other assets migrants send to individuals in their home countries, mainly covering immediate consumption needs. The share of remittances within total external financing flows to OIC countries was the biggest from 2010 to 2020, reaching a record high of $162 billion in 2019. This was an 82% increase from 2009 when the amount was $89 billion (Figures I.3 and I.4). As migration flows from the OIC countries continue to rise, remittance inflows will probably continue to grow and help boost the OIC countries' balance of payments.

Figure I.4: External financing flows to the OIC countries by sources (2010-2020 average shares)



Source: Calculations based on databases listed in the source of Figure I.2.

Foreign portfolio investments[1] and external debt flow appear more vulnerable to global conditions, particularly global interest rates. For example, portfolio investment inflows in the OIC countries reduced to $41 billion in 2020, compared to $102 billion in the previous year (Figure I.3). Still, the increase in external debt flows to OIC countries is evident for the period after 2018, which calls on the OIC governments to address the challenges linked to debt sustainability to prevent a negative impact on long-term development. The external debt stock of 50 OIC countries with available data has increased from $1.3 trillion in 2009 to $2.7 trillion in 2020. The covid-19 pandemic increased the debt level of 50 OIC countries by nearly $38 billion in 2020.

World Bank's International Debt Statistics database covers 45 OIC countries and provides external debt data by debtor type. It is interesting to note that the share of multilateral creditors (international financial institutions) within the total debt stock of 45 OIC countries accounted for 19.2% in 2020. As could be followed from Table I.2, the World Bank Group, International Monetary Fund, and Asian Development Bank represent the top 3 multilateral creditors for the given sample of OIC countries.

Table I.2 : Share of multilateral creditors in OIC total external debt stock (N = 45 countries, 2020)

Debt from:	Stock value (billion $US)	Share in total debt stock
World Bank-IDA	76.5	4.0%
International Monetary Fund	73.4	3.9%
World Bank-IBRD	69.6	3.7%
Asian Development Bank	48.0	2.5%
African Development Bank	25.7	1.4%
European Investment Bank	19.0	1.0%
Islamic Development Bank	16.9	0.9%
Arab Fund for Economic & Social Development	9.5	0.5%
African Export-Import Bank	3.4	0.2%
European Bank for Reconstruction and Development (EBRD)	3.4	0.2%
International Fund for Agricultural Development	3.4	0.2%
Arab Monetary Fund	3.0	0.2%
Asian Infrastructure Investment Bank	2.9	0.2%
West African Development Bank - BOAD	2.7	0.1%

[1]Foreign portfolio investment means investing in financial assets, such as stocks and bonds of entities located in another country.

European Development Fund (EDF)	1.9	0.1%
OPEC Fund for International Development	1.8	0.1%
Arab Bank for Economic Development in Africa (BADEA)	1.2	0.1%
Other multilateral institutions	3.0	0.2%
Total	365.3	19.2%

Source: World Bank, International Debt Statistics.

Box I.1: Role of international financial institutions

International financial institutions (IFIs) and international and regional banks and funds are essential in providing finance and supporting the sustainable development of countries. In some cases, the financial support provided by IFIs may pull nations back from the financial brink.

IFIs are engaged in developing programs through loans, credits, and grants to national governments. Funding is usually project-based. IFIs also provide technical and advisory assistance to their clients and conduct extensive research on development issues. In addition to public procurement opportunities, in which multilateral financing is delivered to a national government to implement a project or program, IFIs are increasingly lending directly to non-sovereign guaranteed actors. These include sub-national government entities, local authorities, and the private sector.

All IFIs use strategy documents of countries, which are fundamental to establishing an IFI's lending priorities for a particular country. An IFIs country strategy begins by analyzing the causes of poverty within the society and identifying critical areas of intervention where the financial assistance can reduce it most effectively. This establishes a foundation for the IFI's future activities and sectoral priorities in a country, which can range across the entire spectrum of economic and social needs. Further, the country diagnostic and strategy studies of the IFIs guide some necessary reforms to improve the overall business and investment climate in developing countries.

In general, IFIs are engaged through their advisory services in working to improve the investment climate for business, often in partnership with companion public development institutions in various areas. IFIs also frequently develop partnerships between governments, the private sector and development partners, exclusively focused on providing concrete improvements to a particular area. For example, the Investment Climate Facility for Africa, which includes partnerships among several international and regional financial institutions such as the African Development Bank and
the International Finance Corporation, works to improve the climate for investment in Africa by removing barriers to doing business.

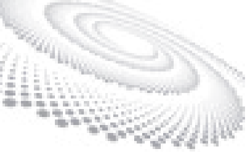
Overall, IFIs assist the developing world, including OIC countries, in several ways, which could help them achieve SDGs and national developmental goals. Still, IFIs have their own sectoral priorities, and they demand from their clients to address pressing global challenges, such as climate change and the transition to a low carbon economy. IFIs are also essential partners in supporting cooperation and dialogue, and almost all OIC countries expect to benefit from stronger partnerships and expanded funding opportunities.

The OIC General Secretariat and its relevant institutions shall have a stronger role in strengthened partnerships and interactions with different IFIs active in the OIC countries. Coordination among various IFIs and a better alignment of national governments' development priorities with the IFIs' sectoral priorities would enable the OIC countries to use multilateral financial opportunities better.

References: Anghie (2004) and ICR (2021).

I.A.3 Importance of foreign direct investment

Foreign direct investment (FDI) is a category of cross-border investment that occurs when an investor resident in one economy establishes a lasting interest in and significant influence over an enterprise resident in another economy. FDI happens when an individual or business possesses 10% or more of a foreign company (IMF, 2004). FDIs are generally made in open economies with a skilled workforce and growth potential. Most FDI is horizontal,



with the duplication of production facilities in different countries, i.e., establishing abroad an affiliate in a firm's primary industry to serve customers in the foreign market. Some vertical FDI occurs where various stages of the production process occur in other countries. Lastly, complex FDI combines features of both horizontal and vertical FDI.

Foreign direct investment (FDI) can play a fundamental role in economic development. Governments accept FDI as a vital long-term source to alleviate domestic capital accumulation constraints and advance national development goals. Consequently, recent years have witnessed increased openness of developing countries to FDI. Governments seek to attract FDI by creating a more appropriate climate for investment and providing different incentives and facilities to foreign investors (Caccia and Pavlova, 2018).

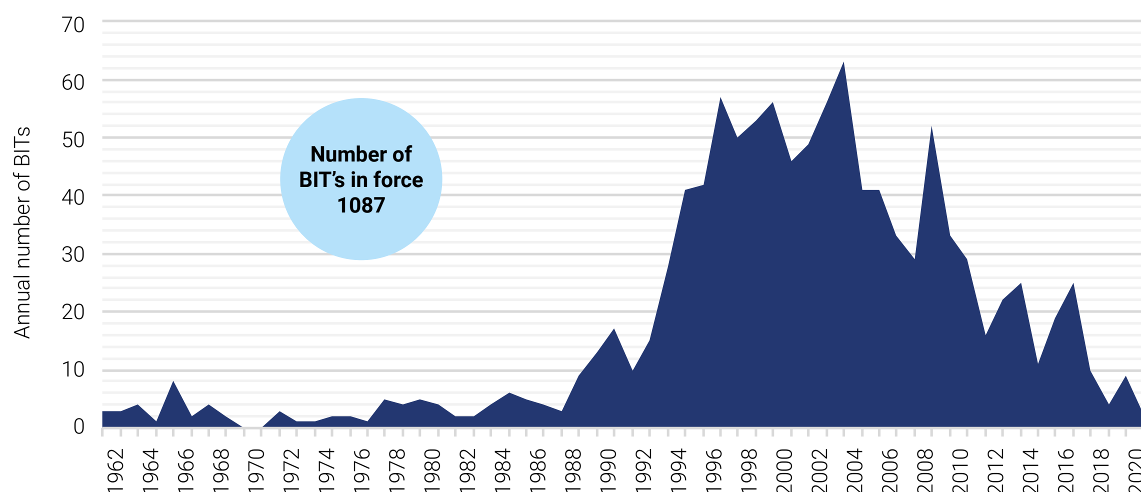
FDI is often portrayed as a stable, cross-border flow of capital that stimulates growth and adds to productive capacity by; a) bringing finance for necessary investments in infrastructure, b) transferring skills, managerial know-how, marketing methods, and technological knowledge; c) stimulating innovation; d) generating employment and greater consumer choice; e) increasing competition; f) supporting structural transformation and helping diversification of the economy in the host country (AlShammri, N. & AlSarhan, A. 2012; Bransletter 2006; Mastromarco and Simar 2015; Voica et al., 2021).

FDI is also important for improved participation in global value chains. It provides export opportunities through expertise to expand international sales and better access to foreign markets. Moreover, it creates long-lasting links between domestic firms and broader global markets. Foreign investors develop a synergistic relationship between their existing business and investments abroad. Besides, foreign companies in developing economies are often multinational enterprises (MNEs) with deep access to global capital markets (UN Global Compact, 2019). Thus, MNEs can be a source of financial intermediation between global capital markets and SMEs of the host country.

From 2010 to 2020, the average share of FDI inflows to OIC countries accounted for nearly 23% of total external financing inflows to their economies (Figure I.4). Being aware of the increasing importance of FDI, as of December 2021, 28 OIC Member States were contributing to negotiations regarding developing a multilateral agreement on Investment Facilitation for Development under the auspices of the World Trade Organization, aimed at improving the investment and business climate, and make it easier for investors to conduct their activities (WTO, 2021).

Most OIC countries attribute great significance to international investment agreements. As of March 2021, globally, the OIC countries were part of 1,087 bilateral investment treaties (BITs) in force. From 1962 to 1989, OIC countries negotiated and signed only 90 BITs worldwide. This tempo changed in 1990 when the number of BITs signed and implemented by OIC countries proliferated almost until 2004, reaching 917 signed BITs. From 2005 to 2021, OIC countries became part of 401 additional BITs, but the trend of signed new BITs has decreased to almost a standstill by 2021 (Figure I.5).

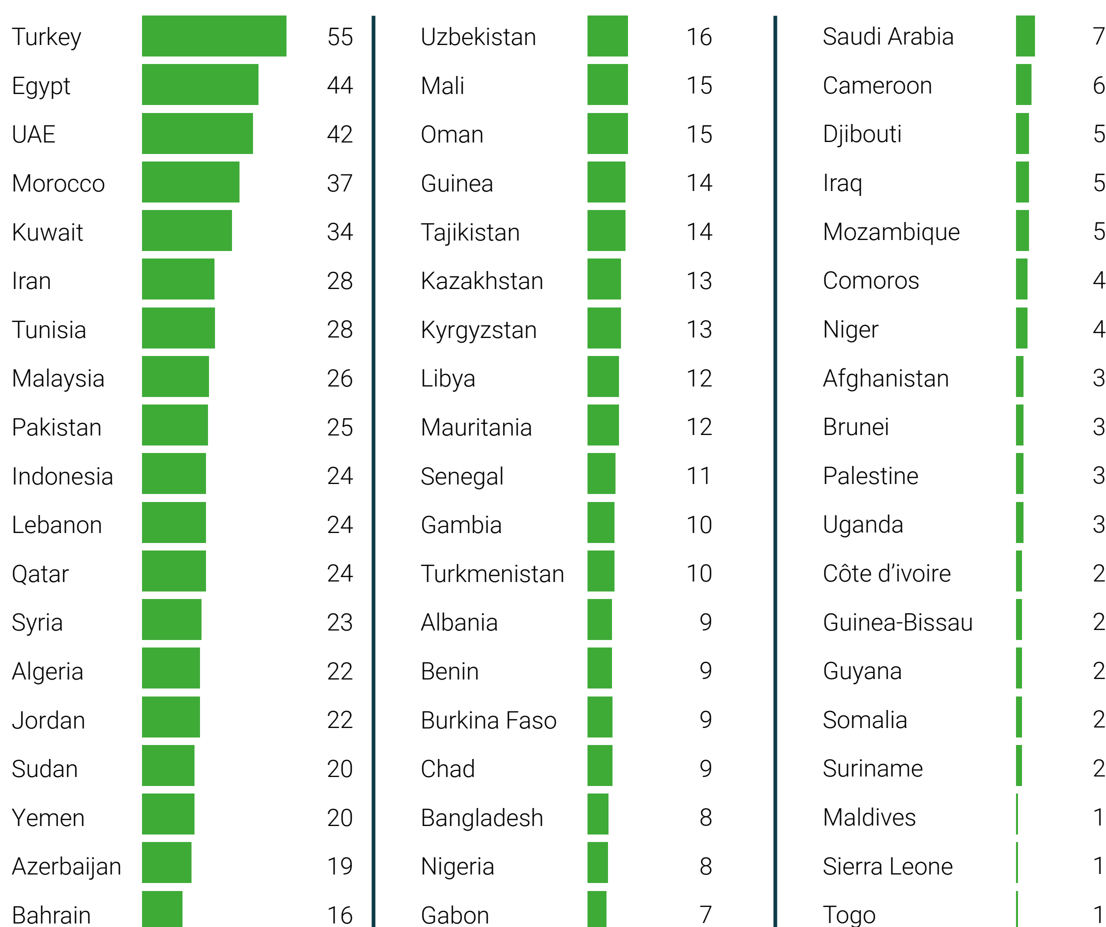
Figure I.5: The trend of OIC countries signed bilateral investment treaties ***(In force as of March 2021)***



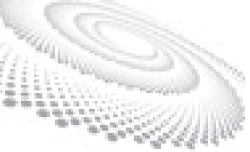
Source: UNCTAD, International Investment Agreements Navigator.

The performance of negotiated BITs in force between OIC countries shows a heterogeneous picture. As of March 2021, Turkey had 55 BITs in force with OIC countries. Egypt, United Arab Emirates, Morocco, and Kuwait followed Turkey, whose number of BITs in force with other OIC countries accounted for 44, 42, 37, and 34, respectively. The OIC African group of countries appears to have the least use of the potential resulting from BITs, according to UNCTAD data (Figure I.6).

Figure I.6: Number of bilateral investment treaties signed among OIC countries ***(In force as of March 2021)***

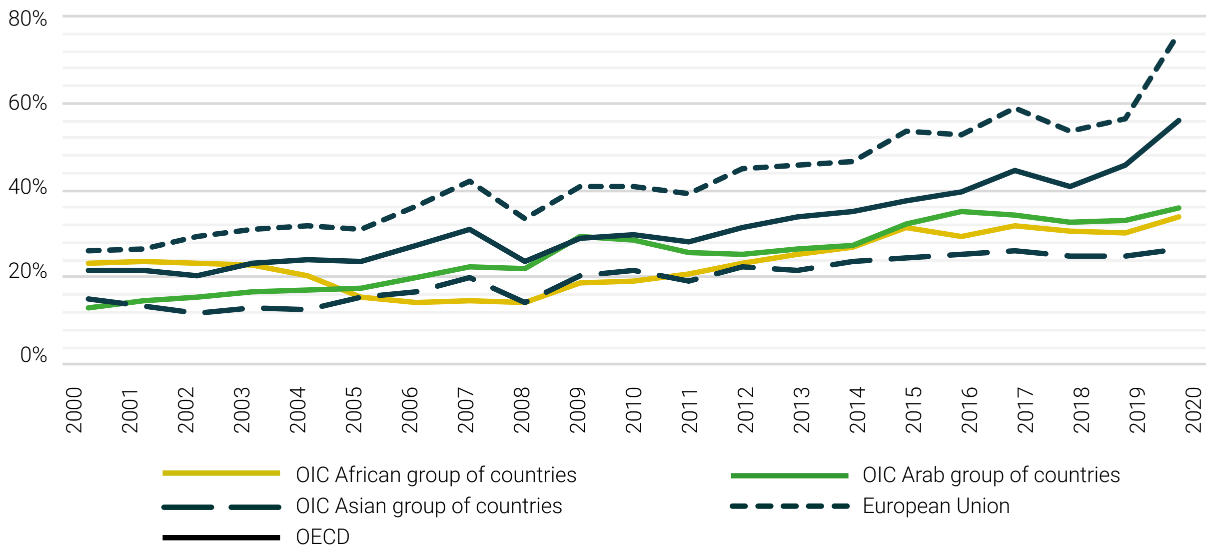


Source: UNCTAD, International Investment Agreements Navigator.



Foreign investment has always been an essential source of income for developed economies. For example, in the European Union, the stock of inward FDI accounted for 76% of the total GDP of the Union. In the same year, FDI stock in OECD countries equated to 56% of the aggregated GDP of this group of countries. Inward FDI stock as a percentage of GDP in OIC countries was significantly below European Union and OECD averages. It amounted to 36% in the OIC Arab group, 34% in the OIC African group, and 26% in the OIC Asian group in 2020. Still, it is encouraging to notice that the OIC FDI inflow trend relative to GDP was continuously increasing in the last decade (Figure I.7), meaning that investment integration of OIC countries with the global economy is on the rise. This positive trend is significantly more pronounced in the OIC Arab group.

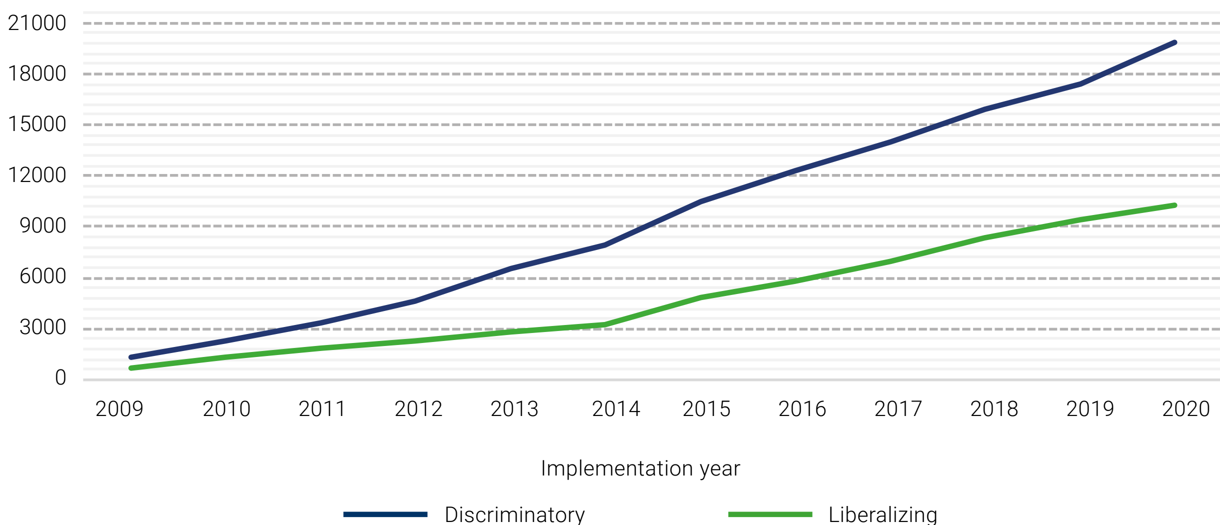
Figure I.7: Inward FDI stock as a percentage of GDP



Source: UNCTAD, FDI/MNE database.

Foreign trade is an alternative tool for evaluating the integration of countries in the global economy, and it is closely related to FDI (Goh and Tham, 2013). Companies expand internationally gradually and frequently test foreign markets through exports, and after acquiring enough familiarity with foreign markets, they decide to carry out FDI (Wei, Y. et al., 2014; Johanson and Vahlne, 1990). Some recent findings of the literature on international trade highlight that FDI encourages the export of the host economy (Voica et al., 2021). Moreover, local companies may also develop access to new foreign markets through links with MNEs due to arrangements such as subcontracting.

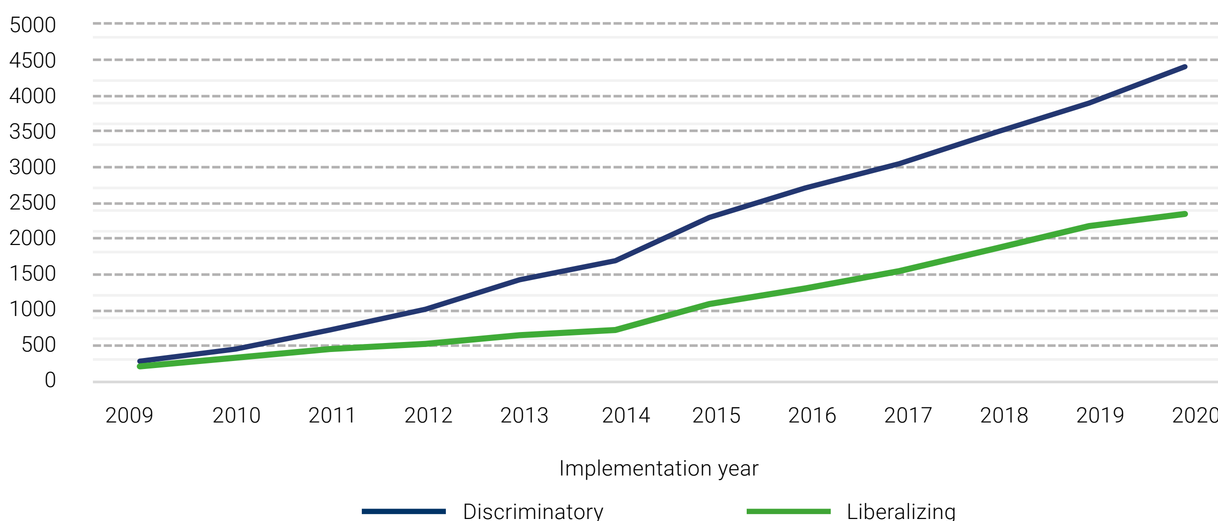
Figure I.8: Cumulative number of trade measures currently enforced by OIC Member States globally
(Still in force as of end 2020)



Source: Global Trade Alert.

Keeping in mind the close relationship between foreign trade and FDI, it could be argued that discriminatory trade measures imposed on partner countries tend to discourage FDI decisions of foreign companies. The Global Trade Alert (GTA) database includes information on governments' discriminatory and liberalizing trade measures. From 2009 until 2020, 19,852 discriminatory and 10,262 liberalizing (still in force) measures implemented by the OIC governments, affecting at least one nation, are documented in the GTA database (Figure I.8). Thus, the cumulative number of measures liberalizing trade of OIC countries was outnumbered by discriminatory and restrictive policy interventions by more than 1.9 times in 2020. A similar trend is visible regarding the trade measures enforced among OIC countries. Cumulatively 4392 discriminatory and 2334 liberalizing trade measures among the OIC Member States remained in effect in 2020 (Figure I.9). In general, OIC countries' restrictive trade policies exceed that of liberalizing measures every year since 2009. Therefore, OIC governments shall promote policies supporting increased trade liberalization in parallel to their efforts to attract more FDIs.

Figure I.9: Cumulative number of trade measures currently enforced among OIC Member States
(Still in force as of end 2020)



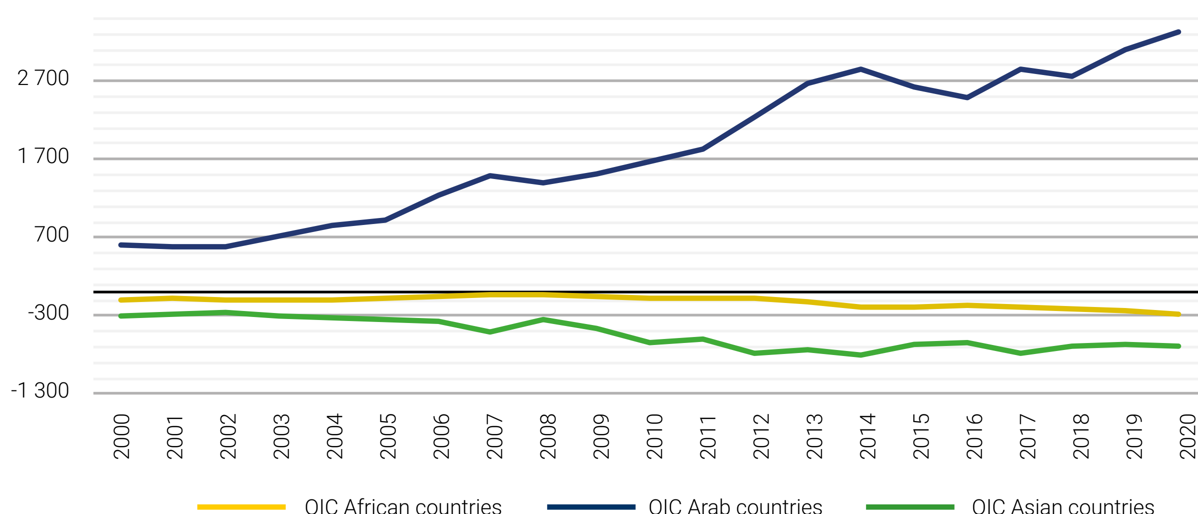
Source: Global Trade Alert.

I.A.4 State of external financial claims and liabilities of OIC countries

The External Wealth of Nations database provides important insights on countries' external financial assets and liabilities, which help to understand the importance of FDIs further. Holdings of external assets and liabilities are summarized in the International Investment Position of countries' balance of payments. However, due to significant gaps in data availability, the External Wealth of Nations database constructs a data set comprising estimations. Although the error in estimates can be substantial for some countries, the data provide an essential measure of the financial ties of an economy with the rest of the world and their respective financial vulnerabilities.

External financial assets are claims by domestic residents on non-residents; the opposite is true for financial liabilities. The data on assets and liabilities of countries have been divided into five broad categories in the External Wealth of Nations database: 1) foreign direct investment; 2) portfolio investment; 3) debt (including loans, deposits, trade credits, and the like); 4) financial derivates and 5) foreign exchange reserves excluding gold.

Figure I.10: Net international investment position excluding gold ***(Billion $US)***



Source: Philip R. Lane, and Maria Gian Milesi-Ferretti, "The External Wealth of Nations Revisited: International Financial Integration in the Aftermath of the Global Financial Crisis," IMF Economic Review 66, 2018, 189-222 (Updated by Brookings, the External Wealth of Nations database).

As shown in Figure I.10, external financial claims exceed the external financial liabilities of the OIC Arab group, indicating that this group of countries, particularly oil exporters, has increasingly become a source of net foreign capital outflows from 2000 to 2020. A positive net international investment position (NIIP) excluding gold also illustrates that the OIC Arab group of countries are, on average, running current account surpluses and accumulating reserves, thus reducing their vulnerabilities to global financial crises.

OIC Asian group is experiencing a negative NIIP position. For that reason, a sudden slowdown in foreign capital inflows could increase the vulnerability to external shocks, particularly in those economies with significant debt liabilities denominated in foreign currency. Data from Figure I.10 shows that in OIC African countries, there has also been an increase in external financial liabilities from 2009 to 2020. However, the overall stock of these liabilities has been relatively more stable compared with the OIC Asian group.

In 2020, a negative NIIP exceeded 100% of national GDP in 11 OIC countries and remained between 50%-95% in 16 OIC countries. Regarding NIIP excluding gold relative to GDP, Mozambique, Sudan, Lebanon, Suriname, and the Maldives appear as the largest OIC net debtor countries. At the same time, Kuwait, Libya, Brunei, United Arab Emirates, and Qatar emerged as the most significant net creditors among OIC economies in 2020. The picture of the top 5 OIC net debtors and creditors is significantly different when evaluating according to the value of net external liabilities (Table I.3).

Table I.3: Largest external creditors and debtors among the OIC countries

Largest net debtors (2020)			Largest Net Creditors (2020)	
A. Largest according to share of GDP (NIIP excluding gold/GDP)				
Mozambique	-44.4%		Kuwait	927.6%
Sudan	-277.7%		Libya	836.1%
Lebanon	-271.7%		Brunei	654.7%
Suriname	-223.0%		United Arab Emirates	320.6%
Maldives	-211.1%		Qatar	280.5%

B. Largest according to $US (NIIP excluding gold, billion dollar)			
Turkey	-419	Saudi Arabia	1,283
Indonesia	-279	United Arab Emirates	1,136
Egypt	-208	Kuwait	991
Pakistan	-122	Qatar	412
Kazakhstan	-95	Iran	205

Source: Philip R. Lane, and Maria Gian Milesi-Ferretti, "The External Wealth of Nations Revisited: International Financial Integration in the Aftermath of the Global Financial Crisis," IMF Economic Review 66, 2018, 189-222 (Updated by Brookings, the External Wealth of Nations database).

It is difficult for those OIC countries that appear as net debtors to determine the most appropriate exchange rate policies. If, for example, the national currency loses its value, the trade balance will ultimately improve. However, the NIIP may deteriorate if a particular country is a net debtor in terms of foreign currency instruments (Philip and Milesi-Ferretti, 2018). This situation also explains the importance of increasing the role of FDI inflows to manage financial risks more effectively. The more considerable increase in FDI inflows could reduce the exposure to external economic shocks of many vulnerable OIC countries.

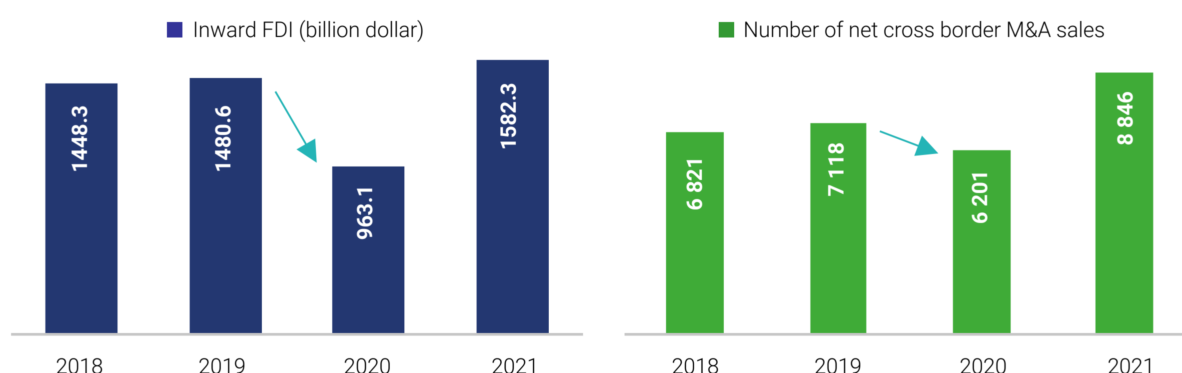
I.B Rethinking foreign direct investment for recovery from Covid-19

The Covid-19 pandemic has caused a global humanitarian, social and economic crisis. The pandemic has instigated foreign investors to curtail their operations in host countries, with knock-on effects on jobs, incomes, and livelihoods. Understanding the impacts of the pandemic on the FDI landscape and key emerging trends would help OIC countries design effective policies to attract and host more FDI and support their sustainable development.

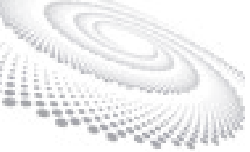
I.B.1 Impact of Covid-19 and responses

The pandemic was a shock for global FDI activities. Global FDI inflows and the number of net cross-border transactions went down in 2020 compared to 2019. Global FDI flows dropped by 35% to nearly $963.1 billion in 2020, from almost $1.5 trillion in 2019, then increased to nearly $1.6 trillion in 2021. The number of cross-border mergers and acquisition sales shrunk by 13% and was recorded at 6,201 in 2020. Cross-border transactions recovered in 2021 by reaching 8,846 net deals (Figure I.11).

Figure I.11: The impact of COVID-19 on global FDI inflows and the number of net cross-border M&A sales



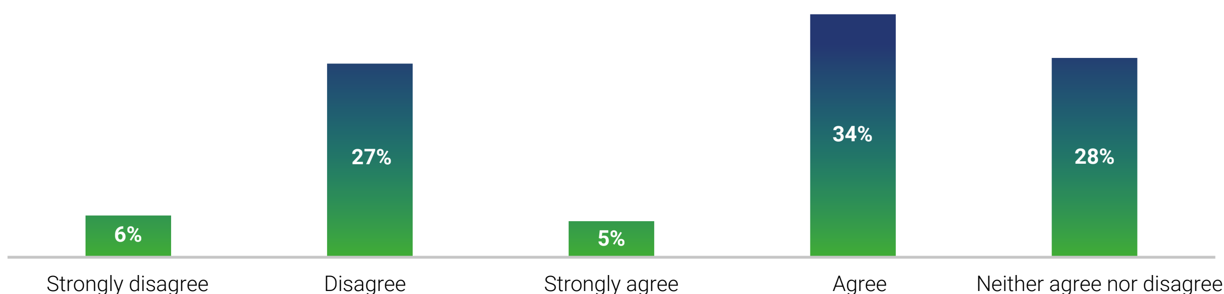
Source: UNCTAD, FDI/MNE database.



The pandemic has slowed globalization by restricting capital/good movements, including FDI flows. A survey conducted by TI Insights (2020) revealed that 39% of respondents agree that the Covid-19 crisis will end globalization and national/local supply chains (Figure I.12). This finding is critical as it underlines that the pandemic is not a cyclical shock in the global economy. Instead, a crisis could lead to a paradigm shift in the world economic order. It can change the global supply chains with detrimental effects on FDI and MNEs landscape towards a more regional and less-integrated one. In fact, increased protectionism sentiments in 2020 reflected this trend. According to UNCTAD (2021), the worldwide number of investment policy measures of a regulatory or restrictive nature more than doubled in 2020. In OIC, between March and May 2020, 35 OIC countries implemented 39 restrictive international trade policies to cushion the negative impacts of the pandemic (SESRIC, 2020). The restrictive trade policies impede the operations of existing MNEs in host countries and tend to discourage additional investments.

Figure I.12: The Covid pandemic and globalization

Agreement with the statement : The Covid-19 crisis xill lead the end of globalization and the reemergence of national/local supply chains.



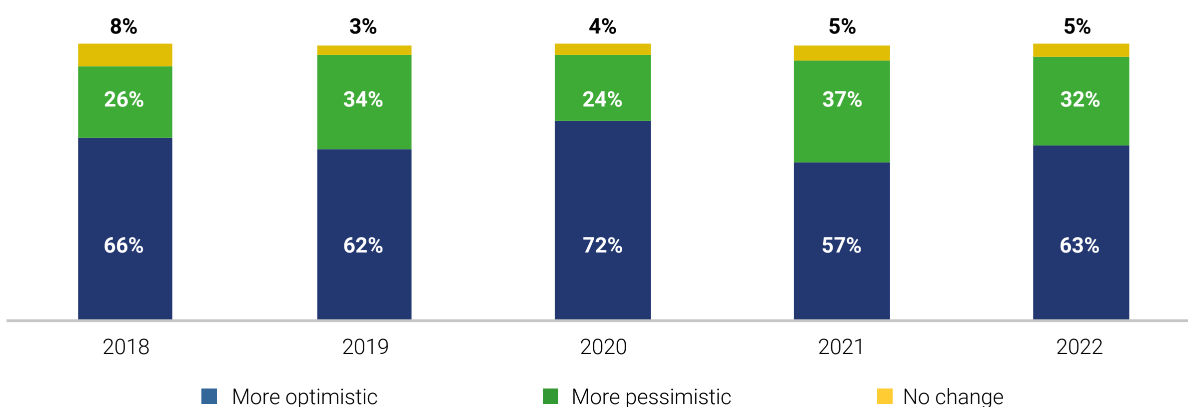
Source: TI Insight (2020)

The pandemic affected the investors' sentiment on globalization and their perspectives on the outlook for the global economy. As a result, investors have become more pessimistic, whose share increased from 24% in 2020 to 37% in 2021 due to the Covid-19. Moreover, the percentage of more optimistic investors reduced from 72% in 2020 to 57% in 2021 (Figure I.13). The increased pessimism is a risk factor that could affect the pace of recovery in the global FDI flows and negatively affect the FDI inflows to OIC countries.

Still, the pandemic affected not all countries to the same extent. Limited FDI inflows, a weak investment climate, and poor participation in global value chains were among the vital structural challenges faced by developing countries, including many OIC countries, even before the outbreak of Covid-19 (UNCTAD, 2020). These existing issues have amplified the negative impacts of Covid-19 in many developing nations.

Figure I.13: Investors' perceptions of the global economic outlook ***(% of respondents)***

How has your view on the global economy changed compared to the previous year ?

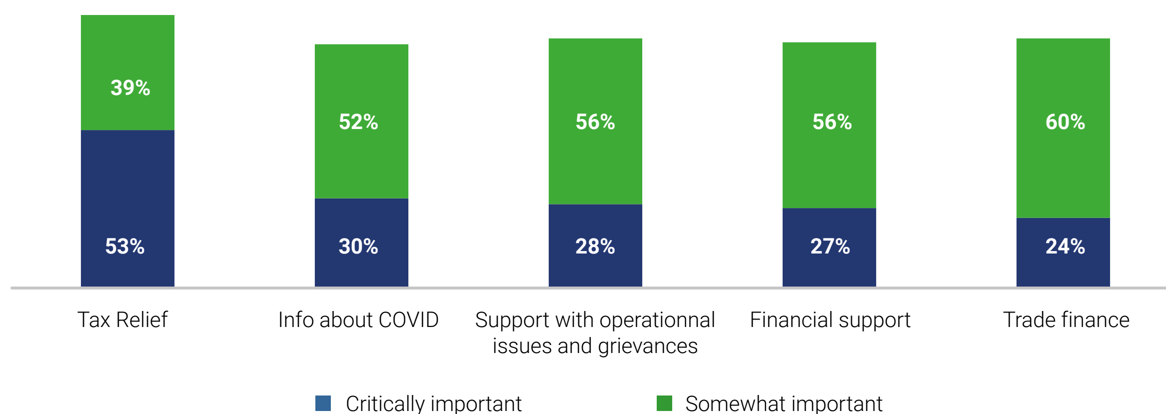


Source: AT Kearney FDI Confidence Index.

Developing economies and several OIC countries could not implement effective policies to address the pandemic's challenges due to limited financial resources, limited capacity for crisis management, and poor IT infrastructure (SESRIC, 2020). For MNEs, support measures of governments have become more critical during Covid-19 to

maintain their operations and limit their potential losses. Tax relief measures were the most important ones from the perspective MNEs during the pandemic. 92% of MNEs responded that such measures are critically important (53%) or somewhat important (39%). Information about Covid-19, support related to operational issues and grievances, financial support, and trade finance were other important factors mentioned by MNEs (Figure I.14).

Figure I.14: Top-5 government support measures highlighted as necessary by MNEs during Covid-19 *(% of respondents)*



Source: Saurav et al. (2020)
Note: Sample size was 355. Only critically important and somewhat important options are included in the chart.

Box I.2: An overview of the government policies on FDI in light of the Covid-19 crisis

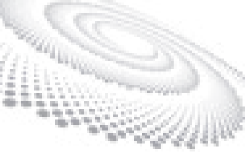
Governments worldwide have undertaken wide-ranging measures to combat the adverse economic effects of the Covid-19 crisis. The fiscal packages announced to date aim to cushion the impact of the drop in economic activity and maintain productive capacity (OECD, June 2020). Supporting business cash flow has been the core goal of such measures. They have focused primarily on extending deadlines for tax filing and deferral of tax payments and faster tax refunds, more generous loss offset provisions, and tax exemptions. Countries have also taken temporary state ownership of firms and implemented measures to help retain their workers through short-time work schemes or wage subsidies.

Affiliates of foreign-owned companies are not explicitly excluded from such support programs, yet the determination of their eligibility was complex as they have operations in several countries. Meanwhile, several countries have also tightened FDI screening to protect their vital security interests against threats of acquisitions of certain sensitive assets like healthcare and IT technologies.

OIC countries also implemented a wide range of fiscal and monetary policies during the Covid-19 outbreak to support companies' business operations (both domestic and MNEs). According to SESRIC (2020), out of 52 OIC countries for which the data are available, 42 developed and implemented a fiscal stimulus package to sustain and encourage essential economic activities at the first stage and all economic activities in the second stage. In terms of monetary policy intervention, 26 OIC countries outcut interest rates as a reflection of direct expansionary monetary policy to cope with liquidity restrictions stemming from the outbreak. 19 OIC countries out of 52 injected a monetary stimulus package to heat their outbreak-hit economies. The vast majority of OIC countries (45 out of 52) used other (indirect) monetary policy measures such as open market operations, reserve requirements, and central bank lending facilities to support economic activities in response to the Covid-19 outbreak.

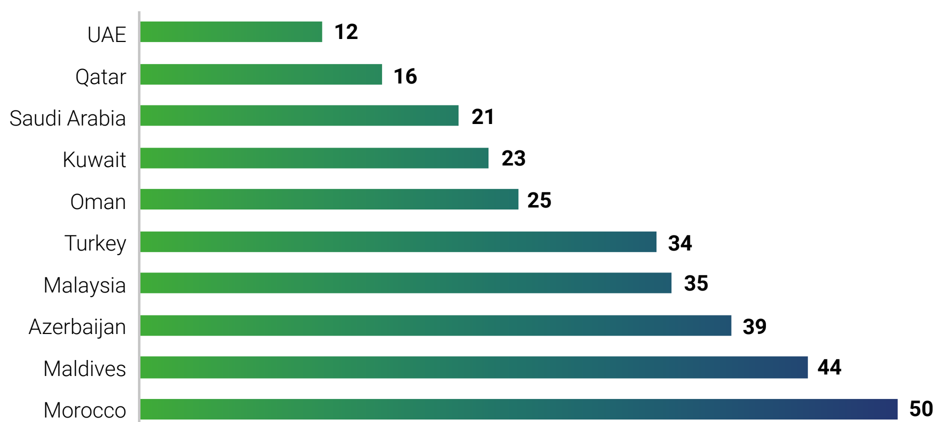
As the pandemic affected the exchange rate and balance of payments volatility, 20 OIC countries have already implemented a set of monetary policies to stabilize and control the volatility of the exchange rate and ensure steady inflow and outflow of foreign exchange.

Source: OECD (2020) and SESRIC (2020).



The Covid-19 Response Index 2022 is a subcomponent of the Global Soft Power Index. It measures the Covid-19 response of countries regarding supporting economic recovery, health, and wellbeing, including vaccinations, and helping other countries manage/recover from Covid-19. In the top 50 countries at the global level, only 10 OIC countries are listed (Figure I.15). The United Arab Emirates and Qatar topped the list of OIC countries and were among the top 20 countries globally. Those OIC countries like the United Arab Emirates, Qatar, Saudi Arabia, Kuwait, Oman, Turkey, and Malaysia that took place in the top 50 are in the OIC Arab and Asia groups. On the other hand, the OIC African group lagged due to their lower scores resulting from inadequate economic recovery support, slow-paced vaccination, and limited capabilities to manage/recover from the pandemic. In this regard, the OIC African group of countries needs to exert more effort in supporting their economies for a resilient recovery from the pandemic.

Figure I.15: OIC countries in the Top-50 of the Covid-19 Response Index 2022 *(Places in Global Rank)*



Source: Brand Directory, Global Soft Power Index 2022.
Note: 120 countries are listed in the index.

I.B.2 Supporting sustainable recovery

Since the pandemic outbreak, a set of emerging factors have started to affect the global economy that could influence the recovery from the pandemic. According to a survey conducted by EY (2021), digitalization of customer access to services (29%), sustainability and climate change (17%), and automation technologies (14%) were the top three issues that could accelerate most in the next three years as a result of Covid-19. The role of government intervention in regulating business (12%), reversal of globalization (12%), and geopolitical tensions (11%) were the other important factors cited by the respondents (Figure I.16).

Table I.4: Emerging trends that could affect the recovery from Covid-19

Which of the following trends do you expect to accelerate most in the next three years due to Covid-19? *(550 respondents)*	% of responses
Digital customer access to services	29%
Focus on sustainability and climate change	17%
Adoption of technology that automates human manual processes	14%
Government intervention in business and the wider economy	12%
Reversal of globalization	12%
Geopolitical tensions	11%
“Reshored” or “nearshored” supply chains in Europe	5%

Source: EY Attractiveness Survey Europe, June 2021.

The pandemic highlighted that dependence on too few sourcing locations or trade lanes include several risks. For that reason, there are more concerns about the future of globalization and the viability of MNEs organizing activities in global value chains. According to Strange (2022), many new realities that could affect MNEs and FDI flows are particularly relevant in the post-pandemic period. First, the growth of populism and economic

nationalism could associate with increased protectionism, which could degrade FDI. On the other hand, a greater awareness of climate change and sustainable development can promote SDG-related investments but possesses some risks for FDI projects that could not meet some environmental, social and governance (ESG) criteria. Lastly, new digital technologies could lead to off-shoring and re-shoring. While some types of FDI will reduce, some FDI projects, such as technology-intensive and environmentally friendly, will likely surge during the recovery and post-pandemic period.

FDI can lessen the impact of Covid-19 and boost countries' economic resilience by providing a critical source of external capital and continuing to create more and better-paid jobs, lift people out of poverty and increase productivity. The recovery of international investment has started, but it could take some time to get the desired momentum. Among OIC countries, the pace of investment recovery is not similar due to differences in FDI policies, investment climate, and available incentives.

According to UNCTAD (2021), recovery investment plans in most countries mainly focus on infrastructure sectors - including physical, digital, and green infrastructure. These are sound investment priorities that (i) are aligned with SDG investment needs; (ii) concern sectors in which public investment plays a more significant role, making it easier for governments to act; and (iii) have a high economic multiplier effect, essential for demand-side stimulus. These three factors have implications for the future of FDI projects both in developed and developing countries to recover from the pandemic. The economic recovery of OIC countries will also largely depend on these three factors.

Overall, there is no short answer to whether the recovery from the pandemic will be smooth and supportive of sustainable development. Government policies, host countries' agreements with MNEs, provisions of existing investment agreements, supportive measures of regional and international organizations, and other stakeholders could play a role in determining the pace and direction of recovery from the pandemic (UNCTAD, 2021). Nevertheless, pro-active government policies are undoubtedly essential to managing the recovery process from the pandemic in OIC countries. In this regard, OIC countries are recommended to thoroughly assess their FDI and MNEs landscape and seek ways to align their FDI policies with sustainable development. Such efforts would support recovery from the pandemic and increase the resilience of OIC economies. In this respect, OIC countries are rich in policy responses and proactive policies, as discussed throughout the report. Moreover, enhancing intra-OIC cooperation by increasing the exchange of experiences among OIC countries could play an essential role in recovering from Covid-19.

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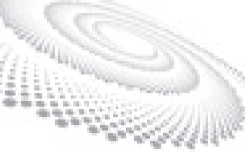

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Databases

Brookings Institute the External Wealth of Nations database, www.brookings.edu/research/the-external-wealth-of-nations-database

FAOSTAT, www.fao.org/faostat/en/#home

Global Trade Alert, www.globaltradealert.org

GlobalData, www.globaldata.com

IMF Balance of Payments and International Investment Position Statistics, https://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52

IMF World Economic Outlook, www.imf.org/en/Publications/WEO

OECD Creditor Reporting System, https://stats.oecd.org/Index.aspx?DataSetCode=crs1

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UNCTAD FDI/MNE database, https://unctad.org/topic/investment/investment-statistics-and-trends

UNCTAD International Investment Agreements Navigator, https://investmentpolicy.unctad.org/international-investment-agreements

World Bank International Debt Statistics, www.worldbank.org/en/programs/debt-statistics/ids/products

World Bank Migration and Remittances Data, www.worldbank.org/en/topic/ migrationremittancesdiasporaissues/brief/migration-remittances-data

PART II:

RECENT TRENDS IN FOREIGN DIRECT INVESTMENT

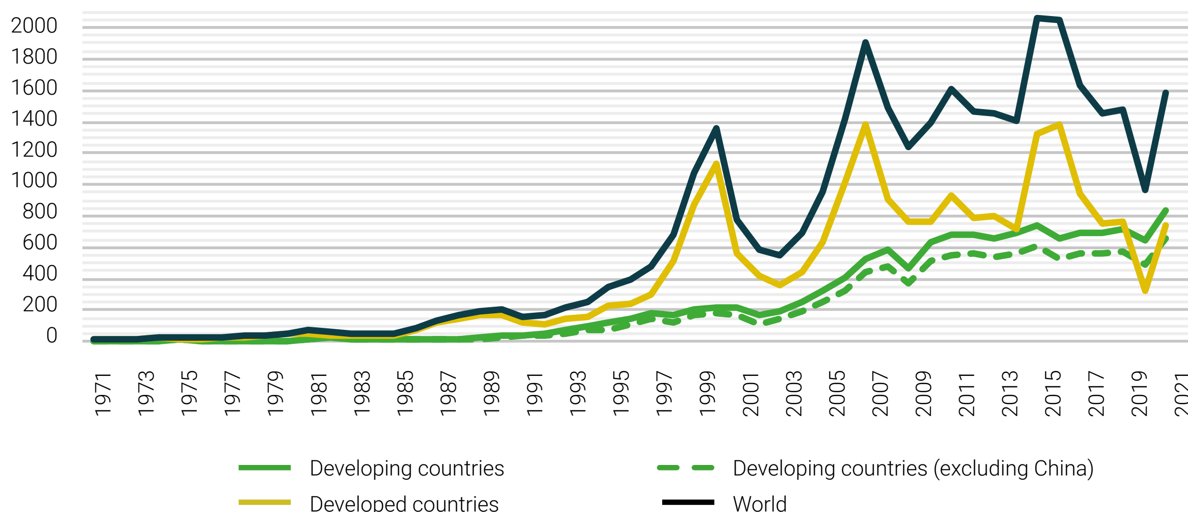
II.A Overview of foreign direct investment worldwide

Foreign direct investment (FDI) statistics for 2020 were heavily affected by interruption from the Covid-19 pandemic. However, the reality is that FDI was in trouble long before. In 2018 UNCTAD drew attention to the global negative FDI trend and expressed fear that this could be a long-term concern with the projection that global FDI flows may remain well below the average over the next decade (UNCTAD, 2018).

II.A.1 The trends in global FDI flows

The world has witnessed a fast acceleration in investment since the 1990s. Despite fluctuations, the global FDI flows increased from $154 billion in 1991 to more than 2 trillion in 2016. After 2016, global FDI flows went down, and this negative trend became a long-term concern (Figure II.1).

Figure II.1: Foreign direct investment inflows ***(Billion $US)***

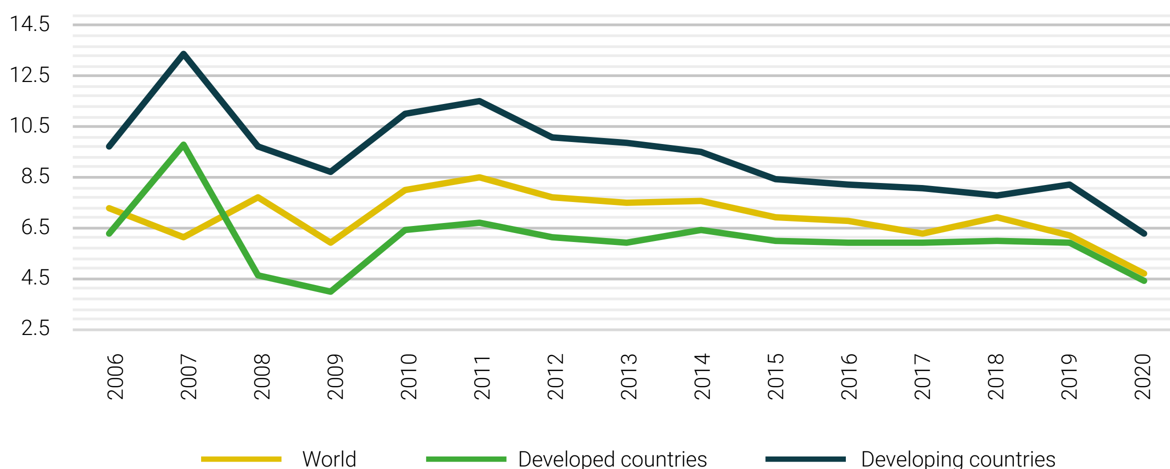


Source: UNCTAD, FDI/MNE database.

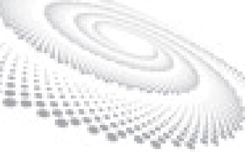
FDI inflows fell significantly in developed countries and remained more stable in developing countries. Compared to 2016, inward FDI flows to developed countries fell by almost 44% in 2019, while FDI flows to developing countries slightly increased by nearly 8.4% in the same period. Before the Covid-19 pandemic, FDI flows fell due to lower FDI returns and increasing geopolitical uncertainties that boosted nationalism and protectionism. Globally, the average return on FDI fell during the past decade. Further, as shown in Figure II.2, rates of return on inward FDI fell more in developing countries than in developed countries.

Developing countries have significantly deepened their integration into the international production system in the last decade, thanks to their increased openness to foreign companies. Particularly after 2009, China continued to lead in FDI growth in the developing world (Figure II.1). From 2010 to 2020, 20% of FDI inflows to developing countries went to China.

Figure II.2: Rates on return on inward foreign direct investment



Source: UNCTAD (2019), UNCTAD (2013a); values for 2019 and 2020 are authors' calculations. Average profitability is calculated as the quotient between FDI income and the FDI stock. FDI income data from IMF BoP, Primary Income - Direct Investment Debit; FDI stock data from UNCTAD, FDI/MNE database.



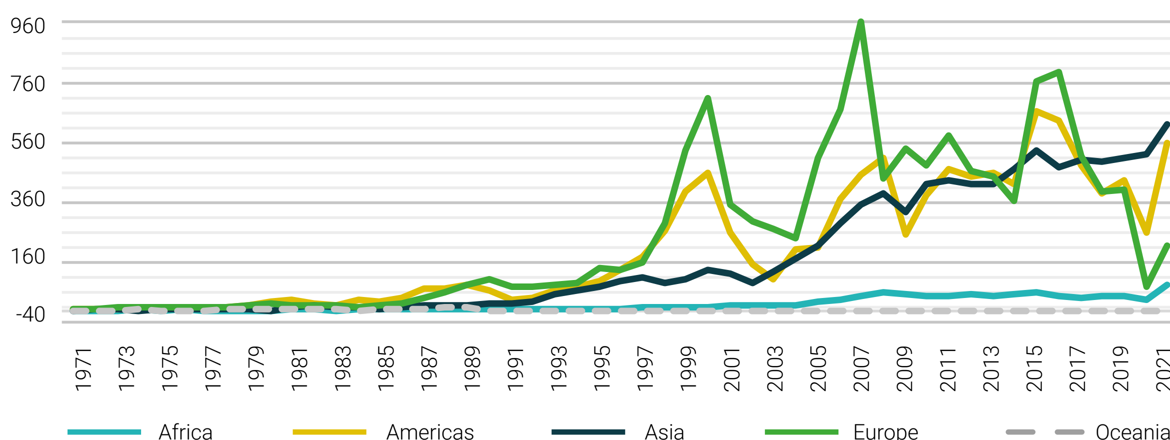
According to UNCTAD data, despite the Covid-19 pandemic, China attracted $149.3 billion in FDI, $8.1 billion more than in 2019, ranking China second in inward FDI flows. On the other hand, outward FDI from China remained high at $153.7 billion in 2020, making China the second-largest investor globally. In 2021, with $145.2 billion, China was the fourth largest investor in the world, according to UNCTAD data. China is heavily investing in overseas projects such as the Belt and Road initiative, -a plan to connect Asia with Africa and Europe via land and maritime networks. According to the IMF Coordinated Direct Investment Survey data, in 2020, only 32% of China's outward FDIs went to developing countries. 3.3% are invested in OIC countries, $55.8 billion to the OIC Asian group, $21.3 billion to the OIC Arab group, and $9.2 billion to the OIC African group.

Sharp reductions in FDI inflows occurred in 2020 due to the Covid-19 pandemic. Lockdown measures, successive pandemic waves, and economic uncertainty led to the postponement of investment by companies. Global FDI flows dropped by 35% in 2020, to $963 billion from nearly $1.5 trillion in 2019, according to UNCTAD data. Fu, Y. et al.'s (2021) study shows that for existing FDIs, the Covid-19 impact was relatively minor. But investors were unwilling to invest in foreign countries experiencing a higher death rate due to the rapid spread of Covid-19. Moreover, higher lethality in the host country delayed the completion of FDI transactions, significantly reducing the FDI value the economy could attract.

The decline of FDI flows was significant in developed countries, where FDI inflows fell sharply by 58% to $319.2 billion in 2020, a level that was last seen before 2005. FDI flows to Europe decreased by 80%, largely because of Ireland, Germany, Netherlands, and France. In 2020, FDI to the United Kingdom declined by 60%, Australia by 58%, Canada by 54%, and the United States by 33%.

FDI to developing economies decreased at a more moderate 10% rate, mainly because of robust flows in Asia. Asia remains to be the largest FDI recipient in the developing world, in contrast to Africa, where last two decades, FDI flows accounted for only %3.2 of the world's total FDI flows. Still, the impact of Covid-19 in Africa was moderate, decreasing to $39 billion in 2020, down 15% from 2019. In contrast, flows to Asia rose by 1.4% from 2019 to 2020 (Figure II.3).

Figure II.3: Foreign direct investment inflows by continents ***(Billion $US)***



Source: UNCTAD, FDI/MNE database.

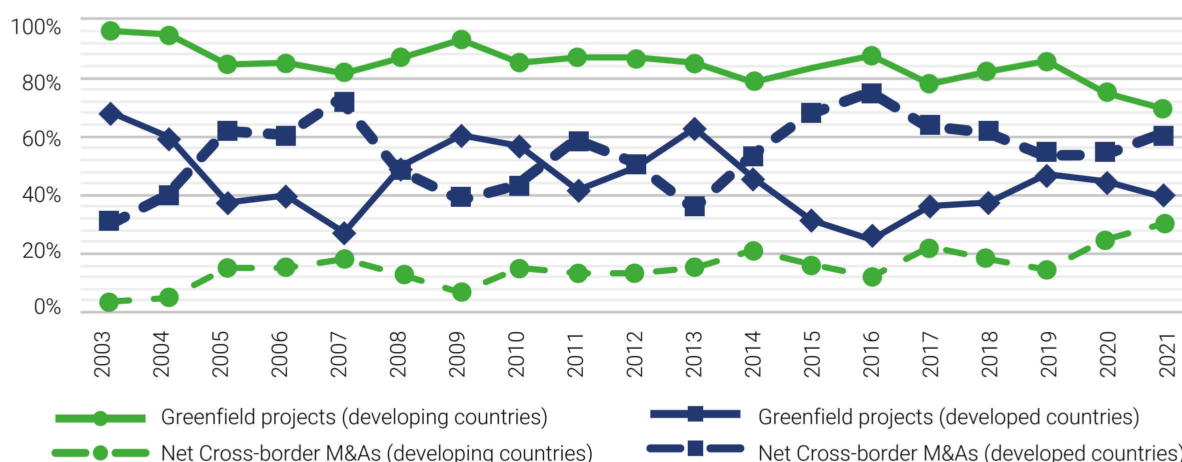
According to the last figures from UNCTAD, after a significant drop in 2020, global FDI flows reached an estimated $1.58 trillion in 2021, showing a stronger than expected rebound. UNCTAD estimates that FDI flows to developed countries in 2021 reached $745.7 billion (134% increase from the previous year), whereas inflows to developing economies are calculated at nearly $836.6 billion, which is a 30% increase compared to 2020 (Figure II.2). From 2020 to 2021, investments in Asia increased by 19.3% (reaching $619 billion), Latin America and the Caribbean by 56% (reaching $134.5 billion), and Africa by a record high of 113%, reaching $83 billion (Figure II.3). For the first time in the last three decades share of Africa in global FDI inflows rose to 5.2%.

Two important forms of FDI are greenfield investments and cross-border mergers and acquisitions (M&A). Greenfield investment involves creating a subsidiary, a completely new operation in a target market from scratch with fresh capital by one or more non-resident investors. Unlike greenfield investment, cross-border M&A does not directly contribute to productive capacity but relates to existing company structures. Mergers arise when resident and non-resident companies abandon their original distinct identities and agree to join forces in a single

and new firm. Acquisitions involve purchasing existing companies wholly or partly (10% or more) by a non-resident company or a group of companies.

Interestingly, from 2003 to 2021, in terms of value (the sum of values of greenfield projects by destination and net cross-border M&A transactions by the seller), the share of greenfield projects flow to developing countries averaged 85%, and to developed countries at 45%. In this regard, while investor purchases of an existing operation are more widespread in the developed economies, establishing a subsidiary and buildings its operations from the ground up is more typical for FDIs flows to developing countries (Figure II.4). Still, from 2019 to 2021 increasing trend of net cross-border M&A transactions targeting developed countries is visible.

Figure II.4: Shares of values of greenfield projects and net cross-border mergers and acquisitions
(Percent, by destination and seller)



Source: UNCTAD cross-border M&A database. For greenfield projects UNCTAD, based on information from the Financial Times Ltd, fDi Markets.
Note: The calculation of shares is based on the sum of values of greenfield projects and net cross-border M&A transactions.

Sectoral analysis indicates that from 2003 to 2021, greenfield projects have shifted globally toward the services sector, while there is a significant decrease in projects related to the primary sector (agriculture, forestry, fishing, and extractive industries). Figure II.5 shows that despite the pandemic, the share of the services sector in the value of global greenfield projects has increased from 50% in 2019 to 56% in 2020 and decreased to 53% in 2021.

Considering that service industries such as tourism and education involve the large-scale movement of people, it was rational to expect that Covid-19 lockdowns significantly impacted the service industry. However, Doytch et al. (2021) observed that many services industries had shown a certain resilience and flexibility to switch to a remote work mode and have continued to attract greenfield FDI projects. In contrast to services, the manufacturing, extractive and utility industries, which heavily depend on global value chains, have been affected more by the shocks resulting from the Covid-19 pandemic (Figure II.5).

In the case of M&A, which does not imply FDI flows, from 2005 to 2011, transactions in the services sector have significantly reduced, and the primary sector increased. After 2011, transactions in the primary sector lost momentum, and the manufacturing and services sectors became preferable.

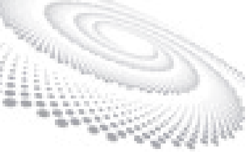
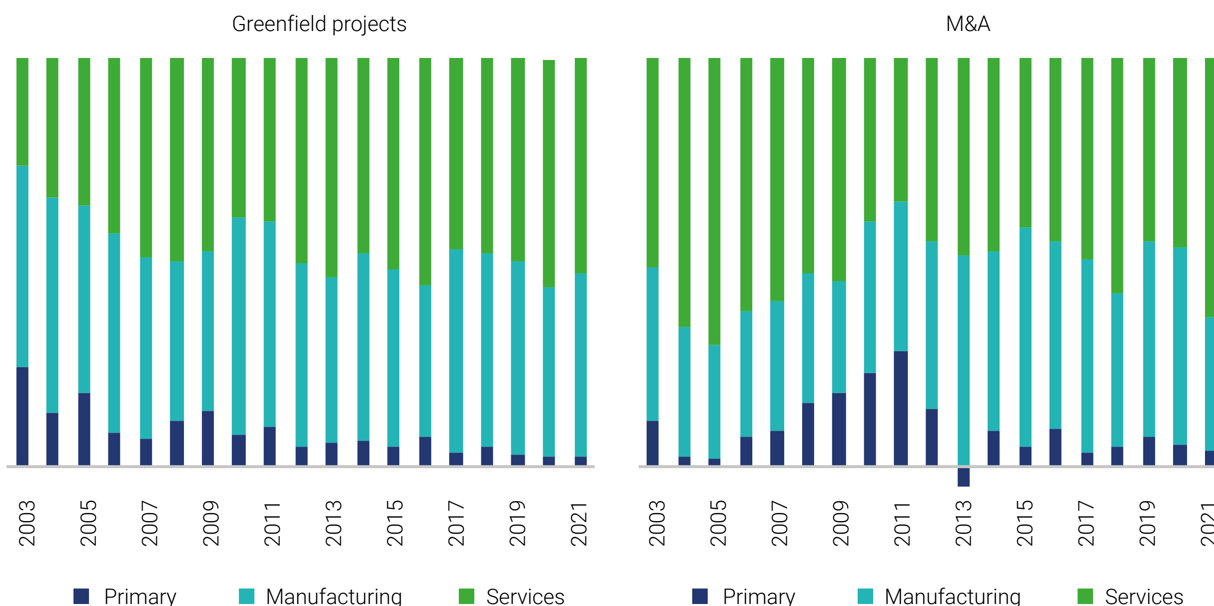


Figure II.5: Sectoral distribution of announced greenfield FDI projects and net cross-border M&A sales ***(Shares based on value, %)***

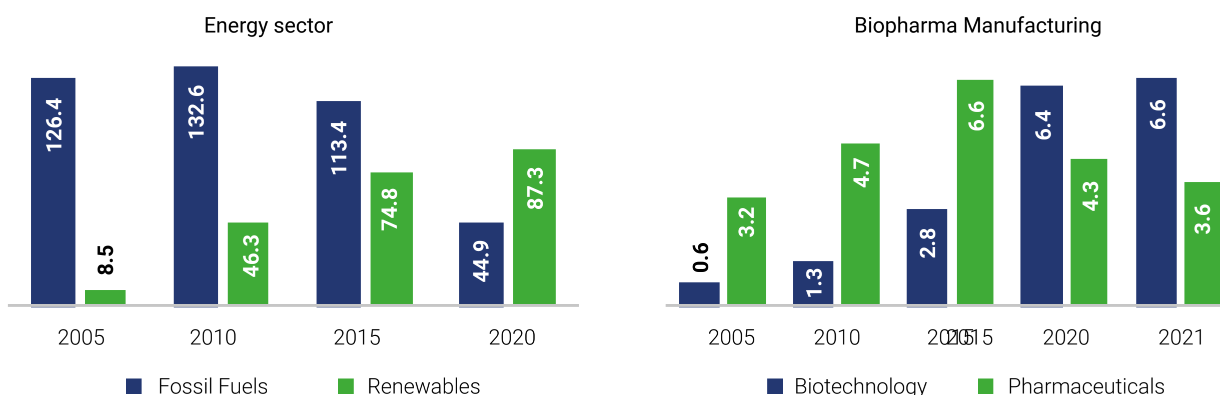


Source: UNCTAD cross-border M&A database. For greenfield projects UNCTAD, based on information from the Financial Times Ltd, FDi Markets.

Climate change and the need to decarbonize are more critical than ever, and companies and countries are under increasing pressure to improve their related scores. In this regard, it should not be surprising that greenfield FDI into renewable energy fulfills its potential. Accordingly, the last decade witnessed a significant fall in greenfield projects directed at the fossil fuels (coal, oil and gas) sector. In 2020, greenfield FDI into renewable energy exceeded flows into fossil fuels for the first time, according to fDi Markets data (Figure II.6).

Another significant trend in greenfield FDI is related to biopharma manufacturing projects. As countries have struggled with Covid-19, large pharmaceutical and biotechnology companies raced to increase their capacity to produce Covid-19 vaccines and other therapeutics by investing in foreign biopharma manufacturing projects (Figure II.6).

Figure II.6: Announced greenfield projects in energy and biopharma sectors ***(Billion $US)***



Source: FDI Intelligence (2021).

FDI flows help assess recent developments in FDI, so the direction of change in these flows (except for external shocks) can indicate whether the investment climate is improving or not in a particular region, country or sector. On the other hand, FDI stocks measure the total direct investment level at a given time. As shown in Figure II.7, in 2021, 39% of global inward FDI stock ($17.2 trillion) was concentrated in the Americas, 38% in Europe ($16.4 trillion), and 21% in Asia ($9.1 trillion). In the same year, 46% of global outward stock belonged to Europe, 33% to the Americas, and 20% to Asia. In Asia, the increase in FDI stock, both inward and outward, was mainly driven by China.

FDI flows to Africa have evolved over the past decades, and new investment sources have opened up. Still, only 2.3% of global inward FDI stock (near $1 trillion in 2021) belongs to this continent, according to UNCTAD data. In

2021, the outward FDI stock of African countries was $301 billion. Shares of Oceania's economies, both in global inward and outward FDI stock, remain at very symbolic levels (Figure II.7).

Figure II.7: Inward and outward FDI stocks by continents *(Trillion $US)*

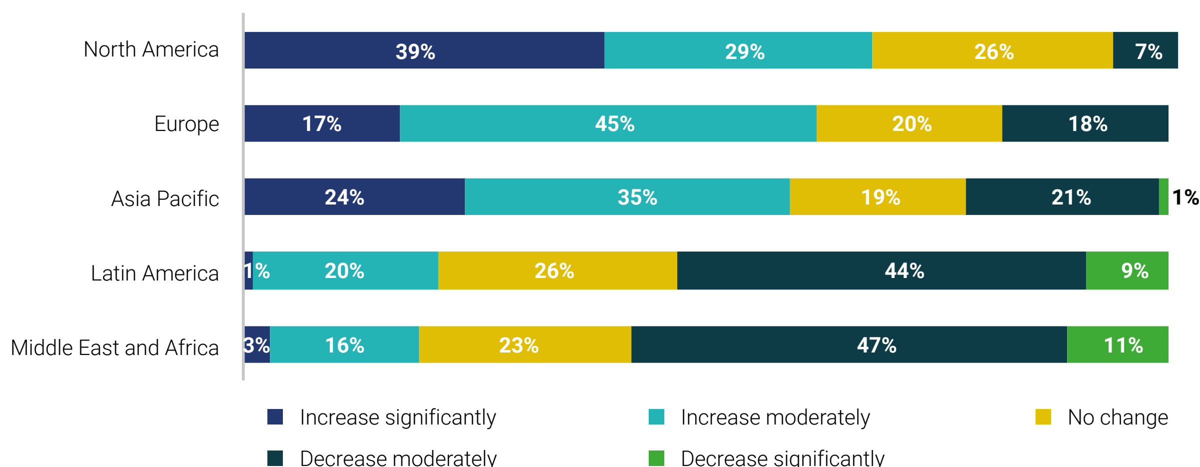
Source : UNCTAD, FDI/MNE database.

II.A.2 Emerging realities in the global FDI landscape

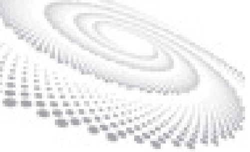
It is challenging to predict the future trend of FDIs due to a lack of reliable data. Kearney's FDI Confidence Index indicates that FDIs may shift largely to more stable developed markets with more predictable political and regulatory structures (Kearney, 2020). Similarly, the global survey done by Baker Tilly International (2021) indicates that businesspeople are increasing their interest in developed markets (see Figure II.8). It is not doubtful that political stability and security, along with the strength of the legal and regulatory environment, directly impact the FDI flows to countries. For example, Samer, A. et al. (2021) showed a stable long-run relationship between growth in fragility and FDI growth in MENA countries. Still, together with the adaptation of liberal policies that favor FDI and expanding the number of industries that allow 100% of foreign ownership, classic factors such as streamlining the approval process, lessening burdensome administrative procedures, increasing transparency, and fighting corruption will increase the capacities of developing countries in attracting FDI (Tarzi, 2005).

Besides perceptions favoring developed countries for future FDI, some early evidence suggests that forces such as technology, emerging economic powers, consumer values, geopolitical risks, and the Covid-19 pandemic (and any future diseases) are shifting globalization towards a new era of regionalism (Map II.1). Accordingly, participating/member states of major economic blocs, such as the US-Mexico-Canada Agreement (USMCA), the European Union, and Asia's Regional Comprehensive Economic Partnership (RCEP), are expected to intensify their intra-block investments in the future (Passport, 2021; FDI Intelligence 2021).

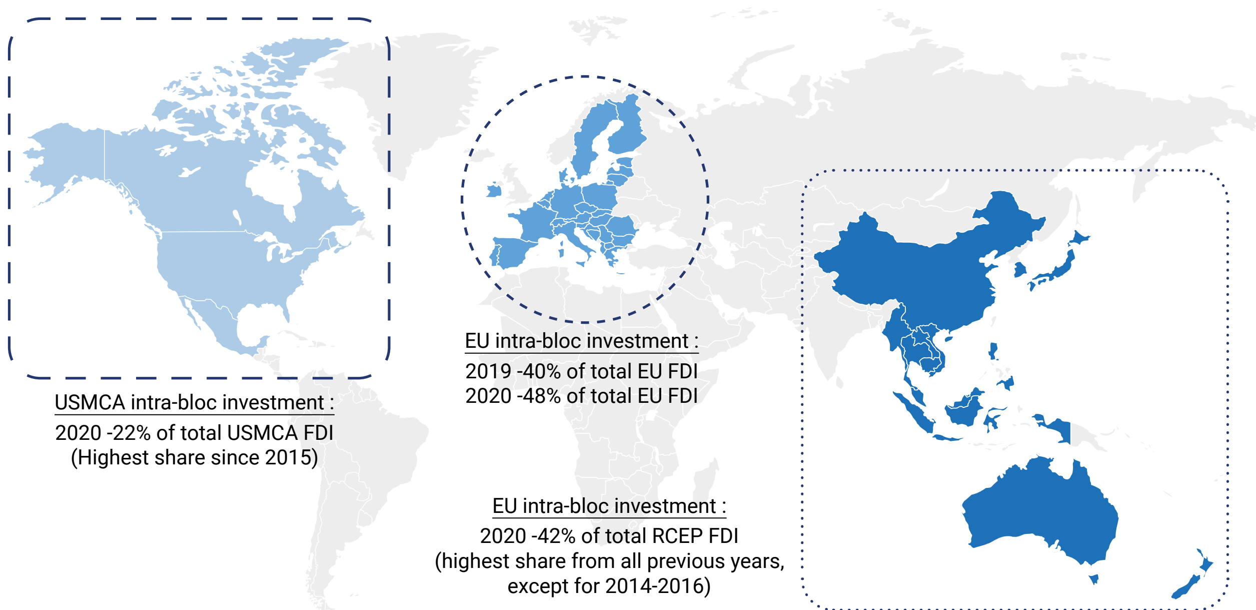
Figure II.8: What do you think will happen to the level of M&A activity in the following markets in the next 12 months ?



Source: Baker Tilly International (2021).



Map II.1: Rising investment blocks according to announced greenfield FDI projects



Source: Author's visualization, based on information from FDI Intelligence (2021).

Since 2015, policies have become less conducive to FDI with the growth of FDI regimes. Many countries have adopted FDI screening regimes or tightened those already in place. Countries that previously did not have an FDI regime have increasingly been adopting one, and countries that did have a regime have been expanding their scope (Evenett and Fritz, 2021). The growing geopolitical risks and the Covid-19 pandemic have accelerated this trend. Especially developed countries are trying to ensure domestic development of advanced technology, protect their critical infrastructure, strategic industries, and businesses from opportunistic foreign investors, and decrease reliance on non-domestic suppliers due to disruptions in the international supply chain (Kaniecki, C.D. et al. 2022). Various countries have also expanded the concept of "national security" (or national interest-related concerns), going behind the traditional defense and critical infrastructure sectors to include communications, technology and data, food, agriculture, finance, the health sector, and the like. Some of these measures may be removed as countries recover from the Covid-19 pandemic, but many will probably remain. Developments in this regard also suggest that future FDI flows may concentrate more within major economic blocks, like European Union.

Another evolving global development is about global value chains (GVCs). Rising protectionism, the Covid-19 pandemic, and the Russian-Ukrainian war have illustrated value chains' vulnerability to external shocks. GVCs have been heavily interconnected for decades, and MNEs are their key source. The world's dependence on GVCs has illustrated that different shocks affect almost all countries, adversely affecting their trade and FDI performance. Today, as the world is entering a new era of globalization, governments are interested in restructuring their GVCs, diversifying supplier networks, and building resilient ones, more flexible to global disruptions. Companies in industries such as pharmaceuticals, agriculture, and automotive have already started shifting to more local and regional production to limit complexity and interdependence in the supply chains and move closer to end-users (Passport, 2021). On the other hand, companies with very concentrated supply chains search for substitute suppliers and different locations to diversify reliance on particular suppliers and build resilience.

The world is in the midst of a significant transformation. Besides already mentioned aspects of change, the next 20 years will witness unprecedented levels of technological development and the rise of cryptocurrencies, affecting almost every aspect of daily life. The world will become further digitalized, with manufacturers, suppliers, and consumers increasingly connected by technology, e-commerce, and artificial intelligence, affecting economic activities in all sectors.

Moreover, climate change will intensify risks to human and national security. Environmental, social and governance (ESG)[2] issues have already risen on the agenda of governments, investors, and the global public (Baker Tilly International, 2021). Businesses need to pay more attention to ESG issues, grow investments in sustainable and carbon-neutral projects, to be able to acquire business deals, and preserve their reputation.

The future offers countless opportunities and brings risks, for which countries need to be prepared. The OIC countries and businesses should also consider these evolving trends and learn how they will transform the global

manufacturing, trade, and financial landscape and rethink their trade, investment, and policy responses. This will help them mitigate risks and secure better access to supplies, markets, and finances. Further, the ability of OIC countries to act in partnership will be vital to building a better future together.

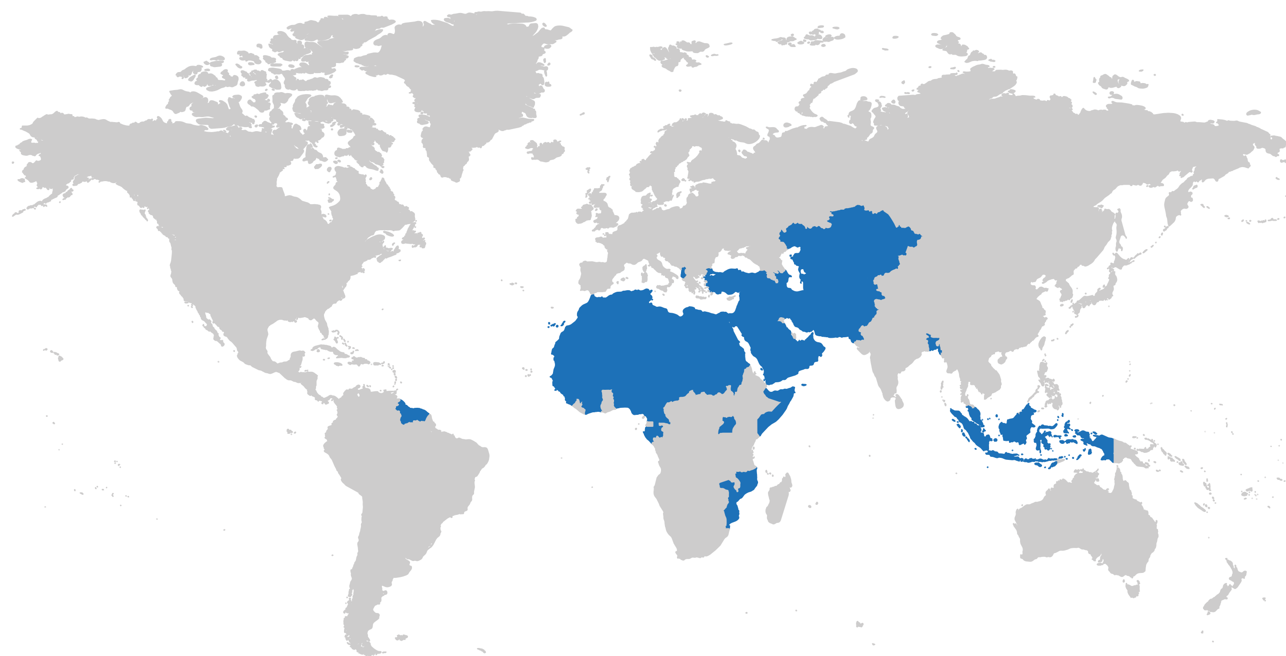
II.B Inward foreign direct investment in OIC countries

Countries are inevitably tied together by investments, trade, transport and energy infrastructure, innovations, people, and more in today's world. Further, resolution of the issues whose nature and dimension exceed the national borders, such as migrations, organized crimes, terrorism, environmental threats, and diseases like the Covid-19 pandemic, requires transnational cross-border cooperation. These are the challenges that no country can handle alone.

Globalization, in general, has dramatically increased competition in world markets. Therefore, while deepening their interaction with the global economy through unilateral reforms, countries act in different regional multilateral approaches to deepen their economic relations. Almost all sovereign nation-states in the world have joined some multinational regional organizations. Moreover, the current period could be described as the era of regionalism (Lawson, 2008). In contemporary literature, "region" is understood not as a territory but as a flexible concept of partnerships that follow and lobby for common interests (Weichert, 2009).

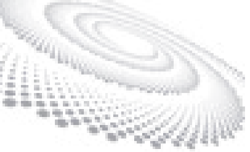
The OIC is an intercontinental membership organization, bringing together 57 Member States (Map II.2). The overall mission of the OIC is to promote peace and stability, facilitate technical cooperation, support economic, social, and institutional reforms of its member states, and thus contribute to building a better world (Türbedar, 2019). Cooperation under the umbrella of OIC is developing in its own way, which is based on informality, flexibility, consensus, and non-confrontation, in contrast to European-style formal bureaucratic structures and legalistic decision-making procedures.

Map II.2: OIC Member States



Source : Türbedar (2019).
Notes : Accession years of OIC Member States are as follows :
1969 - Afghanistan, Algeria, Chad, Egypt, Guinea, Indonesia, Iran, Jordan, Kuwait, Lebanon, Libya, Malaysia, Mali, Mauritania, Morocco, Niger, Pakistan, Saudi Arabia, Somalia, Sudan, Tunisia, Turkey, Yemen.
1972 - Bahrain, Oman, Qatar, Senegal, Sierra Leone, Syria (suspended in 2012), United Arab Emirates.
1974 - Bangladesh, Burkina Faso, Cameroon, Gabon, Gambia, Guinea Bissau, Palestine, Uganda.
1975 - Iraq, Maldives ; 1976 - Comoros ; 1978 - Djibouti ; 1983 - Benin; 1984 - Brunei ; 1986 - Nigeria.
1991 - Azerbaijan ; 1992 - Albania, Kyrgyzstan, Tajikistan, Turkmenistan ; 1994 - Mozambique ; 1995 - Kazakhstan.
1996 - Suriname, Uzbekistan ; 1997 - Togo, 1998 - Guyana ; 2001 - Côte d'Ivoire.

Regarding the economy, OIC's existing cooperation agenda is increasingly receptive to liberal economics. The OIC countries embrace market economies and join forces to solve some fundamental problems (energy, transport



infrastructure, and the like) at the sub-regional levels. Moreover, other economic interdependencies, such as trade and investments, claimed to be a core foundation for regional cooperation, are becoming more visible.

Still, OIC membership comprises countries at different levels of development and different priorities. According to the World Bank's 2022 classification, 16 OIC countries belong to low-income economies, 20 to lower-middle-income economies, 14 to upper-middle-income economies, and only 7 to high-income economies (Table II.1).[3]

Table II.1: Classification of OIC countries by income level (2022)

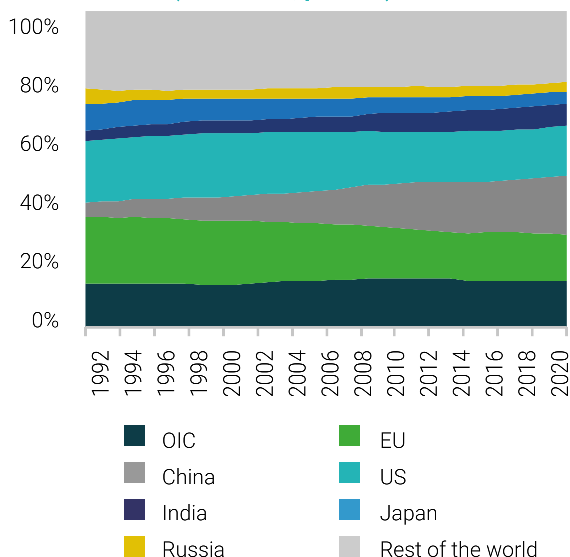
Low-income OIC economies	Lower-middle income OIC economies	Upper-middle income OIC economies	High-income OIC economies
Afghanistan	Algeria	Albania	Bahrain
Burkina Faso	Bangladesh	Azerbaijan	Brunei
Chad	Benin	Gabon	Kuwait
The Gambia	Cameroon	Guyana	Oman
Guinea	Comoros	Iraq	Qatar
Guinea-Bissau	Côte d'Ivoire	Jordan	Saudi Arabia
Mali	Djibouti	Kazakhstan	UAE
Mozambique	Egypt	Lebanon	
Niger	Indonesia	Libya	
Sierra Leone	Iran	Malaysia	
Somalia	Kyrgyzstan	Maldives	
Sudan	Mauritania	Suriname	
Syria	Morocco	Turkey	
Togo	Nigeria	Turkmenistan	
Uganda	Pakistan		
Yemen	Palestine		
	Senegal		
	Tajikistan		
	Tunisia		
	Uzbekistan		

Source: World Bank (2022).

OIC countries have been increasingly integrated into the global economy through international trade and investment. Calculation based on the World Bank's GDP in constant 2015 prices shows that the aggregated real GDP of OIC countries has tripled from 1992 to 2020. However, the share of aggregated GDP of OIC countries in the global GDP in purchasing power parity terms has remained almost unchanged from 1992 to 2002 (average 13.7%), slightly increased from 2003 to 2014 (average 15%), and slightly decreased to 14.5% from 2015 to 2021. Opposite to China, whose share of global GDP has significantly increased from 1992 to 2021, the OIC countries as a block are not among the growing parts of the global economy (Figure II.9). In terms of GDP at current prices, aggregated GDP of OIC countries amounted to only 7.7% (near $6.5 trillion) of the global economy in 2020. Compared to 2019, OIC countries' total GDP (at current prices) reduced by $523.5 billion in 2020 (Figure II.11).

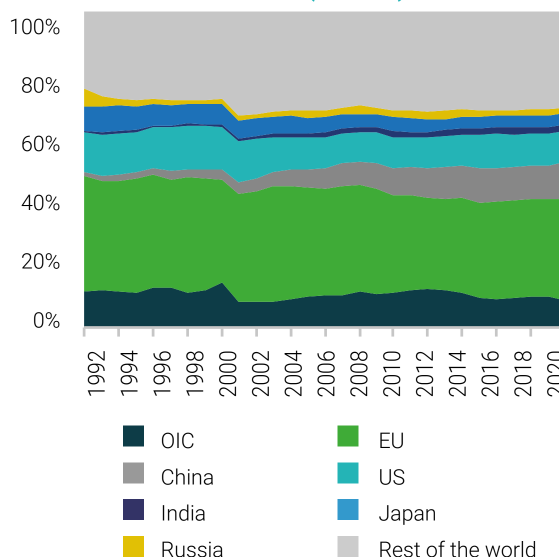
[3]For the 2022, low-income economies are defined as those with a GNI per capita, calculated using the World Bank Atlas method, of $1,045 or less in 2020; lower middle-income economies are those with a GNI per capita between $1,046 and $4,095; upper middle-income economies are those with a GNI per capita between $4,096 and $12,695; high-income economies are those with a GNI per capita of $12,696 or more (World Bank, 2022).

Figure II.9: Global GDP by largest economies *(PPP terms, percent)*



Source: IMF, World Economic Outlook database, April 2022.

Figure II.10: Shares in the global exports of goods and services *(Percent)*

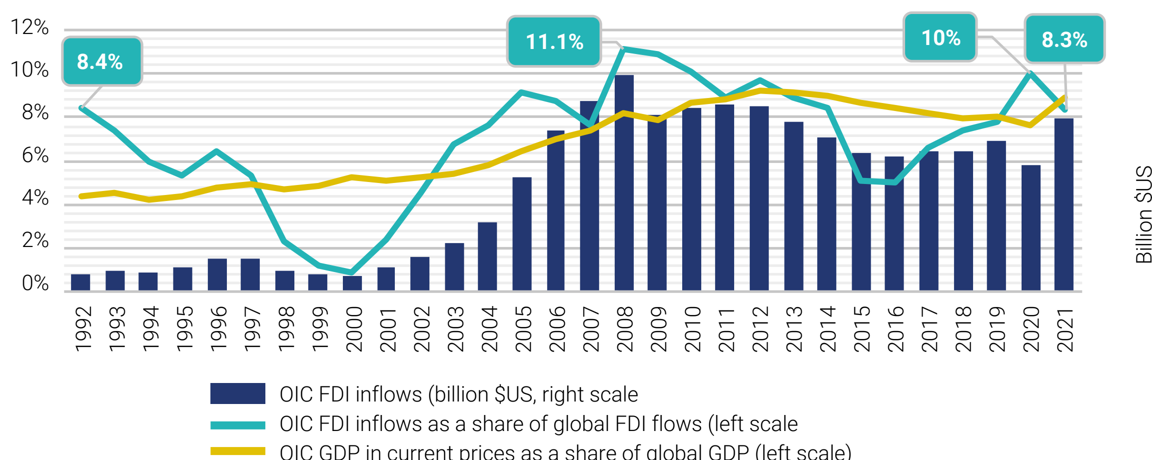


Source: World Bank, IMF, and UNCTAD.

OIC continues' exports have expanded robustly in absolute terms, reflecting their ongoing high level of global trade connectivity. For example, the average annual total export of goods and services of OIC countries has increased from $805 billion in 1992-2005 to $2.2 trillion in 2006-2020. However, the proportion of OIC countries' exports of goods and services in relation to global exports indicates a declining trend, taking its highest level in 2000 (14.1%). Moreover, the global share of OIC countries' total exports declined significantly during the last decade, from 12.3% in 2012 to 8.7% in 2020 (Figure II.10). This decline shall not necessarily be considered a negative development. On the contrary, it could indicate to growing industrial maturity of OIC countries and rising domestic consumption power in their economic growth. Still, as a global economic power is shifting to Asia (see Figures II.9 and II.10), changes in global supply chains will happen, offering new economic opportunities and challenges for OIC countries.

Inward FDI flows remained mostly robust in OIC countries despite the global downturn. FDI inflows into OIC countries declined by 16.2% in 2020 to nearly $97 billion, compared with the 2019 data, then increased in 2021 to $132 billion- the highest level seen after 2012. Still, in 2021 FDI inflows to OIC countries were far below the 2008 record of $165 billion, after which a continuous decline in FDI inflows is evident. Despite the decline in 2020, OIC countries maintained their level of attractiveness as investment destinations. The OIC countries' share of global FDI rose from 8% in 2019 to 10% in 2020 and decreased to 8.3% in 2021. Interestingly, in 1992-1997, 2002-2013, and 2019-2020 OIC FDI inflows as a share of global flows exceeded OIC countries' GDP (in current prices) shares in the global economy (Figure II.11).

Figure II.11: Foreign direct investment inflows in OIC countries and share in world total *(Billion $US and percent)*



Source: UNCTAD, FDI/MNE database; World Bank data for GDP in current prices.
2021 GDP prices based on IMF WEO estimates.

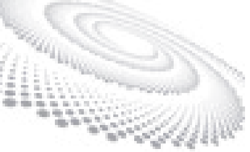
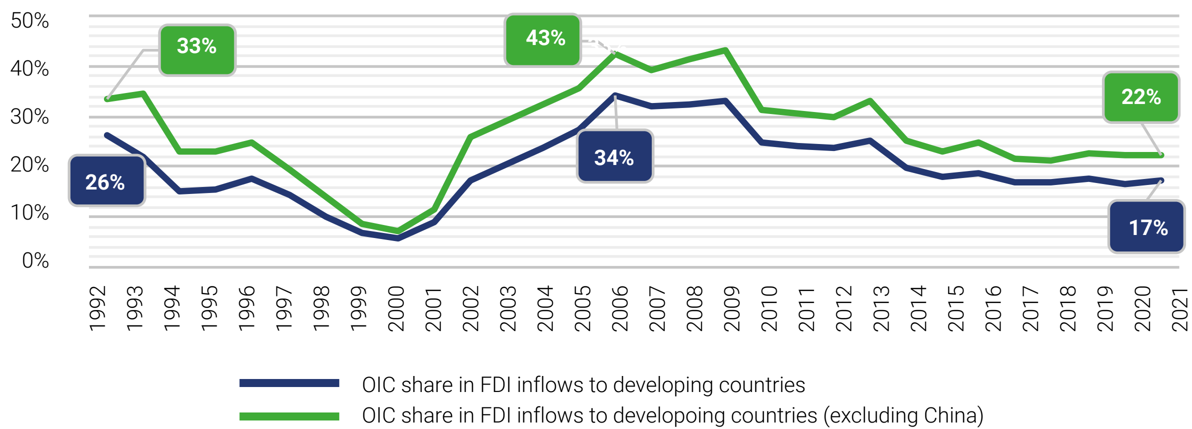


Figure II.12: OIC share in foreign direct investment flows to developing countries (Percent)



Source: UNCTAD, FDI/MNE database; World Bank data for GDP in current prices.
Note: Other developing countries exclude the offshore financial centres in the Caribbean: Anguilla, Antigua and Barbuda, Aruba, the Bahamas, Barbados, the British Virgin Islands, the Cayman Islands, Curaçao, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sint Maarten (Dutch part) and Turks and Caicos Islands.

Box II.1: Special purpose entities and phantom investments

Evaluation of OIC countries' share in FDI flows to developing economies necessitates the exclusion of the offshore financial centers in the Caribbean because they are inflating reel volumes of FDI entries (see Box II.1). Accordingly, in 2021, the share of OIC countries in FDI flows to developing economies accounted for 22%, excluding China, and 17%, including China. These shares are significantly smaller than OIC countries' performance in 2006 and 2009 (Figure II.12). Since 2009, OIC's FDI inflow share in the developing countries group has been almost constantly decreasing, with the exemption of 2013 and 2019. Figures II.11 and II.12 indicate that OIC countries' shares in global FDI flow became higher when a significant decrease of FDI flows to developed countries happens, as in 2020. The same is not valid for developing economies, where the share of FDI flows to OIC countries in the last decade demonstrates a downward trend.

Box II.1: Special purpose entities and phantom investments

FDI flows usually mean capital inflows from abroad and additions to productive capacity in host countries. However, not all FDI brings capital and productivity gains. The reason for that is the existence of special purpose entities (SPEs) - legal entities set up to obtain specific advantages from a host economy.

Often SPEs do not have real business activities. They are usually set up to minimize MNEs' global tax bills by benefiting from low-tax jurisdictions (offshore financial centers) such as Luxembourg, Netherlands, Hong Kong SAR, Singapore, Ireland, the British Virgin Islands, Bermuda, the Cayman Islands, and Mauritius. Due to offshore financial centers, a significant proportion of FDI can be flows going in and out of a country on its way to a final destination (Blanchard and Acalin 2016).

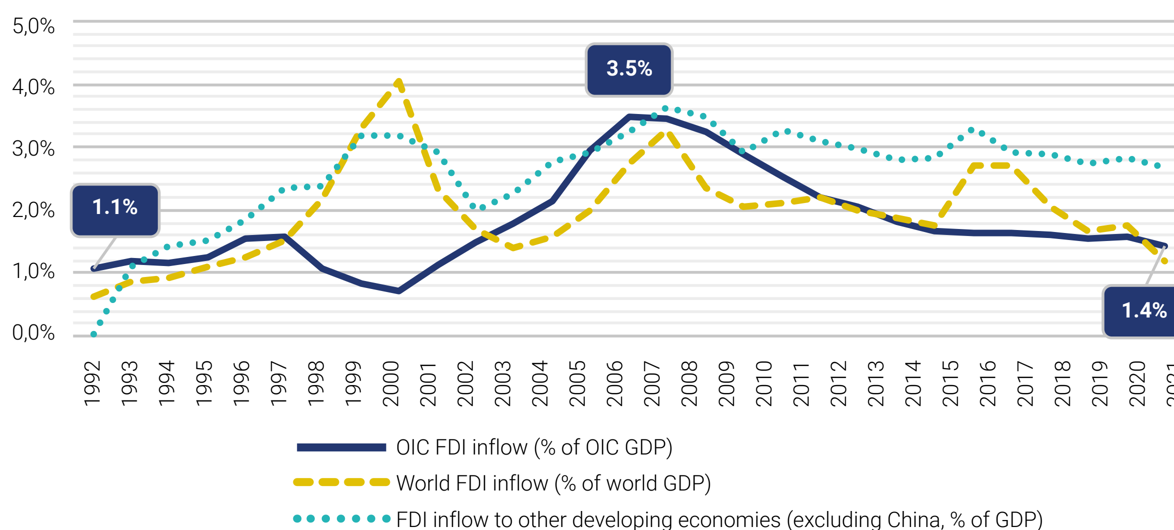
Even if SPEs do not pay corporate taxes and do not contribute to productive capacities, they still contribute to the host countries by buying tax advisory, accounting, and other financial services and paying registration and incorporation fees. For the offshore financial centers in the Caribbean, these services account for the leading share of GDP, alongside tourism.

In 2017 almost 40% of global FDI stock was this kind of "phantom investment." Luxembourg and the Netherlands hosted nearly half of them. For that reason, they appear among the top direct investors and investee economies in global FDI datasets (Damgaard, J. et al., 2019). Phantom investments change the accurate picture of global FDI flows.

Source: Blanchard and Acalin 2016 and Damgaard, J. et al., 2019; Göksü et al. (2022).

A common way to analyze the importance of FDI to an economy or a region is to compare the size of the inward FDI relative to GDP. The ratio of inward FDI to GDP also shows the relative attractiveness of the economy or a region to FDI for a given time. In this regard, FDI attractiveness for FDI flows was higher than the world average in 1992-1997, 2002-2012, and 2020, most probably due to fluctuations in FDI flows to developed countries. However, other developing economies (excluding China and offshore financial centers in the Caribbean) appear to be more attractive destinations than OIC countries in terms of FDI inflow for almost three decades (Figure II.13).

Figure II.13: FDI attractiveness of OIC countries (Shares of FDI inflow to GDP)

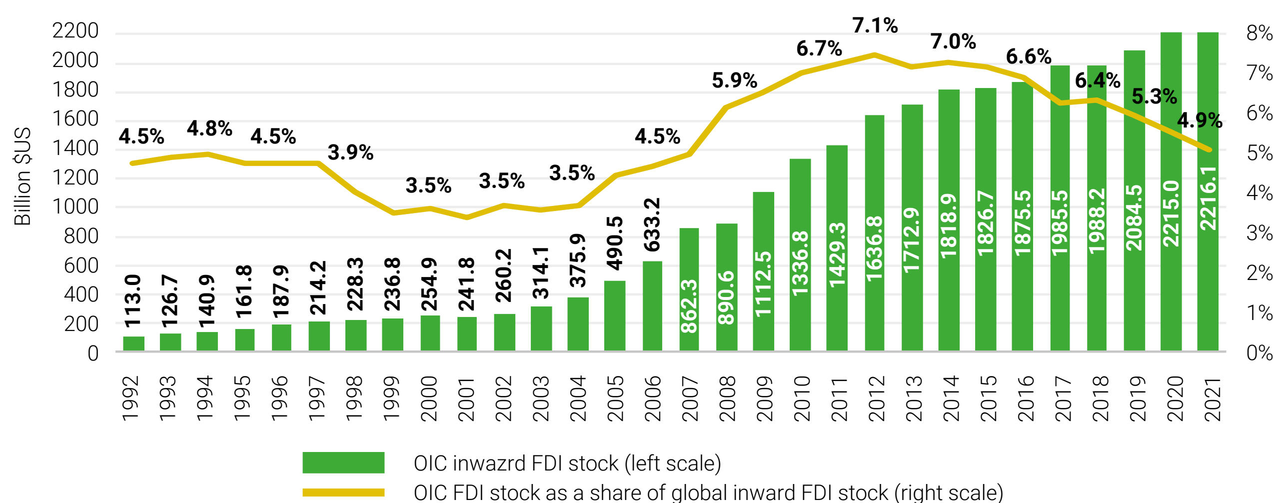


Source: UNCTAD, FDI/MNE database.

Inward FDI stock of OIC countries has significantly increased in the last three decades. It reached almost $2.22 trillion in 2021, from $113 billion in 1992 (Figure II.14). The fast growth of FDI stock in OIC is particularly evident from 2003 to 2010, when the annual growth rate of inward FDI stock took values between 20% and 36%, except for 2008, which was affected by the global financial crisis. From 2013 to 2020 growth of inward FDI stock in OIC countries lost its momentum, achieving only symbolic growth levels in 2015, 2018 and 2021 (Figure II.15).

Since the value of inward FDI stock in OIC countries has become much higher compared to the pre-2003 period, it would be too optimistic to expect a repetition of the performance exhibited during 2003-2010. Still, growth rates of FDI stock could be significantly higher than is registered from 2013 to 2020. In the last years, the worsening FDI performance has been reflected by decreasing shares of OIC countries in global FDI stock, which reduced from 7.1% in 2012 to 4.9% in 2021 (Figure II.14).

Figure II.14: Foreign direct investment stock in OIC and share in world total *(Billion $US and percent)*



Source: UNCTAD, FDI/MNE database.

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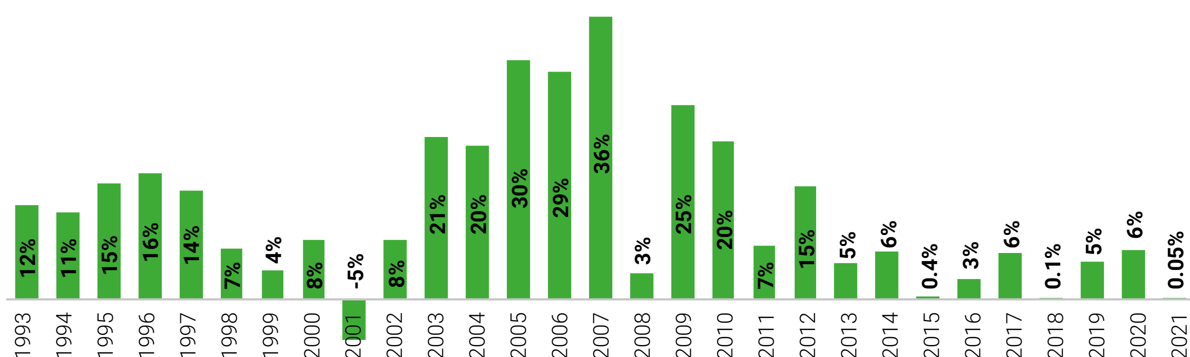
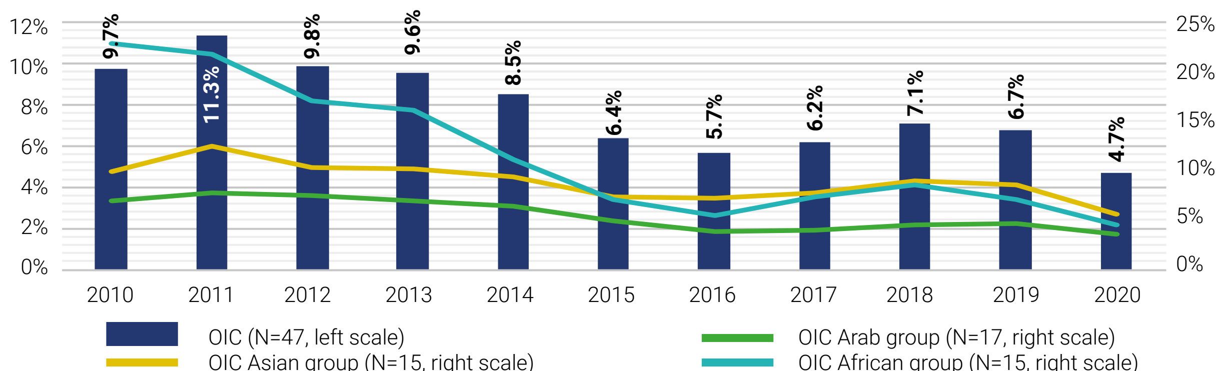
Figure II.15: Growth rates of foreign direct investment stock in OIC countries *(Year-on-year change, percent)*



Source: UNCTAD, FDI/MNE database

Falls in the average profitability of foreign capital stock can explain the worsening performance of OIC countries in attracting FDIs. The rate of return earned by foreign investors on FDI capital exceeded 11% in 2011. Despite a slight upturn in 2017 and 2018, FDI returns in 47 OIC countries demonstrated decreasing trend in the last decade. Current FDI returns are far from the level reached in 2011, getting the lowest level in 2020 (4.7%). Profitability fell in all OIC county groups, while the OIC African group saw a much steeper decline in rates of return on inward FDI (see figure II.16). From 2015 onwards, the rates of return were highest in the OIC Asian group. Among OIC countries, the OIC Arab group had the lowest rates of return on inward FDI from 2010 to 2020.

Figure II.16: Rates of return on inward foreign direct investment in OIC countries (Percent)



Source: Rates on return are calculated as the quotient between FDI income and the FDI stock. FDI income data from IMF BoP, Primary Income - Direct Investment Debit; FDI stock data from UNCTAD, FDI/MNE database.

II.B.1 Characteristics of foreign direct investment entries to OIC countries

Geographical breakdown of FDI by counterpart economy is central to analyzing and understanding the globalization of production, long-term relationships between economies, and real economic activity generated by foreign companies. However, this is a challenging job for OIC countries because most do not report their bilateral FDI data, and most probably, some central banks of OIC countries do not track the origin of FDI. For example, only 24 OIC countries regularly report to UNCTAD and additional two OIC countries to the IMF's Coordinated Direct Investment Survey concerning bilateral FDI data. These are insufficient samples for generalizing findings at the OIC level, and they do not include many large OIC economies from the OIC Arab group.

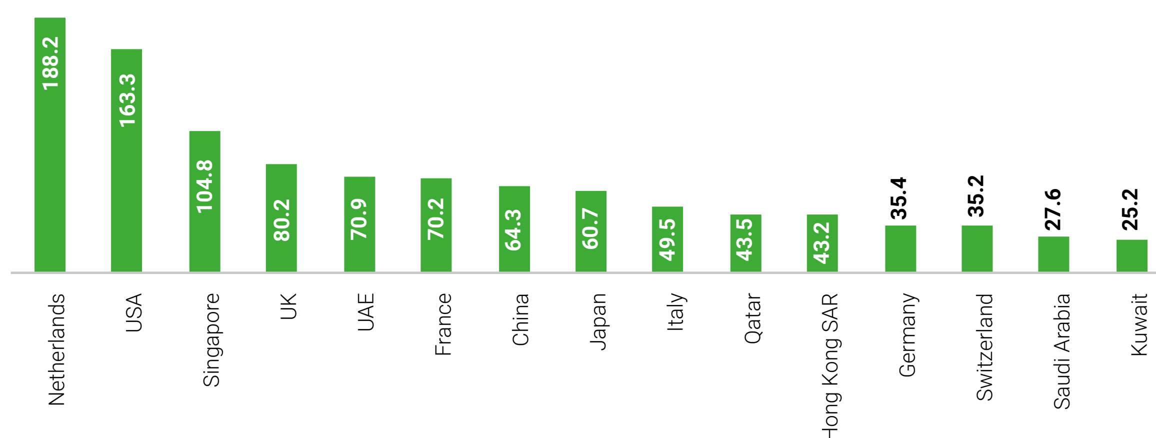
It is even challenging to make sound conclusions based on bilateral FDI statistics reported by UNCTAD and the IMF - two primary official sources of FDI data - because data can differ significantly without any explanation. Bilateral FDI data of a few OIC countries are accessible online through national statistical offices and central banks, but they also considerably vary from UNCTAD and IMF data. The reasons for that could be several. For example, some countries report book value of FDI, an increasing number of countries report market value, and some use mixed valuation (market value for listed companies and book value for non-listed companies). Special Purpose Entities (SPEs) (see Box II.1) further complicates the picture. FDI channeled to SPEs abroad as outward FDI may subsequently return home to the local economy in the form of inward FDI (round-tripping FDI). Similarly, FDI conducted by direct investors to SPE abroad may later be invested in third countries (transshipped FDI).

For these reasons, official figures used by governments to monitor the evolution of FDI flows usually differ from UNCTAD and IMF data - collected by a standardized methodology. To alleviate the data gap issue, besides official data, some non-official data sources are utilized to better explain the characteristics of FDI entries to OIC countries.

II.B.1.1 Largest investor countries

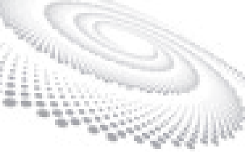
According to the latest results of IMF's Coordinated Direct Investment Survey and the UNCTAD FDI/MNE database, in 2020, the top five investors in OIC countries' inward FDI stock were the Netherlands ($188.2 billion), the United States ($165.3 billion), Singapore ($104.8 billion), United Kingdom ($80.2 billion) and France ($70.2 billion) (Figure II.17). The Netherlands, which is at the top of the list, is among countries that act as conduits for investment from other countries (see Box II.1). Ideally, investment flows from countries like the Netherlands shall be attributed to their original source countries, but this is not possible. If the Netherlands was not considered, the United States would take the leadership position as the biggest investor in OIC countries.

Figure II.17: Top 15 investors in OIC countries (2020, stock values, billion $US)



Source: IMF Coordinated Direct Investment Survey, UNCTAD, FDI/MNE database.
Note: 26 OIC countries have reported their bilateral data on inward FDI stock. Values for 31 OIC countries are mirror data of partner countries, which were reported as outward FDI stock.

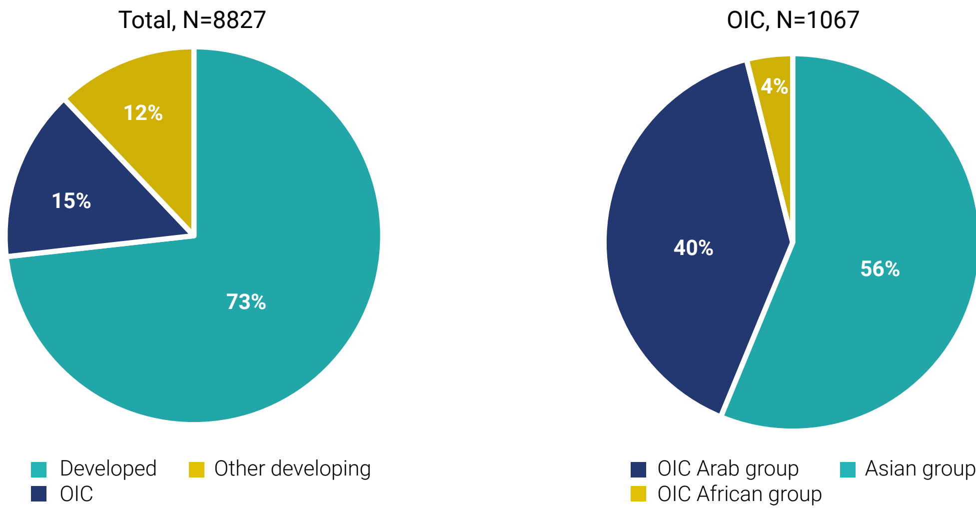
On the other hand, the United Arab Emirates ($70.9 billion), Qatar ($43.5 billion), Saudi Arabia ($27.6 billion), and Kuwait ($25.2 billion) are OIC countries that significantly contribute to the OIC inward FDI stock. In 2020, for example, companies from the United Arab Emirates announced 56 greenfield projects targeting the OIC Arab group, with an estimated value of $2.82 billion. Similarly, the value of 20 greenfield projects of Saudi Arabian companies targeting the OIC Arab group was 868 million in 2020 (Dhaman, 2021).



Data collecting efforts for preparing this report suggest that missing FDI data are not random but rather systematic for OIC countries, particularly for FDI data disaggregated across different countries and sectors. In addition, commonly used annually aggregated state-level FDI data sources do not provide any information on companies' identities and actions. Although multinational enterprises (MNEs) are not the only source of FDI[4], they assume a central role in globalization (Jones, 2005).

This chapter introduces original company-level datasets that provide complementary FDI information for OIC countries. The company-level datasets make the MNEs' foreign activities in OIC countries more visible. The first dataset is prepared based on MarketLine, which profiles all major companies worldwide. As of 31 March 2022, the number of profiled public and private MNEs was 107,133. Out of them, 8,827 MNEs were operating in OIC economies, with headquarters out of related OIC countries.

Figure II.18: Distribution of MNEs located in OIC countries by geographies *(Percent, as of 31 March 2022)*

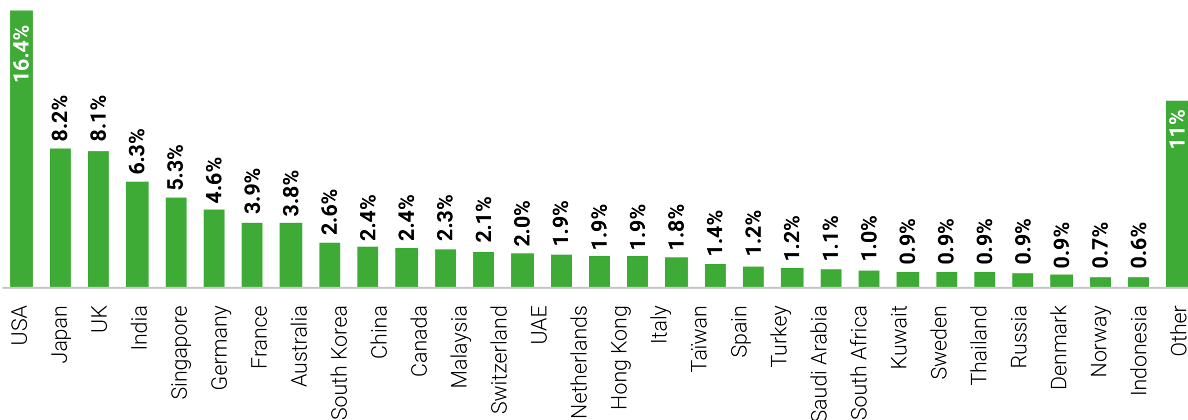


Source: Calculations based on companies profiled by Marketline.

Developed countries dominate inward FDI stock in OIC countries, according to the sample of MNEs profiled in MarketLine. 73% belonged to developed countries, 12% to OIC countries, and 15% to other developing countries. Out of 1,067 MNEs that belong to OIC countries, 56% were from the OIC Arab group, 40% from the OIC Asian group, and 4% from the OIC African group (Figure II.18).

Figure II.19 shows the distribution of all related MNEs in OIC by their headquarters as they appear in the MarketLine database. The United States again appears as the biggest investor in OIC countries, whose companies' share in the given sample was 16.4%. UK, Singapore, France, China, and Japan again appear among the top investors in OIC, countries in a slightly different order. As expected, the Netherlands is not leading the list of investors in OIC because headquarters are not located in this country. Similarly, other tax heavens, Luxembourg and Mauritius, which appear as essential investors in OIC countries according to official data provided in Figure II.17, have been marginalized in Figure-19.

Figure II.19: Distribution of MNEs located in OIC countries by their headquarters *(N=8827 MNEs, percent, as of 31 March 2022)*

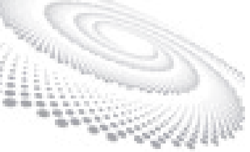


Source: Calculations based on companies profiled by Marketline.

The dataset prepared through analysis of MNEs profiled in MarketLine does not provide values and years of investments. Instead, it makes the MNEs visible and enables analyzing their sectoral concentration. The list of most widespread MNEs in the OIC countries profiled by Marketline is provided in Table II.2. MNEs from Europe and the United States appear to be most pervasive in terms of the numbers of OIC countries in which they operate. Interestingly, no company from OIC countries appears on the Top 25 most represented list.

Table II.2: The most widespread MNEs operating in the OIC countries (Top 25)

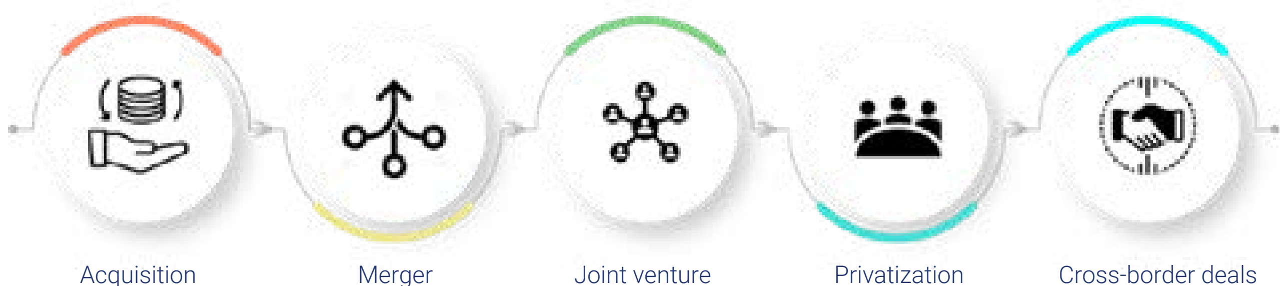
Company name	Headquarters	Number of OIC countries in which operates	Activity area
AVK Holding AS	Denmark	56	AVK Holding AS (AVK) is an industrial equipment provider that manufactures and markets valves, hydrants, and accessories.
KPMG International Coop	Netherlands	54	KPMG International Cooperative is a coordinating entity that operates through a global network of independent firms that provides audit, tax, and advisory services.
Moneygram International Inc	USA	54	MoneyGram International Inc is a global financial technology company that provides alternative financial services.
Steelcase Inc	USA	52	Steelcase Inc. is a designer and manufacturer of workplace products.
FedEx Corp	USA	50	FedEx Corp is a transportation and logistics company that provides transportation, e-commerce, and business services.
Lloyd's Register Group Ltd	USA	48	Lloyd's Register Group Ltd provides engineering, technical and business services.
International Business Machines Corp	USA	47	International Business Machines Corporation (IBM) provides information technology products and services.
GE Energy	USA	46	GE Energy, a General Electric Company business division, provides power generation, water processing products, and related services.
Kohler Co	USA	46	Kohler Co is a designer, producer, and marketer of plumbing equipment, furniture and accessories, cabinet and tiles, engines, and generators.
F. Hoffmann-La Roche Ltd	Switzerland	45	F. Hoffmann-La Roche Ltd is a healthcare company developing and commercializing innovative therapeutics and diagnostic products.
KfW Group	Germany	45	KfW Group is a promotional bank owned by the German government and the federal states.
Peugeot SA	France	45	Peugeot SA is an automotive company. It designs, manufactures, and sells vehicles.
CMA CGM SA	France	44	CMA CGM SA (CMA CGM) is a container shipping and cargo transportation service provider.
Ecolab Inc	USA	44	Ecolab Inc is a developer and marketer of cleaning and sanitizing products and services.
Societe Generale SA	France	41	Societe Generale S.A is a provider of banking and financial services.
XL-Orthomed Pvt Ltd	India	40	XL-Orthomed Pvt Ltd is a medical device company that offers orthopedic joint replacement implants and traumatology equipment.



Carrier Global Corp	USA	39	Carrier Global Corp provides heating, ventilating, air-conditioning, and refrigeration systems.
Compagnie Generale des Etablissements Michelin	France	39	Compagnie Generale des Etablissements Michelin is a global tire company that manufactures tires for different automotive and non-automotive vehicles.
Mettler-Toledo International Inc	USA	39	Mettler-Toledo International Inc is a global supplier of precision instruments and services.
Shell plc	UK	37	Shell plc explores for and recovers crude oil, natural gas, and natural gas liquids; transports oil and gas; and operates the upstream and midstream infrastructure necessary to deliver oil and gas to market.
TotalEnergies SE	France	37	TotalEnergies SE is an integrated oil and gas company. It is engaged in all aspects of the petroleum industry, including upstream and downstream operations.
China Railway Construction Corp Ltd	China	36	China Railway Construction Corp Ltd is a heavy construction contractor. It focuses on developing infrastructure construction projects such as railways, bridges, tunnels, roads and highways, and airports.
Emerson Process Management	USA	36	Emerson Process Management, an Emerson Electric Co. business unit, offers automation, control, and optimization technologies and services.
SOCOMEC Group	France	36	SOCOMEC Group is an independent industrial group that develops and manufactures integrated uninterruptible power supply systems.
Escorts Ltd	India	35	Escorts Ltd is a manufacturer and supplier of construction equipment. The company designs, manufactures, supplies, and installs a range of hydraulic mobile cranes and tractors.

Source: Research based on all companies profiled by MarketLine as of 31 March 2022.

Another company-level data set is prepared based on cross-border company deals profiled by the EMIS DealWatch platform dedicated to developing countries. The platform provides information on five deal types, namely a) Acquisition - a deal that results in the buyer holding 50% or more of the target; b) Minority stake - a purchase of less than 50% of the target's equity shares, which does not result in the buyer becoming the majority owner; c) Merger - a deal that results in the combination of two or more companies into a new single entity. The original companies cease to exist; d) Joint Venture - a deal where two or more companies establish a new entity by contributing existing tangible, non-cash assets; e) Privatization - a sale, usually for the first time, of a stake in a state-owned target to the general public. Concessions also fall under this deal type.

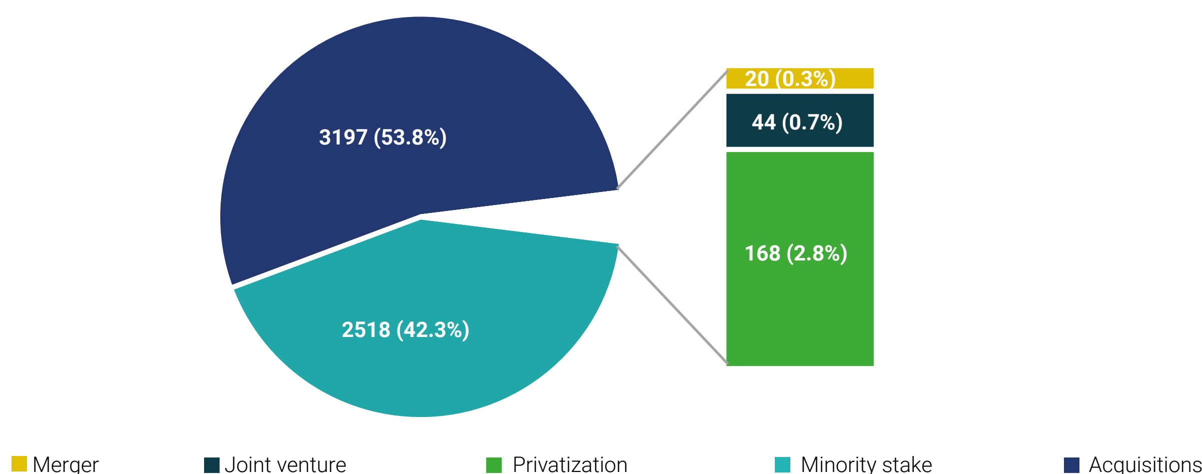


[5]The reader should carefully interpret Figures II.20 and II.21. EMIS DealWatch dataset is different from the M&A figures provided by UNCTAD. Values and numbers referring to cross-border M&As in the UNCTAD database are net and exclude sales of foreign affiliates (already owned by foreign MNEs) to other foreign MNEs. Divestments (sales of foreign affiliates to domestic firms) are also subtracted. Opposite to UNCTAD, EMIS DealWatch provides all cross-border transactions and offers the possibility to follow deals according to their types. Figures II.23, II.24 and II.34 provide net cross-border transactions targeting OIC countries based on UNCTAD data.

From 2000 to 2021, the total number of cross-border company deals targeting OIC countries was 6619[5]. Among them, 5947 were cross-border company deals involving a single or more than one OIC country, whereas 672 deals were multi-country in nature, engaging at least one OIC country and at least one non-OIC country. To avoid counts unrelated to OIC countries, analysis is done through the sample of 5947 deals.

As shown in Figure II.20, from 2000 to 2021, almost 54% of cross-border deals related to OIC countries were acquisitions. The second most extensive deal type was purchasing less than 50% of the equity shares (minority stake, 42.3%), followed by privatization deals (2.8%). Shares of mergers and joint ventures totaled 1% of all cross-border deals. The low share of privatization deals may indicate that in many OIC countries, the privatization process is going slow and that the state's stake in the economy remains high.

Figure II.20: Distribution of cross-border deals targeting OIC countries by types *(2000-2021, number of deals and percentages)*

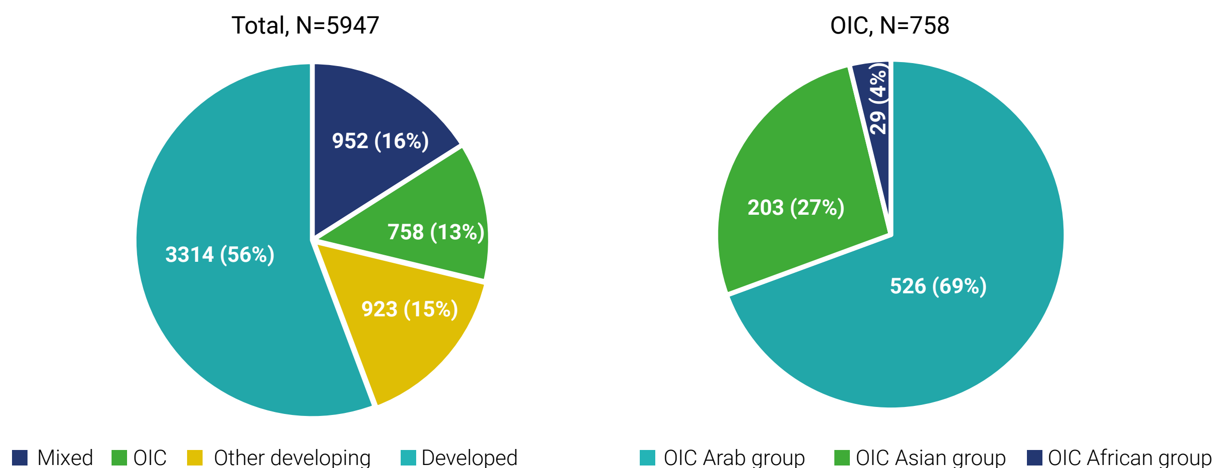


Source: Calculations based on all deals profiled by EMIS DealWatch.
Note: The percentage of each cross-border deal type is shown in brackets.

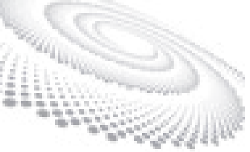
Interesentagly, the geographical distribution of cross-border deals targeting OIC countries from 2000 to 2021 (Figure II.21) appears to be similar to the geographical distribution of MNEs presented in Figure II.18. Similarities are particularly evident for OIC and other developing countries. The only difference is related to developed countries, which most probably appear due to a group of mixed buyers (more than one buyer from different geographies), whose share is %16, or 952 cross-border transactions. Within the distribution of cross-border transactions realized by OIC countries, the share of the OIC Asian group remains at 4%, while OIC Arab group leads with 69%, followed by OIC Asian group with 27% (Figure II.21).

Major cross-border deals in 2021 by the disclosed value targeting OIC countries are provided in Table II.3. In 2021, companies from western countries appeared to be the biggest buyers of OIC countries' company assets.

Figure II.21: Distribution of cross-border deals targeting OIC countries by geographies of buyers (2000-2021, number of deals and percentages)



Source: Calculations based on all deals profiled by EMIS DealWatch.
Note: The percentage of each cross-border deal type is shown in brackets.



Box II.2: Cross-border deals boomed in 2021

Figures from Refinitiv show that gross cross-border deals worth more than $2.1 trillion were agreed upon globally in 2021, up by 69% from 2020. High technology was the leading target sector for foreign investors in 2021. Loose financing conditions and infrastructure stimulus have encouraged these deals. Moreover, this significant increase in gross cross-border deals came as companies' response to the imperative of building resilience, which the Covid-19 pandemic calls for, and as a fast track to the fundamental business transformation, which the pandemic accelerated.

Opposite to cross-border deals, the recovery of greenfield investment remained fragile in 2021 in many sectors, especially in developing countries, according to the UNCTAD's World Investment Report 2022. The war in Ukraine affected the FDI environment dramatically in 2022 with downward pressure on global FDI due to investor uncertainty and risk aversity. Particularly greenfield investments are likely to suffer more in 2022, according to UNCTAD.

Source: UNCTAD (2022), Irwin-Hunt (2022).

Table II.3: 25 Major cross-border transactions targeting OIC countries in 2021

Buyer(s)	Country of buyer	Target company	Country of a target company	Target's macro industry	Deal type	Deal stake (%)	Deal value (million $US)
DSV Panalpina A/S	Denmark	Global Integrated Logistics Business of Agility	Kuwait	Transportation and warehousing	Acquisition	100	4.089
Vodacom Group Ltd	South Africa	Vodafone Egypt	Egypt	Information	Acquisition	55	2,738
PTT Exploration and Production PCL	Thailand	Block 61 in Oman	Oman	Mining	Minority stake	20	2,590
Gates Cascade Investment LLC; Bill Gates - private investor	US	Four Seasons Holding Company	Saudi Arabia	Accommodation and food services	Acquisition	23.75	2,207.6
Sequoia Capital China; Sequoia Capital; Hillhouse Capital Group; Boyu Capital	China, US	PT Global Jet Express (J&T Express)	Indonesia	Transportation and warehousing	Minority stake	25	2,000
The Blackstone Group	US	VFS Global	UAE	Administrative support, waste management and remediation services	Acquisition	75	1,870
ADQ; Softbank Group Corp; Qatar Investment Authority; General Atlantic LLC; Princeville Capital	UAE, Japan, Qatar, US	DSM Grup İletisim Pazarlama (Trendyol.com)	Turkey	Retail trade	Minority stake	9.09	1,500
Fortuna Silver Mines Inc	Canada	Roxgold Inc	Burkina Faso, Côte d'Ivoire	Mining	Acquisition	100	881.5
Digital Colony Management LLC	US	4,200 telecommunication towers	Indonesia	Information	Acquisition	100	750
ADQ	UAE	Amoun Pharmaceutical Co	Egypt	Manufacturing	Acquisition	100	740
Mubadala Investment Company PJSC; ADQ; Silver Lake Partners; Sequoia Capital; Tiger Global Management LLC	UAE; US	Getir	Turkey	Transportation and warehousing	Minority stake	7.30	550

Emirates Telecommunications Corp (Etisalat)	UAE	Itissalat AL-Maghrib (Maroc Telecom)	Morocco	Information	Minority stake	4.60	505
Huhtamaki Oyj	Finland	Elif Holding	Turkey	Manufacturing	Acquisition	100	483
China General Nuclear Power Group	China	Ortalyk	Kazakhstan	Mining	Minority stake	49	435
Coca-Cola HBC AG	Switzerland	Coca-Cola Bottling Company of Egypt (CCBCE)	Egypt	Manufacturing	Acquisition	94.70	427
Arab Banking Corporation BSC	Bahrain	Blom Bank Egypt S.A.E.	Egypt	Finance and Insurance	Acquisition	99.40	426.8
GeoPost SA; La Poste	France	Aramex PJSC	UAE	Transportation and Warehousing	Minority stake	20.15	381.2
Alibaba Group Holding Ltd	China	DSM Grup İletisim Pazarlama (Trendyol.com)	Turkey	Retail Trade	Minority stake	3.70	350

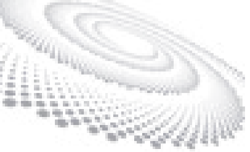
Source: Research based on all deals profiled by EMIS DealWatch.

The annual report published by the Arab Investment & Export Credit Guarantee Corporation (Dhaman) titled «Investment Climate in Arab Countries» deserves attention to monitor announced greenfield FDI projects in 17 countries from OIC Arab group. According to the 2021 report, announced greenfield projects targeting OIC Arab countries in 2020 had the worst performance since 2003 due to the Covid-19 pandemic (Dhaman, 2021). From 2020 to the first quarter of 2021, with 122 projects and an estimated $9.7 billion value, the United States was the top investor in related Arab countries. Japan and Canada were the second and third most significant investors, whose value of announced greenfield investments is estimated at $9.1 billion. In the same period, the value of projects from European countries listed in Table II.4 amounted to $7.8 billion. From 2020 to the first quarter of 2021, the United Arab Emirates leads as a top OIC investor in 17 Arab countries, with 67 projects implemented by 48 companies with an estimated $4.1 billion announced investment. In terms of jobs created, the United Arab Emirates appears to be the most significant investor in the same period (see Table II.4).

Table II.4: Most essential investors in greenfield projects targeting the OIC Arab group *(2020-2021Q1)*

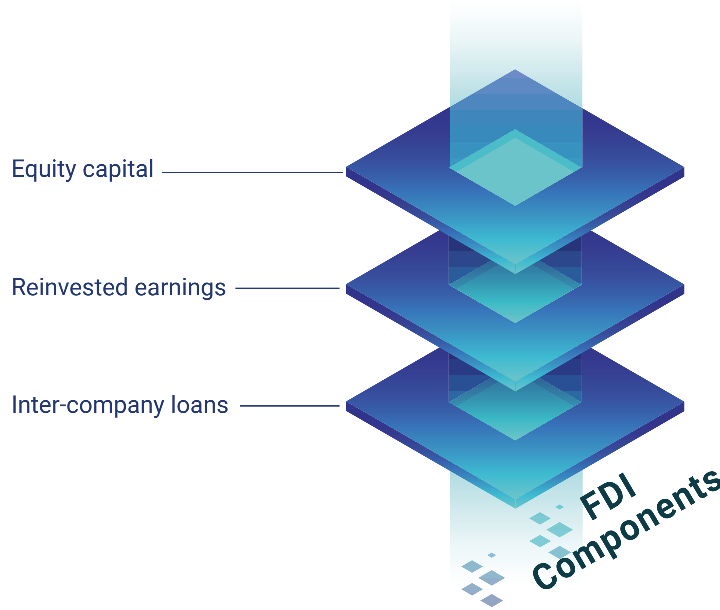
	Value (million $US)	Number of projects	Jobs created	Number of investing companies
US	9,728	122	8,492	112
Japan	4,589	22	2,939	18
Canada	4,541	6	1,113	6
UAE	4,131	67	9,315	48
France	2,833	34	5,212	30
UK	1,817	96	4,853	88
Germany	1,577	36	6,301	30
China	1,524	21	3,453	14
India	965	52	3,492	40
Saudi Arabia	868	20	1,968	16
Bahrain	501	10	662	5
Switzerland	470	40	1,777	24
Spain	376	19	906	17
Netherland	328	21	1,590	20
Ireland	301	9	1,037	8
Singapore	96	12	393	12
Australia	67	7	153	7
Italia	60	6	224	6
Egypt	47	6	105	5
Belgium	30	3	205	3

Source: The Arab Investment and Export Credit Guarantee Corporation DHAMAN, based on information from the Financial Times Ltd, fDi Markets. N=17 OIC countries.



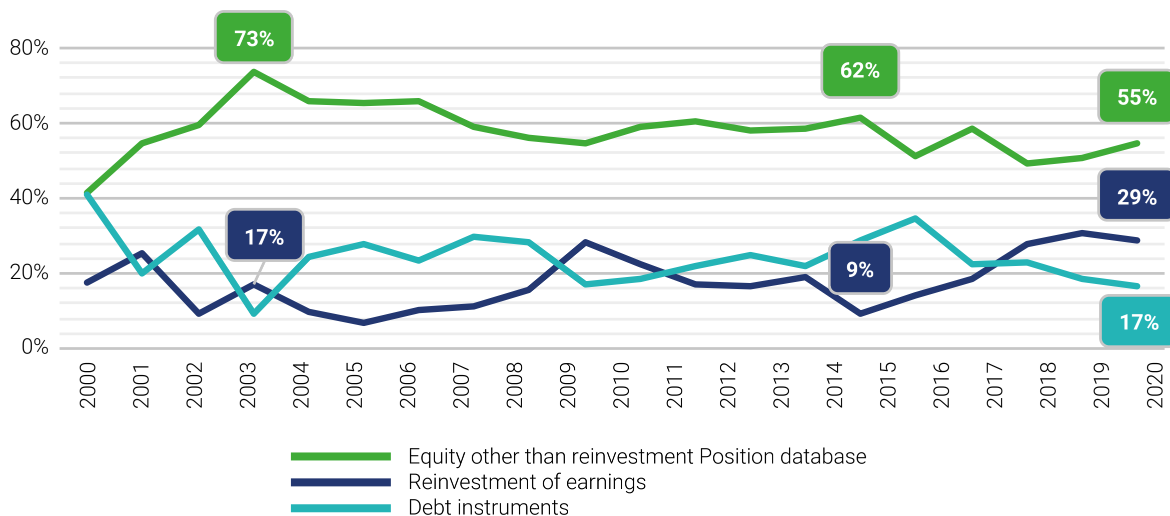
II.B.1.2 Foreign direct investment entry modes

The major components of the FDI based on a balance-of-payment basis are a) equity capital, b) reinvested (retained) earnings, and c) Debt instruments (inter-company loans). Equity capital refers to the FDI establishing a new enterprise or acquiring a share of ownership in an existing enterprise. Reinvested earnings refer to the direct investor's share of profits not distributed as dividends and added to the equity capital. Debt instruments refer to investments associated with the borrowing and lending funds between direct investors and their subsidiaries, branches, and associates. Thus, internal capital flows within foreign firms are also considered a direct investment. Exceptions are loans between certain affiliated financial corporations because such debt is not so strongly connected to direct investment relationships.



FDI statistics available in the IMF Balance of Payments and International Investment Position database, although significantly different from the UNCTAD FDI statistics, provide the opportunity to evaluate the general trend of FDI entries to OIC countries by their components. In this regard, FDI in 46 OIC countries with available data shows essential changes in inflows of FDI by its components in recent years (Figure II.22). The main novelty in the FDI inflows to OIC countries is that share of reinvestment of earnings has increased, which averaged 15% in 2000-2010 and 21% in 2021-2020. Particularly in recent years, the share of reinvestment of earnings rose from 9% in 2015 to 29% in 2020. The message of these numbers is that increasing shares of the FDI in 46 OIC countries are financed from retained profits rather than new foreign equity.

Figure II.22: Foreign direct investment inflows to OIC countries by its components *(Shares in total FDI)*

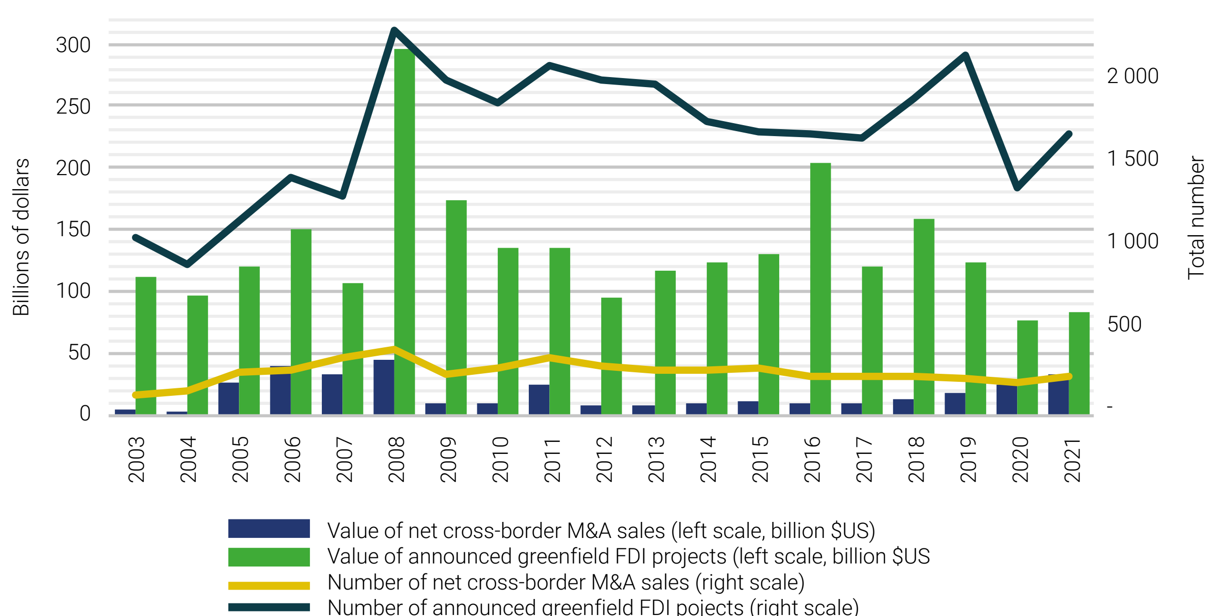


Source: IMF, Balance of Payments and International Investment Position database.
Note: Calculation based on 46 OIC countries with available data.

Two main sub-categories of equity investment are greenfield FDI projects (creating an entirely new operation with fresh capital) and cross-border mergers & acquisitions (M&As). UNCTAD provides data on greenfield FDI projects based on information from the Financial Times Ltd, fDi Markets. This data source tracks the capital investment at the date of announcement of the investment, while official data tracks FDI at the date the capital effectively crosses borders. Further, the source estimates the values of greenfield FDI projects when the company does not announce them. fDi Markets data may thus, at times, reflect intentions rather than effectively carried out investments and may significantly differ from official FDI figures.

For example, according to official FDI figures provided by UNCTAD, FDI inflows to OIC countries amounted to $96.7 billion in 2020. On the other hand, the estimated value of greenfield FDI projects targeting OIC countries was $77.2 billion for the same year (Figure II.23). When adding the net cross-border M&A transactions targeting OIC countries, whose value in 2020 was $24.5 billion, and FDI components other than equity capital (reinvested earnings and inter-company loans), then the total value of announced greenfield investments becomes overestimated. Moreover, some announced greenfield FDI projects might not be realized in reality.

Figure II.23: Greenfield FDI projects and net cross-border M&A targeting OIC countries *(Billion $US and number)*



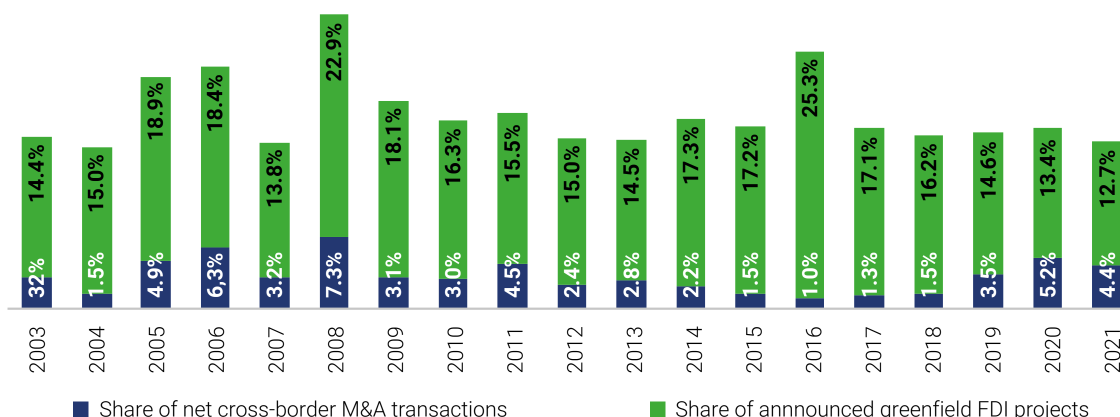
Source: UNCTAD greenfield FDI projects database, based on information from the Financial Times Ltd, fDi Markets; UNCTAD cross-border M&A database. Both databases are annexed as tables to the World Investment Report 2021 (2021).
Note: Greenfield FDI projects values refer to estimated amounts of capital investment. UNCTAD values and numbers referring to cross-border M&As exclude sales of foreign affiliates (already owned by foreign MNEs) to other foreign MNEs. Divestments (sales of foreign affiliates to domestic firms) are subtracted from the value (number).

Still, existing statistics on greenfield FDI projects and net cross-border M&As show that OIC countries are much more attractive for greenfield FDI projects. In 2021, the estimated value of announced greenfield projects ($84.1 billion) was 2.6 times higher compared to net cross-border M&A transactions ($32.4 billion) targeting OIC countries (Figure II.23). On the other hand, while greenfield FDI projects were affected by the Covid-19 pandemic with a 27% decrease from 2019 to 2020, net M&As proved to be more resilient in the case of OIC countries and increased by 39% in the same period[6]. In 2021, net cross-border M&A transactions directed to OIC countries increased by 32% compared to the previous year, while the increase in greenfield projects was only 8.8%.

The share of OIC countries in the global announced greenfield FDI projects was 12.7% in 2021 (Figure II.4). This is significantly higher than the overall share of OIC countries (8.3%) in global FDI inflows (compared with Figure II.11). The share of net cross-border M&As targeting OIC countries in all global transactions demonstrated a slightly increasing trend from 2016 to 2020, and it was 4.4% of the rest of the world in 2021 (Figure II.4).

[6]When FDI is in the form of M&A, it has no direct contribution to domestic capital formation. However, changes in ownership can give rise to productivity gains and may be followed by a new investment by the direct investor or may stimulate domestic investment that would not have otherwise taken place.

Figure II.24: Value of greenfield FDI projects and net cross-border M&As targeting OIC countries, as share of the rest of the world *(Percent)*



Source : UNCTAD cross-border M&A database. For greenfield projects UNCTAD, based on information from the Financial Times Ltd, fDi Markets.

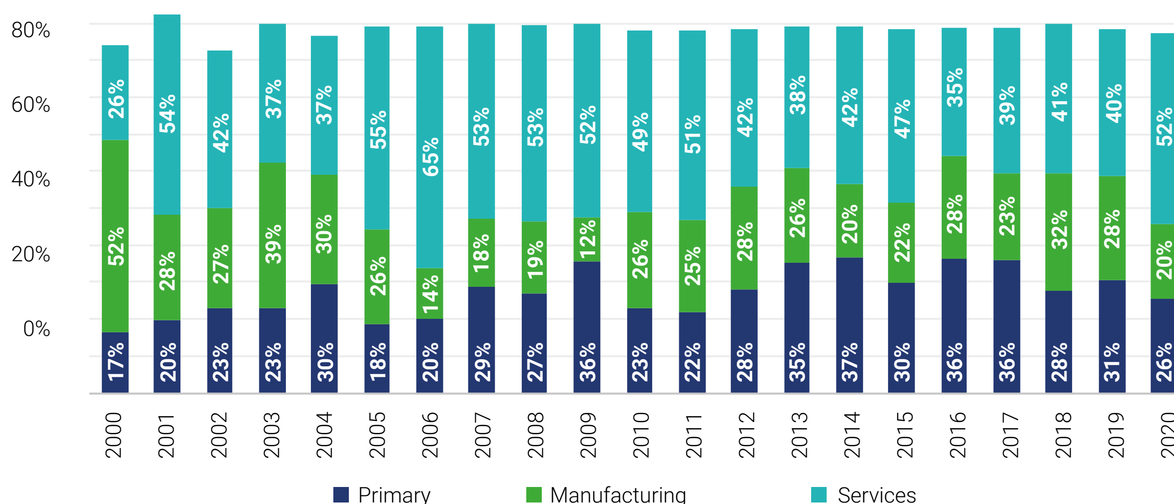
II.B.1.3 Distribution of foreign direct investment by sector

Long-term analysis of the sectoral distribution of FDI flows is possible only for 18 OIC countries where disaggregated data are available. Figure II.27 shows the sectoral distribution of FDI between primary sector, manufacturing, and services over two decades for 18 OIC countries. On the other hand, Table II.7 shows a more detailed sectoral distribution for 28 OIC countries based on FDI inflows by sector for the most recent five-year period.

II.B.1.3.1 Primary sector

The distribution of FDI between primary, manufacturing, and services across the OIC countries changes little yearly. The average share of FDI flows into the primary sector has increased from 24% in 2000-2010 to 31% in 2001-2020 (Figure II.25). Despite significant annual fluctuations, the share of manufacturing remained relatively stable on average (26% in 2000-2010, 25% in 2011-2020). Over the same period, the share of FDI inflow to the service sector of 18 OIC countries has slightly decreased from 48% in 2000-2010 to 43% in the last decade. Still, from 2016 to 2020, FDIs targeting the services sector of 18 OIC countries have increased from 35% to 52%, indicating the growth of a more service-oriented FDI. Moreover, while the Covid-19 pandemic caused a decrease in FDI entries to the primary sector and manufacturing, the share of FDI going to the services sector increased to 52% in 2020, from 40% in 2019 (Figure II.25).

Figure II.25: Foreign direct investment inflows to selected OIC countries by economic activities *(Percent)*



Source: UNCTAD, FDI/MNE database (primary source), including Bank of Albania, Bahrain Information & eGovernment Authority, Brunei Ministry of Finance and Economy, Central Bank of Egypt, National Statistical Committee of Kyrgyzstan, Banco de Moçambique, Oman National Centre for Statistics and Information, Banque Centrale de Tunisie, Bank of Uganda and WTO Guyana Trade Policy Review, WT/TPR/S/422, 26 January 2022.
Note: N=18 countries, including Albania (2008-2020), Bahrain (2010-2020), Bangladesh (2000-2020), Brunei (2000-2020), Egypt (2001-2020), Indonesia (2000-2020), Kazakhstan (2000-2020), Kyrgyzstan (2000-2020), Malaysia (2000-2020), Morocco (2000-2020), Mozambique (2001-2020), Nigeria (2000-2015), Oman (2004-2020), Pakistan (2000-2020), Tajikistan (2005-2020), Tunisia (2000-2020), Turkey (2001-2020) and Uganda (2000-2018). Values in local currency units are converted into $US using official annual average exchange rates.

The sample of 18 OIC countries presented in Figure II.25 confirms that many services industries have proven to be more resilient and flexible against the Covid-19 pandemic and have successfully attracted FDI by switching to a remote work mode.

As expected, due to natural resources, the significance of the primary sector remains high for the given sample of OIC countries in attracting FDI. Over the most recent five-year period for which sectoral FDI data is available (Table II.7), the mining, quarrying, and petroleum component of the primary sector was vital for attracting FDI, particularly in Azerbaijan (91.9% of total FDI), Guyana (84.7%), Oman (81.4%), Kazakhstan (66.2%), Mauritania (64.6%), Egypt (60.2%), Mozambique (58%), and Tajikistan (51.6%).

As of 2021, 58.2% of global proven natural gas reserves and 57.1% of proven oil reserves were in OIC countries (Table II.5). On the other hand, OIC countries are rich in producing some precious metals, which are presented in Table II.6. Accordingly, it is natural that mining, quarrying, and petroleum dominate with attracted FDI in some OIC countries. However, to ensure more resilience from external shocks such as pandemics, natural disasters, and volatility in energy prices and become more sustainable and competitive, governments need to diversify their economies and undertake pro-business economic reforms that attract investments into new economic sectors and reduce dependence on natural resources. Figures II.5 and II.6 show that global FDI is shifting away from extractive industries to service-based sectors. This trend will likely accelerate as investors are increasingly compelled to meet global targets on environmental sustainability.

Table II.5: Proven natural gas and oil reserves *(2021)*

	World	OIC	Share of OIC countries in the world (%)
Natural gas reserves (billion cu m)	185.703	108.056	OIC level – 58.2% (Top 5: Iran 17.3%, Qatar 13.3%, Turkmenistan 7.3%, Saudi Arabia 3.3%, UAE 3.2%)
Oil reserves (billion barrels)	1,723	984	OIC level – 57.1% (Top 5: Saudi Arabia 17.3%, Iran 9.1%, Iraq 8.4%, Kuwait 5.9%, UAE 5.7%)

Source: BP Amoco, BP Statistical Review of World Energy.

Table II.6: Share of OIC countries in global metal production *(2017-2021)*

	World	OIC	Share of OIC countries in the world (%)
Copper production (1000 mt)	106,738,441	10,179,437	OIC level – 9.5% (Top 5: Indonesia 3%; Kazakhstan 2%.9; Iran %1.5, Uzbekistan 0.5%, Turkey 0.4%)
Gold production (kg)	66,900,613	12,253,365	OIC level – 18.3% (Top 5: Mozambique 3.5%, Senegal 3.2%, Algeria 1.8%, Gabon 1.5%, Niger 1.4)
Lead production (1000 mt)	29,249,117	1,621,626	OIC level – 5.5% (Top 5: Kazakhstan 1.6%; Turkey 0.9%, Iran 0.8%, Morocco 0.8%; Tajikistan 0.8%)
Nickel production (1000 mt)	19,847,849	5,030,651	OIC level – 25.3% (Top 5: Indonesia 15.7%; Morocco 5.9%; Côte d›Ivoire 3.2, Turkey 0.5, Albania 0.1%)
Silver production (mt)	30,755,988	11,469,330	OIC level – 37.3 (Top 5: Kazakhstan 12.1%, Sudan 9.5%, Morocco 3.2%, Turkey 2.6%, Somalia 2.4%)
Tin production (1000 mt)	8,618,923	986,763	OIC level – 11.4% (Top 5: Indonesia 4.6%, Somalia 3.8%; Uganda 1.9%; Niger 0.4%, Nigeria 0.4)
Zinc production (1000 mt)	69,131,896	7,860,131	OIC level – 11.4% (Top 5: Algeria 3.7%, Kazakhstan 2.3%, Turkey 1.3%, Iran 1%, Somalia 0.7%)

Source: Calculation based on CountryWatch metals data.
Note: Data for Palestine is not available.

The primary sector also covers investments made in agriculture. Interestingly, the most recent five-year period data illustrates that among 28 OIC countries listed in Table II.7, only Indonesia had significant investment inflows in agriculture (12.4% of total), followed by Algeria (5.15%), Tajikistan (4.8%) and Uganda (3.75). Agriculture's importance in the economic and social fabric of the OIC economies remains vital because many families are dependent on rural incomes. Moreover, food security has become an increasing concern for many countries due to the growing urban population and increased cycles of adverse weather conditions. The Covid-19 pandemic has laid bare risks to food security globally and helped the governments understand the importance of food security and the work of farmers and agri-food workers.

Many OIC countries have much-untapped potential in agriculture and agro-processing. Without any policy intervention promoting trade and FDI in food and agricultural products, the cost of food could rise substantially. OIC governments' trade and FDI policies should support productive linkages in the agricultural sector, where small farmers partner with agribusiness to access the market, instead of the traditional approach where farmers work alone individually to access the market. Such an approach would help build competitiveness and strengthen the international positioning of agri-food clusters. Further, it will improve coordination among growers of particular agri-food clusters, increase small farmers' income, reduce rural poverty, and enable more efficient agricultural production chains.

Table II.7: Foreign direct investment inflows by sector for the most recent five-year period *(Percent)*

	Albania (2016-2020)	Algeria (2006-2010)	Azerbaijan (2004-2008)	Bahrain (2016-2020)	Bangladesh (2016-2020)	Benin (2012-2015)	Brunei (2016-2020)	Côte d'Ivoire (2013-2017)
Primary	**19.39%**	**43.10%**	**91.94%**	**0.11%**	**25.15%**	**29.70%**	**52.45%**	**30.59%**
Agriculture, forestry and fishing	0.10%	5.15%	..	..	1.63%	..	..	..
Mining, quarrying and petroleum	19.29%	37.95%	91.94%	..	23.52%	29.70%	52.45%	30.59%
Manufacturing	**4.97%**	**13.24%**	**5.03%**	**23.23%**	**31.43%**	**14.43%**	**27.38%**	**21.71%**
Services	**75.16%**	**40.50%**	**3.03%**	**76.66%**	**36.08%**	**55.86%**	**15.96%**	**41.56%**
Accommodation and food service activities	-0.31%	..	..	..	..	0.55%	..	2.52%
Business activities	..	..	..	6.59%	1.28%	..	..	..
Construction	3.33%	8.42%	1.03%	5.72%	0.73%	3.98%	2.10%	1.57%
Electricity, gas, water and waste management	41.37%	7.82%	..	16.19%	8.23%	..	..	2.09%
Financial and insurance activities	10.85%	16.66%	..	4.25%	15.36%	29.11%	12.00%	18.18%
Information and communication	-0.61%	4.52%	..	12.43%	..	-2.76%	14.10%	13.89%
Trade	2.69%	..	0.77%	28.00%	2.16%	8.68%	1.86%	0.59%
Transportation and storage	1.08%	..	..	2.89%	7.53%	16.25%	..	2.71%
Other services	16.75%	3.08%	1.23%	0.60%	0.79%	0.06%	-14.10%	..
Unspecified	**0.48%**	**3.17%**	**..**	**..**	**7.34%**	**0.01%**	**4.22%**	**6.14%**

	Djibouti (2011-2014)	Egypt (2016-2020)	Guyana (2016-2020)	Indonesia (2016-2020)	Jordan (2000-2003)	Kazakhstan (2016-2020)	Kyrgyzstan (2016-2020)	Malaysia (2016-2020)
Primary	**8.37%**		**85.52%**	**8.82%**	**0.61%**	**66.69%**	**18.01%**	**15.25%**
Agriculture, forestry and fishing	**..**	**0.17%**	**0.84%**	12.41%	0.61%	0.46%	-4.42%	-0.13%
Mining, quarrying and petroleum	**8.37%**	**60.22%**	84.68%	-3.59%	..	66.23%	22.43%	15.38%
Manufacturing	**3.98%**	**9.63%**	**1.15%**	**49.00%**	**64.21%**	**7.20%**	**68.34%**	**29.24%**
Services	**84.91%**	**20.98%**	**7.32%**	**39.60%**	**35.18%**	**26.11%**	**13.68%**	**55.51%**
Accommodation and food service activities	2.75%	4.00%	0.62%	0.63%	33.95%	0.88%	-3.24%	..
Business activities	..	..	0.41%	8.27%	..	23.10%	-141.68%	9.86%
Construction	16.32%	..	..	2.64%	..	8.30%	-9.26%	4.33%
Electricity, gas, water and waste management	..	..	..	4.58%	..	0.99%	41.25%	1.54%
Financial and insurance activities	8.37%	6.47%	..	-4.65%	..	5.68%	72.99%	21.71%
Information and communication	..	2.37%	0.70%	..	..	-0.80%	51.20%	2.63%
Trade	..	..	..	19.10%	..	8.50%	-0.51%	3.05%
Transportation and storage	56.01%	..	6.0%	2.57%	..	-19.81%	2.14%	0.78%
Other services	1.45%	8.14%	..	6.47%	1.22%	-0.73%	0.78%	11.60%
Unspecified	**2.75%**	**9.00%**	**6.0%**	**2.57%**	**..**	**..**	**-0.03%**	**..**

	Mauritania (2016-2020)	Morocco (2016-2020)	Mozambique (2015-2019)	Nigeria (2011-2015)	Oman (2016-2020)	Pakistan (2016-2020)	Qatar (2009-2012)	Saudi Arabia (2006-2010)
Primary	**64.64%**	**1.53%**	**60.20%**	**34.03%**	**81.38%**	**12.48%**	**10.52%**	**3.96%**
Agriculture, forestry and fishing	**..**	**1.26%**	**2.20%**	0.03%	..	0.00%	..	0.04%
Mining, quarrying and petroleum	**64.64%**	**0.27%**	58.00%	34.01%	81.38%	12.48%	10.52%	3.91%
Manufacturing	**..**	**21.13%**	**4.45%**	**27.24%**	**6.66%**	**26.91%**	**41.95%**	**24.36%**
Services	**..**	**76.44%**	**33.20%**	**38.51%**	**7.91%**	**59.83%**	**47.95%**	**70.44%**
Accommodation and food service activities	..	4.91%	1.72%	..	..	..	1.95%	0.21%
Business activities	..	30.40%	7.46%	..	6.83%	-0.10%	16.28%	27.38%
Construction	..	3.04%	2.77%	3.38%	..	1.49%	21.56%	15.79%
Electricity, gas, water and waste management	..	4.79%	1.34%	0.09%	..	29.27%	..	4.41%
Financial and insurance activities	..	15.92%	3.20%	24.28%	1.08%	13.77%	0.08%	6.70%
Information and communication	..	-1.80%	..	..	..	7.11%	..	..
Trade	..	9.18%	2.47%	0.64%	..	3.20%	4.17%	3.54%
Transportation and storage	..	6.98%	13.85%	10.13%	..	3.80%	3.47%	6.05%
Other services	..	3.03%	0.39%	..	..	1.28%	0.44%	6.35%
Unspecified	**35.36**	**0.90%**	**2.15%**	**0.22%**	**4.05%**	**0.78%**	**-0.42%**	**1.24%**

	Tajikistan (2016-2020)	Tunisia (2016-2020)	Turkey (2016-2020)	Uganda (2014-2018)	UAE (2012-2016)
Primary	**56.36%**	**37.68%**	**3.12%**	**41.22%**	**7.08%**
Agriculture, forestry and fishing	**4.75%**	**1.43%**	**0.43%**	3.70%	0.04%
Mining, quarrying and petroleum	**51.62%**	**36.24%**	2.68%	37.52%	7.05%
Manufacturing	**18.50%**	**45.72%**	**25.27%**	**6.83%**	**9.78%**
Services	**25.10%**	**15.94%**	**71.61%**	**51.82%**	**83.13%**
Accommodation and food service activities	1.54%	5.25%	2.49%	0.07%	0.45%
Business activities	..	..	3.36%	4.73%	27.80%
Construction	3.56%	..	5.04%	7.35%	4.07%
Electricity, gas, water and waste management	..	..	5.83%	8.80%	2.31%
Financial and insurance activities	5.01%	4.21%	20.08%	19.34%	19.64%
Information and communication	..	3.87%	8.48%	-3.37%	1.55%
Trade	2.03%	..	13.11%	7.60%	24.85%
Transportation and storage	10.25%	..	10.22%	7.50%	1.87%
Other services	2.69%	2.61%	3.00%	-0.19%	0.60%
Unspecified	**0.04%**	**..**	**..**	**0.13%**	**..**

Source: UNCTAD, FDI/MNE database (primary source), including Bank of Albania, Bahrain Information & eGovernment Authority, Brunei Ministry of Finance and Economy, Central Bank of Egypt, National Statistical Committee of Kyrgyzstan, Banque Centrale de Mauritanie, Banco de Moçambique, Oman National Centre for Statistics and Information, Banque Centrale de Tunisie, Bank of Uganda and WTO Guyana Trade Policy Review, WT/TPR/S/422, 26 January 2022.
Note: For Brunei, inward FDI stock values are used.

II.B.1.3.2 Manufacturing

The relative importance of FDI in manufacturing depends much more on local economic conditions. FDI inflows by sector for the most recent five-year period show that in Kyrgyzstan, Jordan, Indonesia, Tunisia, Qatar, Bangladesh, and Malaysia, the manufacturing kept shares at above 30% of FDI inflows, which points to the relatively high integration of these countries into global chains of production. Particularly in Kyrgyzstan, Jordan, and Indonesia share of FDI inflows to the manufacturing sector is above 50%.

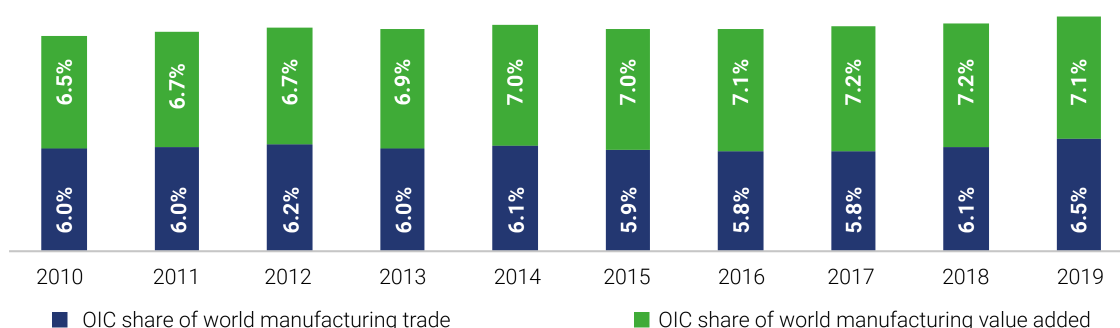
Brunei, Nigeria, Pakistan, Turkey, Saudi Arabia, Bahrain, Côte d'Ivoire, and Morocco also attracted FDI in the manufacturing sector, accounting for about a quarter of the FDI flows in those countries. The rest of the OIC countries have relatively low shares of manufacturing, in particular Guyana, Djibouti, Mozambique, Albania, Azerbaijan, Oman, Uganda, Kazakhstan, and Egypt, where FDI flows to manufacturing are measured in single digits (Table II.7).

International trade and production statistics allow understanding of how important FDI in manufacturing is for the national economies. United Nations Industrial Development Organization (UNIDO) regularly publishes the

Competitive Industrial Performance Index (CIP), which benchmarks the ability of countries to produce and export manufactured goods competitively. According to the 2021 CIP Index (showing values for 2019), the five best performing OIC counties were Malaysia (22nd in global CIP rank), Turkey (28th), United Arab Emirates (30th), Saudi Arabia (39th), and Indonesia (40th). From 2010 to 2019, the average share of 41 OIC countries (representing 95% of total OIC GDP in constant 2015 $US prices) in global manufacturing trade was only 6%. In the same period, these OIC countries, on average, accounted for just 7% of world manufacturing value-added (Figure II.26).

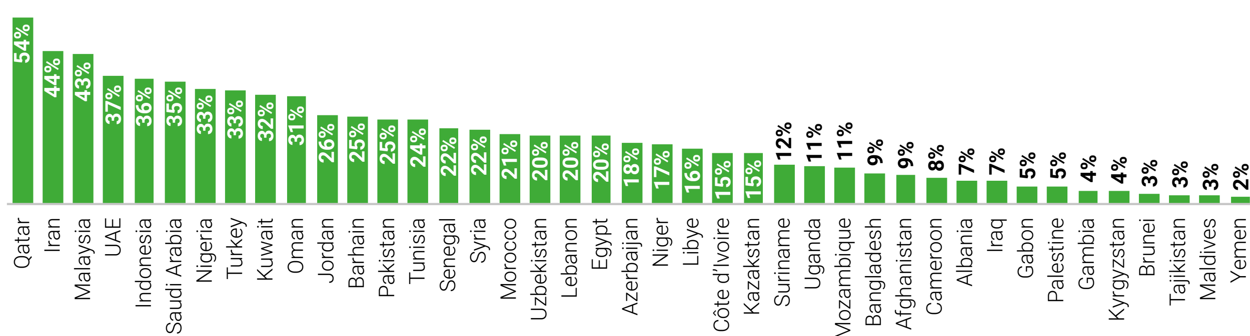
From 2010 to 2020, in the same sample of 41 OIC countries, the share of medium-high and high-tech manufacturing value-added in total manufacturing value-added was above 30% only in Qatar, Iran, Malaysia, United Arab Emirates, Indonesia, Saudi Arabia, Nigeria, Turkey, Kuwait, and Oman. From Figure II.27, it could be concluded that many OIC countries are not among innovative economies. Moreover, even countries with better scores must prepare their institutions, infrastructure, companies, and human capital to jump from low and mid-tech to high-tech. Figure II.27 also illustrates that many OIC countries must import high-value-added goods such as new technologies required for their economic modernization. However, only a few OIC countries could be considered sources of such technology products. Therefore, it is recommended that the OIC countries act together and scale up their efforts to improve their investment climate, particularly targeting high-tech manufacturing.

Figure II.26: OIC share of global manufacturing trade and global manufacturing value added *(Percent)*



Source: UNIDO, Competitive Industrial Performance Index (CIP) database.
Note: N=41 OIC countries representing 95% of total OIC GDP (constant 2015 $US prices).

Figure II.27: Share of medium-high and high-tech manufacturing value added in total manufacturing value added *(2010-2019 average)*



Source: UNIDO, Competitive Industrial Performance Index (CIP) database.

Box II.1 Global value chains

Global value chains (GVCs) are a leading characteristic of today's global economy. Goods and services are no longer produced only in one country and sold to consumers in a second country. For example, a good produced in one of the OIC countries and exported to the European Union may include raw materials from China and Russia. It may use services from India, Canada, or the United States. In other words, production is fragmented worldwide rather than made in just one economy. Until being finalized, one product may cross national borders several times. For that reason, economic growth opportunities are increasingly determined by the level of integration of an economy into the GVCs.

GVCs are coordinated by multinational enterprises (MNEs). In this respect, the analysis of GVCs is entirely complementary to the study of FDI and international production. The ability of a country to participate in GVCs is among the crucial factors in attracting FDI inflows.

Two methodological approaches for studying GVCs are firm-level interviews and multi-region input-output tables. Figure II.28 is an example of firm-level interviews, which shows that the production of many OIC countries is highly dependent on inputs from foreign countries.

Figure II.28: Proportion of total inputs that are of foreign origin *(Percent)*

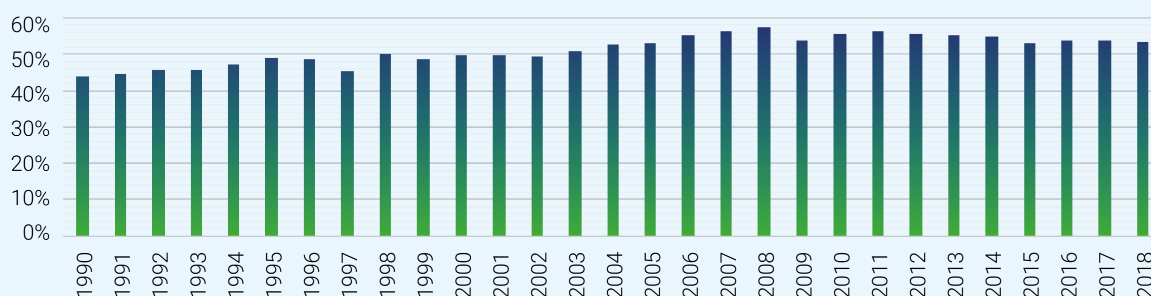
Source: World Bank Enterprise Surveys.

Cross-border GVC linkages could be in two directions: forward GVC participation (i.e., producing and shipping inputs that are further re-exported) and backward GVC participation (i.e., using imported inputs to produce goods that are shipped abroad). Covid-19 crisis bought these notions to attention to detect a country's exposure to demand and supply shocks and evaluate its resilience.

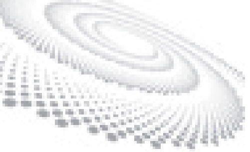
GVC Participation Index is the best indicator showing how the economy is involved in GVCs through backward and forward participation. Calculation based on the UNCTAD-Eora Global Value Chain database indicates that the GVC Participation Index of OIC countries has increased from 44% in 1990 to 54% in 2018, with a historic pic of 57% in 2008. A higher value of the GVC Participation of Index indicates greater globalization of economies and the internationalization of domestic firms but also a higher degree of exposure to global economic shocks.

Some OIC countries are landlocked with no direct access to seaports, some others are economically too small to have a significant part of global value chains. The lack of connectivity diminishes prospects for reaching global markets and exporting at competitive prices. Under such conditions, it would be more appropriate for SMEs to indirectly connect to GVCs by supplying intermediate goods and services to larger domestic firms or multinational enterprises, which then export. Nevertheless, developing linkages into GVCs largely depends on governments' support for SMEs wanting to participate in GVCs and programs to encourage their relations with larger domestic firms or multinational enterprises.

Figure II.29: OIC GVC Participation Index *(Percent)*



Source: Calculation based on UNCTAD-Eora Global Value Chain database. The formula used is GVC Participation Index = (FVA+DVX)/ gross exports. FVA represents the foreign value-added content of exports, and DVX is the indirect value-added of exports, which measures how much of each country's domestic value-added enters as an intermediate input in the value-added exported by other countries. For further explanations, look at Casella et al. (2019).



The Covid-19 pandemic has produced enormous disruptions in GVCs. It has also encouraged more restrictive and nationalist policies for FDI, particularly in developed countries. Some governments are even conditioning state support on shifting production back to the domestic market. Under such conditions, countries that further facilitate entry and operational FDI restrictions will be able to attract additional foreign investments. Moreover, shifts in GVCs may offer new opportunities to some developing countries. For that reason, OIC governments are recommended to closely follow global GVC developments, better understand the strategies of MNEs, strengthen OIC collaboration in this regard, and accordingly update their strategic sectors for foreign investments.

Source: Qiang et al. (2021) and UNCTAD (2013b).

II.B.1.3.3 Services

Services account for the bulk of FDI in most OIC countries. During the past decade, most FDI in this sector has been driven by growth in consumer spending. The share of services in FDI inflows is highest in Djibouti, United Arab Emirates, Bahrain, Morocco, Albania, Turkey, and Saudi Arabia, with more than 70% of FDI in these countries. The figure even reaches more than 80% in Djibouti and the United Arab Emirates. Only Guyana, Azerbaijan, Oman, Kyrgyzstan, Tunisia, and Brunei have the share of services in FDI dip below 50% (Table II.7).

Although FDIs have been significantly flowing to the services sector of OIC countries, not all sub-service sectors of the economy have equally benefited. Market-seeking appears to be the dominant goal of FDI in the service sector of OIC countries because the biggest share of FDIs in the services presented in Table II.7 went to financial and insurance activities and trade sectors. Above 20% of investments in the services went to financial and insurance activities in the United Arab Emirates, Turkey, Malaysia, Benin, and Kyrgyzstan. Investments in wholesale and retail trade appear relatively more significant in Bahrain (28% of all FDI inflows in the service sector), United Arab Emirates (25%), and Qatar (19%), according to FDI inflows by sector for the most recent five-year period. The electricity, gas, water, and waste management attract relatively more investments in Albania, Kyrgyzstan and Pakistan, whereas FDI in transportation and storage appears most significant in Djibouti and Benin.

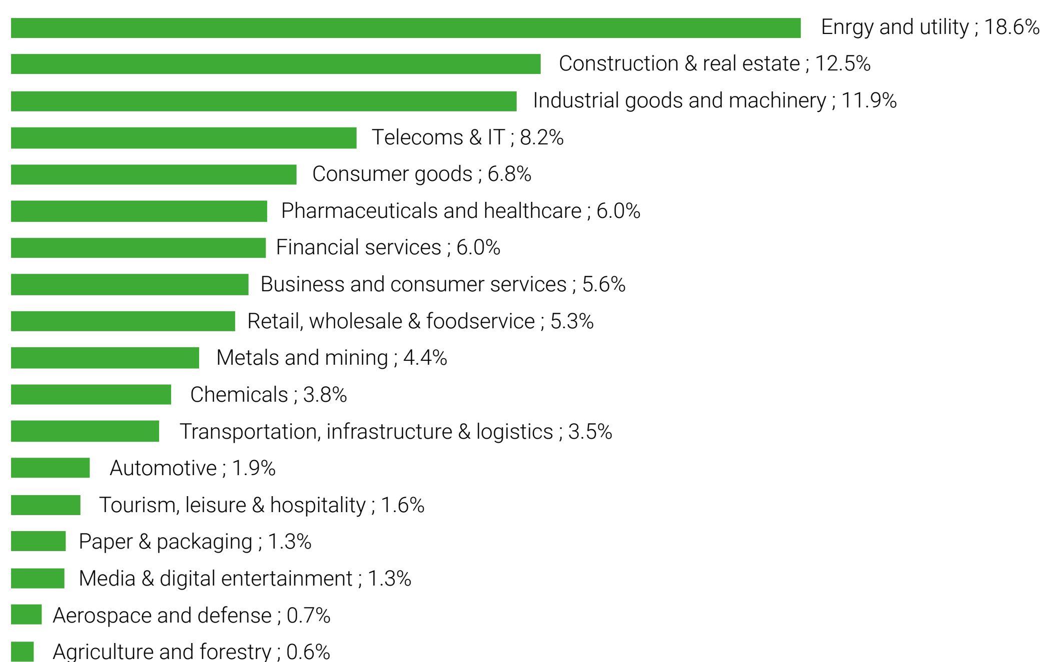
The company-level dataset prepared based on 8,827 MNEs (out of 107,133 profiled by MarketLine) operating in OIC economies with headquarters abroad allows for additional insights on FDIs in the services sector. This sample of MNEs may not represent the most accurate picture of the sectoral distribution of FDI in OIC countries. However, such datasets are valuable as complementary tools in the absence of official data.

Since this sample of MNEs covers all OIC countries, the sectoral distribution of FDI between the primary sector, manufacturing, and services appears to be different. The share of MNEs active in manufacturing (industrial goods and machinery, consumer goods, chemicals, automotive, paper & packaging and aerospace and defense industry) seems to be around 26%, which is in line with the findings of Figure II.25. However, much more MNEs are concentrated in the services sector (Figure II.30).

The energy and utility industry covers electric generation, transmission, distribution and retailing; transmission, distribution and retailing of natural gas, and water services provision. Almost 19% of MNEs active in the OIC countries are involved in this industry. It is expected for this industry to continue to be a promising sector in attracting FDIs, as OIC governments increase their priorities related to renewable energies.

Real estate activities are also registered under the services sector and attract large FDI inflows in some economies, sometimes related to the development of tourism projects. 12.5% of MNEs in OIC countries deal with real estate and construction, which also covers the purchase of land and homes by non-residents. Real estate and construction have limited innovation-creating potential due to their relatively low complexity.

Figure II.30: Distribution of MNEs located in OIC countries by their industries
(N=8827 MNEs, percent, as of 31 March 2022)



Source: Calculations based on companies profiled by Marketline.
Note: As of 31 March 2022, the number of profiled public and private MNEs was 107,133. Out of them, 8,827 MNEs were operating in OIC economies, with headquarters out of related OIC countries.

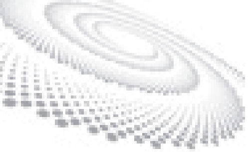
It seems that in recent years OIC economies have received significant investments in telecoms & IT, as OIC countries targeted telecoms infrastructure upgrades, greater network and broadband penetration, fiber connectivity, and mobile services in new areas. Above 8% of the given sample of MNEs were active in telecoms & IT services (Figure II.30). Lockdown restrictions imposed across the globe due to Covid-19 and the rise of e-commerce have increased the importance of the telecom & IT services industry, which is expected to attract more FDI in upcoming years.

At the OIC level, the share of MNEs present in pharmaceuticals and healthcare appears to be 6%, and due to lessons from the Covid-19 pandemic will probably increase in the future. Another 6% of MNEs deal with business and consumer services. The contribution of tourism to GDP is critical in some OIC countries, but the level of inflows across the OIC appears not to be comparable to the sectors mentioned above (Table II.7 and Figure II.30). In 2019, the travel and tourism sector generated 8.1% of OIC's economic output. In that year, travel and tourism contribution to GDP was particularly high in Turkey ($37.5 billion), Saudi Arabia ($25.3 billion), United Arab Emirates ($23.4 billion), Indonesia ($21.8 billion), and Malaysia ($21.4 billion), according to the World Travel and Tourism Council. International visitors spent $253.3 billion the same year, mainly on leisure. However, the tourism sector was one of the most affected by the Covid-19 pandemic and the unprecedented global travel shutdown. In 2020 the contribution of the travel and tourism sector to OIC's economic output was reduced by 288.9 billion compared to the previous year. As expected, in 2020, travel and tourism spendings of domestic visitors were much higher than the spending of international visitors (Table II.8).

Table II.8: Key tourism data on OIC countries

	2019	2020
The total contribution of travel & tourism to GDP*	$581.4 billion (8.1% of the total economy)	$288.8 billion (4.3% of the total economy)
Travel and tourism spending by international visitors	$253.3 billion	$73.8 billion
Travel and tourism spending by domestic visitors	$212 billion	$128 billion
Travel and tourism spending by the purpose of travel, business	$86.3 billion (19% of total)	$34.3 billion (17% of total)
Travel and tourism spending by the purpose of travel, leisure	$379 billion (81% of total)	$167.6 billion (83% of total)

Source: World Travel and Tourism Council.
* The value refers to GDP generated directly by travel and tourism industries plus the indirect and induced contributions, including the contribution of capital investment spending for the respective year.



The hotels and motels industry represents an essential part of the tourism sector. In most OIC countries, prominent international companies dominate the industry and compete intensely for a share of the industry. The rivalry has increased by challenging market conditions caused by the Covid-19 pandemic, which has devastated the hotels and motels industry by driving the most significant recorded decline in international tourism in 2020. Even after travel restrictions were lifted, international tourism arrivals remained low as travelers remained concerned with the safety of traveling during a pandemic. A common strategy used by all of the prominent global players in this industry is to operate a variety of hotel brands, often with significantly varying prices. In this way, these companies are trying to appeal to a broader range of consumers.

Table II.9 provides information on the nine OIC countries' most prominent players in the hotels and motels industry. AccorHotels, Marriott International, and Hilton Worldwide appear as the most significant foreign service providers in the hotels and motels industry, but they operate alongside many smaller, independent competitors.

Table II.9: Main competitors in the hotels and motels industry of OIC countries

Competitive Landscape : Leading Players	
Egypt	AccorHotels (24), Marriott International (18), Steigenberger Hotels AG (16), Hilton Worldwide (3)
Indonesia	AccorHotels (134), Santika Indonesia Hotels & Resorts (100), Swiss-Belhotel International (75), Marriott International (60)
Kazakhstan	Marriott International (8), AccorHotels, Hilton Worldwide, Wyndham Hotels and Resorts (3)
Malaysia	Marriott International (37), Sun Inns Hotel (36), Rangkaian Hotel (20), AccorHotels
Nigeria	Marriott International, AccorHotels, Radisson Hotel Group (37), Best Western Hotels and Resorts
Pakistan	Hashoo Hotels, The Serena Group of Hotels (8), Best Western Hotels and Resorts (3), Marriott International (35)
Saudi Arabia	AccorHotels (38), InterContinental Hotels Group (38), Marriott International (33), Radisson Hotel Group (26)
Turkey	Wyndham Hotels and Resorts (85), Hilton Worldwide (69), AccorHotels, Marriott International (37)
United Arab Emirates	Marriott International (69), AccorHotels (68), Rotana Hotel Management Corp (35), Hilton Worldwide (32)

Source: MarketLine.
Note: The number in brackets is the number of hotels operating across the country as of September 2021.

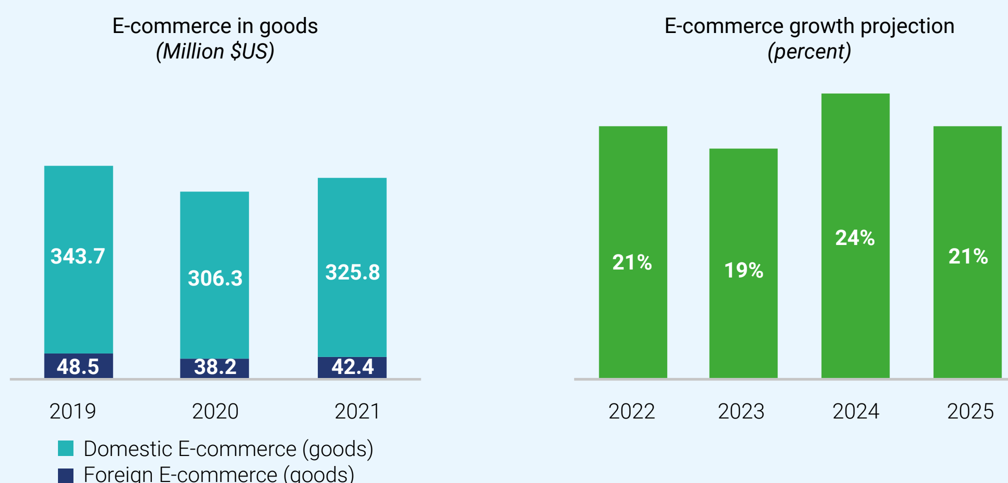
It will probably take some time for tourism demand to recover to pre-Covid-19 levels. Further, the health crisis caused by the pandemic is likely to accelerate some existing trends, such as digitalization, automation, and biometrics. Digitalization is expected to intensify online sales, reducing the need for outlets such as travel agents. This, in turn, will move travelers to touch-free and contactless services. Automation will ensure that travelers can self-service, reducing contact with staff, whereas biometrics will enable governments to track health status and ID.

Box II.2: E-commerce in Nigeria

In Nigeria, online commerce and financial technology are steadily growing, supported by the fast-growing youth population, expanding consumer power, and increased internet and smartphone penetration. Nigeria's internet penetration rate stood at 51% of the total population by 2021. Estimates from different sources put the number of smartphone users in Nigeria at roughly 25 and 40 million. In 2021, 26% of the Nigerian population bought at least one product online. The Covid-19 pandemic encouraged a growing number of middle- and high-income consumers to shop online for the first time.

E-commerce in consumer goods was $325.8 million in Nigeria in 2021, a 7% increase compared to the previous year. Domestic e-commerce dominates in total e-commerce, although in 2021, 40% of consumer sales belonged to cross-border goods. The annual average growth of E-commerce in consumer goods in Nigeria is projected at 21% by 2025 (Figure II.31).

Figure II.31: E-commerce in consumer goods in Nigeria



Source: Passport (2022).
Note: Values in local currency units are converted into $US using official annual average exchange rates.

Fashion is the largest segment in Nigeria and accounts for 35% of the E-commerce in goods. This is followed by electronics & media with 28%, furniture and appliances with 17%, and food and personal care with 11%. Nigeria's E-commerce has seen the intensified competition, particularly between Jumia Technologies AG and Konga Online Shopping Ltd.

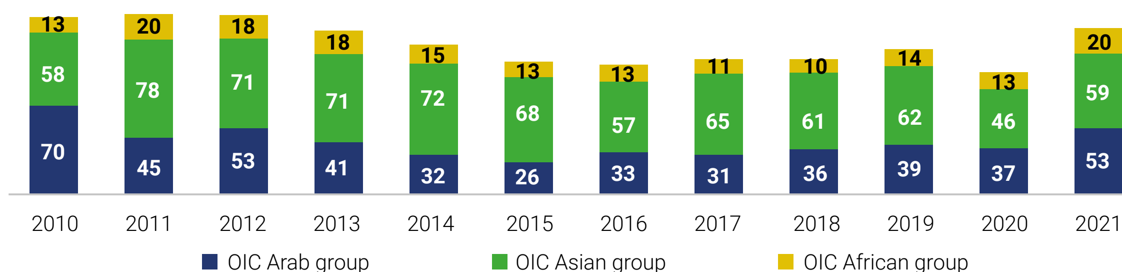
Source: Passport (2022), other Internet sources.

II.B.2 Developments in foreign direct investment in the OIC subregions

The trends of FDI inflows differ in the main regions of OIC. The most significant weakening in FDI inflows occurred in the OIC Asian group in 2020, with a $16 billion decline compared to the previous year. Inflows into the OIC African group in 2020 remained at almost the last year's level, with only a $358 million decline. Similarly, due to the Covid-19 pandemic, FDI inflows to OIC Arab group were reduced by 5.8% in 2020, decreasing by 2.3 billion compared to 2019 (Figure II.32). Data for 2021 shows that all OIC groups have significantly increased their FDI inflows compared to the previous year. A record increase of 53.7% was seen in the OIC African group, 42.1% in the OIC Arab group, and 27.4% in OIC Asian group.

Data on announced greenfield projects targeting OIC countries shows that the OIC Asian group has remained on foreign investors' radar. In 2021, the value of announced greenfield projects in the OIC Asian group had increased by 25% compared to 2020, reaching $41 billion. In contrast, the greenfield investments in the OIC Arab group remained almost unchanged, while the OIC African group faced a decline of 9% during the same period (Figure II.33).

Figure II.32: Foreign direct investment inflows in OIC by country groups (Billion $US)



Source: UNCTAD, FDI/MNE database.

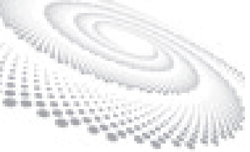
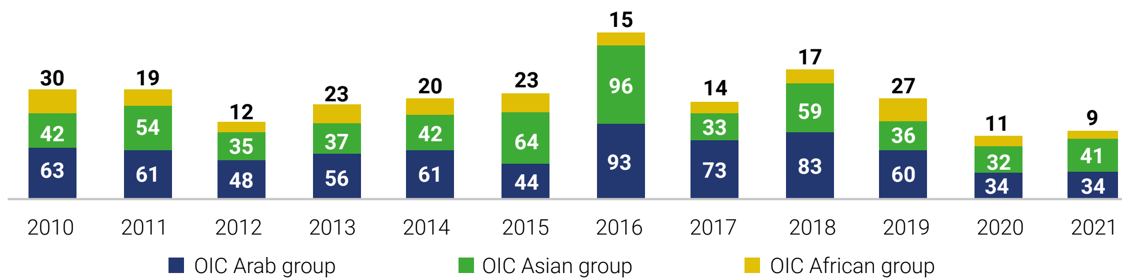


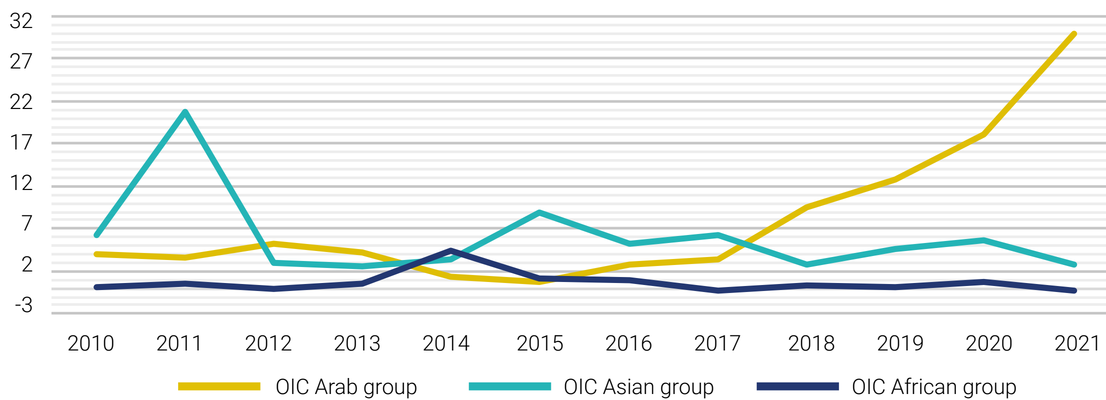
Figure II.33: Value of announced greenfield projects targeting OIC country groups *(Billion $US)*



Source: UNCTAD greenfield FDI projects database, based on information from the Financial Times Ltd, fDi Markets

Increases in net cross-border M&As targeting OIC countries were led by OIC Arab group from 2015 to 2021. In this period, 66.4% of M&As targeting OIC countries went to the OIC Arab group, 31.1% to OIC Asian group, and only 2.5% to OIC African group. In 2021, only the OIC group hosted more M&A transactions compared to 2020, with a 65.9% increase, reaching $30 billion (Figure II.34). From 2020 to 2021, cross-border M&A transactions decreased by $2.8 billion in the OIC Asian group and remained negative in the OIC African group (-0,4), indicating disinvestment.

Figure II.34: Net cross-border mergers and acquisitions targeting OIC country groups *(Billion $US)*



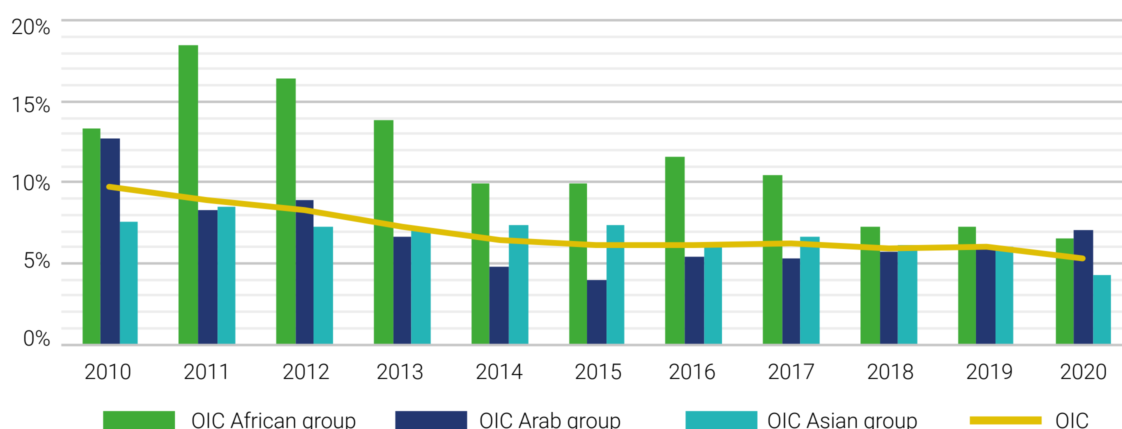
Source: UNCTAD cross-border M&A database.
Note: UNCTAD values and numbers referring to cross-border M&As exclude sales of foreign affiliates (already owned by foreign MNEs) to other foreign MNEs. Divestments (sales of foreign affiliates to domestic firms) are subtracted from the value (number).

The last three figures demonstrate the uneven distribution of FDI inflows across OIC groups. Still, in relative terms, the picture looks different. Expressed as a gross fixed capital formation (GFCF) ratio, FDI inflows to the OIC African group averaged 13.7% from 2010 to 2015, compared with 7.6% in OIC Arab and Asian groups. In other words, inflows to OIC African group had a more significant impact on the countries of that group in relative terms than the absolute figures suggest.

In the long term, FDI inflows as a percent of gross fixed capital formation have consistently decreased in OIC countries due to the recovery of GFCF and slowdown of FDI inflows. Thus, from 2016 to 2020, this ratio averaged 8.6% for OIC African group and 5.9% for the other two OIC groups. In 2020, OIC Arab group had the highest inward FDI to GFCF ratio (7%) for the first time in the last decade (Figure II.35).

Concerning individual countries, in 2019 (before the Covid-19 pandemic), in Togo, Djibouti, the United Arab Emirates and Lebanon, the inward FDI to GFCF ratio exceeded 20%, Albania, Chad, Mauritania and Mozambique exceeded 30%, and Maldives and Gabon exceeded 40%. Inward FDI to GFCF ratio was 75% in Sierra Leone, 96% in Guinea-Bissau, 98.7% in Guyana, and 137.8% in Somalia in 2019.

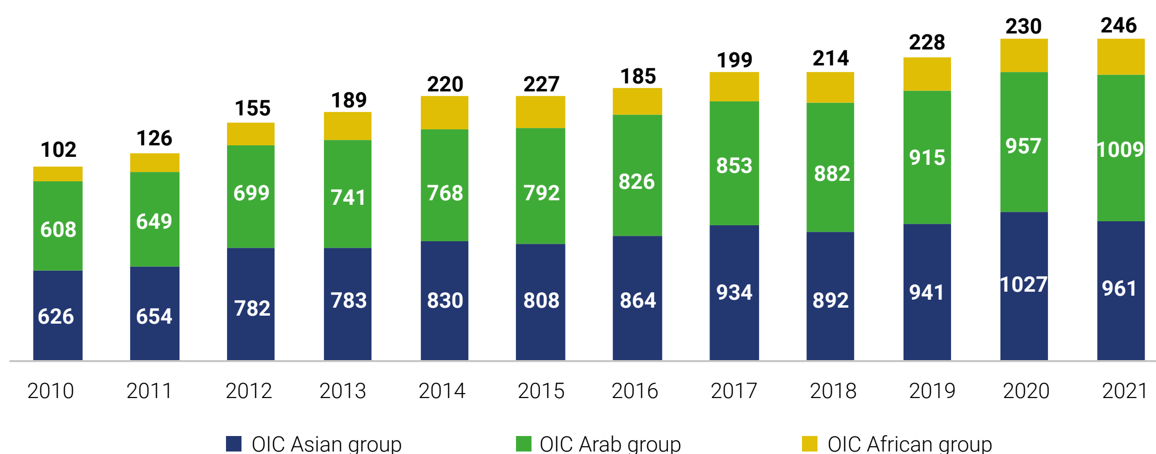
Figure II.35: Foreign direct investment inflows as a percentage of gross fixed capital formation *(Percent)*



Source: UNCTAD, FDI/MNE database. Official GFCF statistics based on Passport. GFCF values in local currency units are converted into $US using official annual average exchange rates provided by World Bank. Missing values for Palestine and Turkmenistan.

As of 2021, OIC Arab group led in FDI stock by hosting 45.5% of inward FDI stock in OIC countries. OIC Asian group accumulated 43.4% of OIC inward FDI stock and the OIC African group 11.1%. A reduction in the share of inward FDI stocks in OIC was seen in the OIC Asian group, which lost about 3 percent points in ownership of stocks from 2020 to 2021. In the same period, the share of ownership of FDI stock increased by 2.3 percent point in OIC Arab group and 0.7 percent points in OIC African group (Figure II.36).

Figure II.36: Inward FDI stock of OIC countries *(Billion $US)*



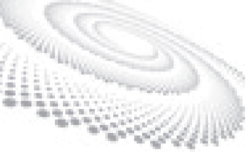
Source: UNCTAD, FDI/MNE database.

II.B.3: Foreign direct investment inflows by countries

The Covid-19 pandemic affected most OIC countries, with 38 seeing a drop in FDI inflows in 2020 compared to the previous year (Libya, Syria, and Yemen are excluded due to missing values for 2020 and 2021). In the same period, 16 OIC countries were relatively resilient, with either an increase in FDI or a slight change in inflows (Table II.10).

Iraq and Qatar faced negative FDI values before the Covid-19 pandemic. Negative values of FDI inflows for a particular year show that the value of disinvestment by foreign investors was more than the value of capital newly invested in the reporting economy. In 2021, only 17 OIC countries faced a decrease in FDI inflows compared to 2020 (Table II.10).

In absolute figures, in 2021, FDI inflows were highest in United Arab Emirates ($20.7 billion), Indonesia ($20.1 billion), Saudi Arabia ($19.3 billion), Turkey ($12.5 billion), Malaysia ($11.6 billion), Egypt ($5.1 billion), Mozambique ($5.1 billion), Nigeria ($4.8 billion), Oman ($3.6 billion), and Kazakhstan ($3.2 billion). Out of these ten OIC countries, Egypt and Kazakhstan faced a drop in FDI inflows in 2021 compared to 2020.



In the OIC African group, Mozambique, Nigeria, Senegal, Gabon, and Côte d'Ivoire topped the list in FDI inflows in 2021, accounting for 75% of FDI inflows to this group of countries. Compared to 2020, in 2021, only Gabon and Guinea faced a decrease in FDI inflows within OIC African group (Table II.10).

In the OIC Arab group, the regional increase in FDI inflows was mainly driven by the United Arab Emirates, Saudi Arabia, Egypt, Oman, and Morocco in 2021, which attracted 96% of FDI flows to this group of countries. In the same year, within the OIC Arab group, Algeria, Egypt, Jordan, Lebanon, Mauritania, Somalia, and Sudan had lower FDI inflows than in 2020, whereas Iraq and Qatar faced disinvestment.

In 2020, declining FDI in the OIC Asian group was caused primarily by drops in inflows in Indonesia, Malaysia, Turkey, Azerbaijan, and Turkmenistan. FDI inflows in Malaysia, Turkey, Azerbaijan, and Turkmenistan fell far below their long-term trend, i.e., 2010-2018 average (Table II.10). In 2021, Azerbaijan and Suriname confronted disinvestment, according to UNCTAD data, while the performances of Brunei, Guyana, Kazakhstan, and Tajikistan in attracting FDI were not as good as in 2020.

Table II.10: Foreign direct investment inflows by recipient country *(Million $US)*

	2010-2018 average	2019	2020	2021	Difference 2020-2019	Difference 2021-2020
OIC African group	*14606.2*	*13591.5*	*13233.8*	*20340.2*	*-357.7*	*7106.4*
Benin	229.1	218.2	174.0	242.4	-44.2	68.3
Burkina Faso	249.8	163.0	- 102.2	137.4	-265.2	239.6
Cameroon	583.8	1026.9	675.2	850.0	-351.7	174.8
Chad	294.2	566.6	557.7	562.2	-8.9	4.5
Côte d'Ivoire	498.4	935.7	712.9	1382.3	-222.8	669.4
Gabon	880.2	1553.1	1716.5	1634.8	163.4	-81.7
Gambia	25.6	71.1	189.6	251.8	118.5	62.2
Guinea	372.5	44.4	176.4	173.0	132.0	-3.3
Guinea-Bissau	21.4	71.7	21.0	23.8	-50.7	2.8
Mali	386.1	720.6	536.9	659.7	-183.8	122.8
Mozambique	3861.4	2211.7	3034.6	5101.7	822.9	2067.1
Niger	669.5	717.1	360.7	754.6	-356.5	393.9
Nigeria	4683.2	2305.1	2385.3	4844.3	80.2	2459.0
Senegal	434.7	1065.5	1845.7	2231.9	780.2	386.2
Sierra Leone	383.7	301.5	135.1	218.3	-166.4	83.2
Togo	141.4	345.7	- 59.2	129.9	-404.9	189.1
Uganda	891.1	1273.6	873.9	1142.2	-399.7	268.3
OIC Arab group	*39981.2*	*39491.7*	*37213.8*	*52896.6*	*-2277.9*	*15682.8*
Algeria	1482.6	1381.8	1142.6	869.7	-239.2	-273.0
Bahrain	1159.5	1501.3	1021.3	1766.0	-480.1	744.7
Comoros	7.7	3.7	3.9	4.1	0.2	0.2
Djibouti	144.8	175.0	158.2	166.8	-16.8	8.5
Egypt	5709.3	9010.0	5851.8	5122.0	-3158.2	-729.8
Iraq	-3286.7	-3508.2	-2859.1	-2613.0	..	..
Jordan	1665.1	729.7	760.3	621.8	30.6	-138.5
Kuwait	1233.9	350.7	-141.7	198.2	-492.4	339.9

Lebanon	2820.9	1361.1	1306.0	273.1	-55.1	-1032.9
Mauritania	652.0	886.9	927.9	22.2	41.0	-905.7
Morocco	2820.7	1720.0	1419.2	2153.3	-300.8	734.1
Oman	1801.5	4377.0	2861.0	3619.0	-1516.0	758.0
Palestine	198.8	131.9	79.7	256.0	-52.1	176.3
Qatar	761.0	-2812.6	-2434.1	-1093.4	..	..
Saudi Arabia	10651.0	4562.6	5399.2	19285.6	836.6	13886.5
Somalia	250.0	447.0	464.0	455.5	17.0	-8.5
Sudan	1560.2	825.4	716.9	462.5	-108.4	-254.5
Tunisia	1138.7	844.8	652.1	660.2	-192.7	8.1
United Arab Emirates	9471.9	17874.7	19884.5	20667.1	2009.8	782.7
OIC Asian group	*66662.4*	*62238.1*	*46197.8*	*58846.2*	*-16040.3*	*12648.5*
Afghanistan	75.3	23.4	13.0	20.6	-10.4	7.6
Albania	1071.6	1288.0	1108.2	1233.9	-179.8	125.8
Azerbaijan	2657.0	1503.9	507.0	-1707.7	-996.9	-2214.7
Bangladesh	1869.5	2874.0	2563.6	2895.6	-310.4	332.0
Brunei	486.8	374.6	577.4	204.7	202.9	-372.7
Guyana	314.5	1695.3	1833.9	1161.7	138.6	-672.2
Indonesia	17164.7	23883.3	18591.0	20081.3	-5292.3	1490.3
Iran	3395.2	1508.0	1342.0	1425.0	-166.0	83.0
Kazakhstan	8761.5	3284.2	3675.4	3171.8	391.2	-503.6
Kyrgyzstan	454.7	404.0	-401.5	247.5	-805.5	649.0
Malaysia	10213.9	7812.8	3159.5	11619.8	-4653.3	8460.3
Maldives	372.2	956.2	348.3	443.5	-607.8	95.1
Pakistan	1749.4	2234.0	2057.0	2102.0	-177.0	45.0
Suriname	125.7	-7.8	0.3	-164.4	8.1	-164.7
Tajikistan	330.5	364.5	106.5	84.0	-257.9	-22.5
Turkey	13524.0	9594.0	7821.0	12530.0	-1773.0	4709.0
Turkmenistan	2912.7	2129.4	1169.4	1452.5	-960.0	283.1
Uzbekistan	1183.1	2316.5	1725.7	2044.5	-590.8	318.8
Turkey	1183.1	9594.0	7821.0	12530.0	-1773.0	4709.0
Turkmenistan	2912.7	2129.4	1169.4	1452.5	-960.0	283.1
Uzbekistan	1183.1	2316.5	1725.7	2044.5	-590.8	318.8

Source: UNCTAD, FDI/MNE database. Libya, Syria, and Yemen are excluded because of a lack of data.

According to UNCTAD data, over the long term, Saudi Arabia was the most prominent FDI target among OIC countries, with $261.1 billion FDI instock in 2021, accounting for 11.8% of OIC inward FDI stock. Indonesia accumulated the second-largest stock of FDI in OIC ($259.3 billion in 2021, or 11.7% of OIC instock), slightly below Saudi Arabia. Malaysia ($187.4 billion), United Arab Emirates ($171.6 billion), and Kazakhstan ($152 billion) were the remaining top 5 OIC countries by accumulated inward FDI stock in 2021 (Table II.11).

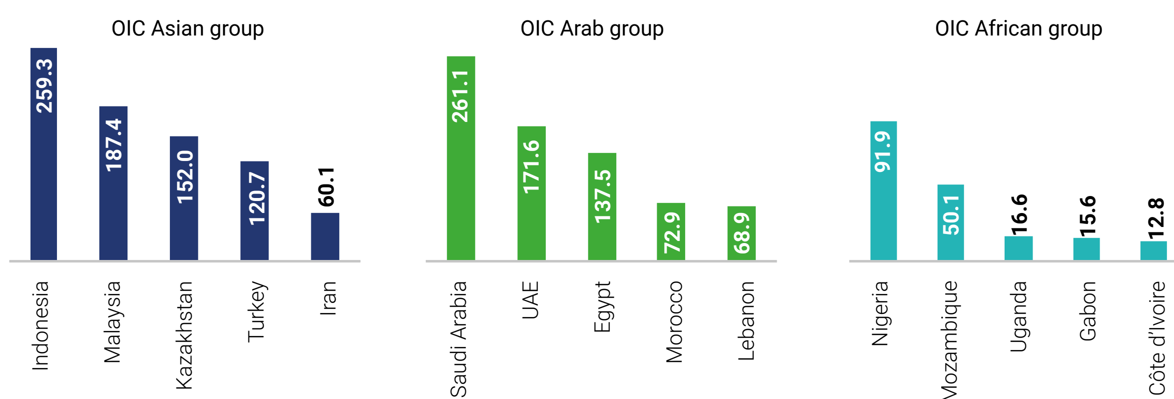
In 2021, Turkey experienced the most significant reduction in the share to OIC inward FDI stock, with a loss of 4.9 percentage points compared to the previous year. Azerbaijan, Qatar, and Tunisia also slightly lost their shares within OIC inward FDI stock during 2020-2021, with around 0.1 percentage points. In contracts, the shares of Saudi Arabia

and the United Arab Emirates in inward OIC FDI stock increased by 0.9 percentage points, which were followed by an increase of shares of Indonesia and Malaysia by 0.8 percentage points.

Albania, Bahrain, Bangladesh, Egypt, Gabon, Morocco, Mozambique, Nigeria, Oman, and Senegal, are the other countries whose shares of FDI stocks at the OIC level increased from 2020 to 2021 by 0.1-0.2 percentage points (Table II.11), according to the UNCTAD data.

In 2021, 37.4% of FDI stock within the OIC African group belonged to Nigeria. Mozambique was the second-most-important host of FDI stock within this group (20.4% of the group). Saudi Arabia dominates within the inward FDI stock of the OIC Arab group with 25.9% in 2021, and it is followed by United Arab Emirates (17%) and Egypt (13.6%). The most significant shares within the inward FDI stock of the OIC Asian group in 2021 belong to Indonesia (27%), Malaysia (19.5%), Kazakhstan (15.8%), and Turkey (12.6%) (see Figure II.37 and Table II.11).

Figure II.37: Top five OIC countries in inward FDI stock by country groups *(2021, billion $US)*



Source: UNCTAD, FDI/MNE database.

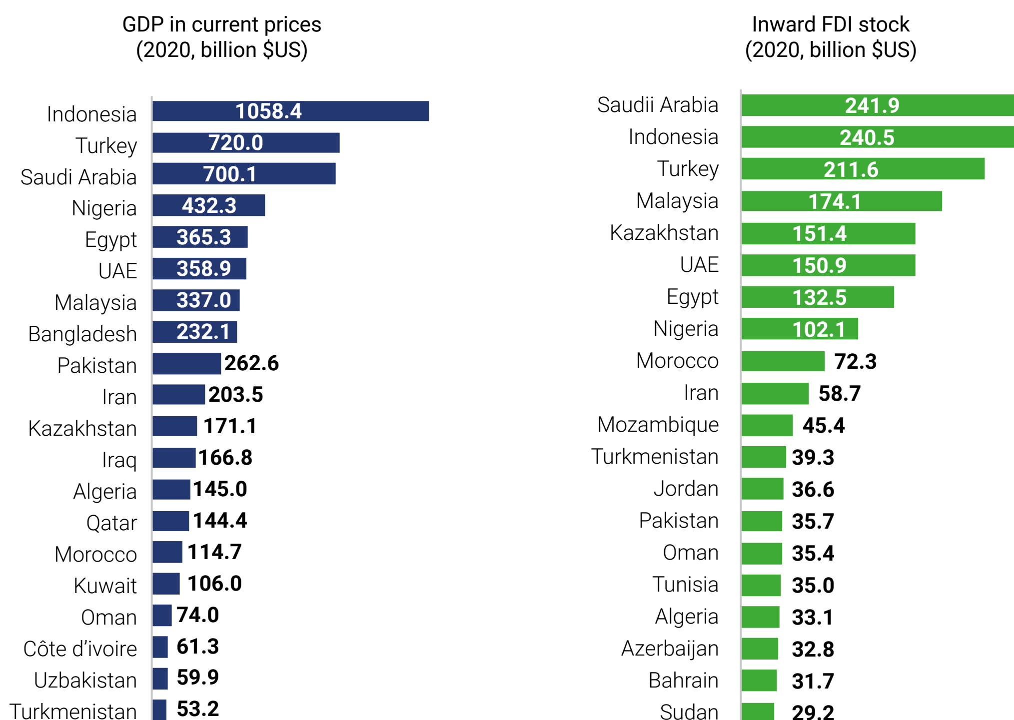
Table II.11: Foreign direct investment instock by recipient country (Billion $US)

Source: UNCTAD	2010	2020	2021	Share in related group (2021, %)	Share at OIC level (2020, %)	Share at OIC level (2021, %)
OIC African Group	*102.5*	*230.3*	*245.7*		*10.4%*	*11.1%*
Benin	0.604	2.8	2.8	1.2%	0.1%	0.1%
Burkina Faso	0.354	2.8	2.7	1.1%	0.1%	0.1%
Cameroon	3.1	8.9	9.8	4.0%	0.4%	0.4%
Chad	3.6	7.1	7.6	3.1%	0.3%	0.3%
Côte d'Ivoire	7.0	12.5	12.8	5.2%	0.6%	0.6%
Gabon	3.3	14.0	15.6	6.3%	0.6%	0.7%
Gambia	0.323	0.663	0.915	0.4%	0.03%	0.04%
Guinea	0.486	4.9	5.1	2.1%	0.2%	0.2%
Guinea-Bissau	0.063	0.317	0.316	0.1%	0.01%	0.01%
Mali	2.0	6.3	6.4	2.6%	0.3%	0.3%
Mozambique	4.3	46.3	50.1	20.4%	2.1%	2.3%
Niger	2.3	8.2	8.3	3.4%	0.4%	0.4%
Nigeria	66.8	87.0	91.9	37.4%	3.9%	4.1%
Senegal	1.7	9.1	10.5	4.3%	0.4%	0.5%
Sierra Leone	0.482	2.2	2.4	1.0%	0.1%	0.1%
Togo	0.565	1.9	1.9	0.8%	0.1%	0.1%
Uganda	5.6	15.5	16.6	6.8%	0.7%	0.7%

OIC Arab Group	*608.4*	*957.5*	*1009.3*		*43.2%*	*45.5%*
Algeria	19.5	33.1	34.0	3.4%	1.5%	1.5%
Bahrain	15.2	31.7	33.5	3.3%	1.4%	1.5%
Comoros	0.1	0.1	0.1	0.01%	0.006%	0.006%
Djibouti	0.3	- 1.9	-2.1	-0.2%	-0.1%	-0.1%
Egypt	73.1	132.5	137.5	13.6%	6.0%	6.2%
Iraq	8.0	0.0	0.0	0	0	0
Jordan	21.9	36.6	37.3	3.7%	1.7%	1.7%
Kuwait	11.9	14.6	14.8	1.5%	0.7%	0.7%
Lebanon	44.3	68.6	68.9	6.8%	3.1%	3.1%
Libya	16.3	18.5	18.5	1.8%	0.8%	0.8%
Mauritania	2.4	10.0	10.0	1.0%	0.5%	0.5%
Morocco	45.1	72.0	72.9	7.2%	3.2%	3.3%
Palestine	2.2	2.7	3.0	0.3%	0.1%	0.1%
Oman	15.0	37.2	40.8	4.0%	1.7%	1.8%
Qatar	30.5	28.6	27.5	2.7%	1.3%	1.2%
Saudi Arabia	176.4	241.8	261.1	25.9%	10.9%	11.8%
Somalia	0.6	3.6	4.1	0.4%	0.2%	0.2%
Sudan	15.7	29.2	29.7	2.9%	1.3%	1.3%
Syria	9.9	10.7	10.7	1.1%	0.5%	0.5%
Tunisia	31.4	35.0	33.4	3.3%	1.6%	1.5%
United Arab Emirates	63.9	150.9	171.6	17.0%	6.8%	7.7%
Yemen	4.9	1.9	1.9	0.2%	0.1%	0.1%
OIC Asian Group	*626.0*	*1027.2*	*961.0*		*46.4%*	*43.4%*
Afghanistan	1.0	1.6	1.6	0.2%	0.1%	0.1%
Albania	3.3	9.6	10.1	1%	0.4%	0.5%
Azerbaijan	7.6	33.2	31.6	3%	1.5%	1.4%
Bangladesh	6.1	19.4	21.6	2%	0.9%	1.0%
Brunei	4.1	7.6	7.3	1%	0.3%	0.3%
Guyana	1.8	7.9	9.1	1%	0.4%	0.4%
Indonesia	160.7	240.6	259.3	27%	10.9%	11.7%
Iran	29.0	58.7	60.1	6%	2.7%	2.7%
Kazakhstan	82.6	152.1	152.0	16%	6.9%	6.9%
Kyrgyzstan	1.7	4.2	4.2	0.4%	0.2%	0.2%
Malaysia	101.6	170.7	187.4	19%	7.7%	8.5%
Maldives	1.1	5.6	6.0	1%	0.3%	0.3%
Pakistan	19.8	32.4	32.9	3%	1.5%	1.5%
Suriname	0	2.1	1.9	0.2%	0.1%	0.1%
Tajikistan	1.2	3.1	3.2	0.3%	0.1%	0.1%
Turkey	188.3	229.0	120.7	13%	10.3%	5.4%
Turkmenistan	13.4	39.3	40.8	4%	1.8%	1.8%
Uzbekistan	2.6	10.3	11.3	1%	0.5%	0.5%

Usually, the size of the host economy is an essential factor for a potential foreign investor. When the total size of the economy is measured by its GDP, the larger the country's GDP, the more probable is the inward FDI to that country. However, Figure II.38 shows that although positive relation between GDP and FDI stock exists, this is not a general case. For example, although Mozambique, Jordan, Oman, Tunisia, Azerbaijan, Bahrain, and Sudan are not in the top 20 OIC list by GDP, these countries are in the top 20 OIC list by FDI stock. Moreover, the inward FDI stock ranks of countries listed in Figure II.38 do not follow their positions by GDP. Many factors other than market size determine countries' FDI attractiveness, which will be discussed in Chapter IV.

Figure II.38: GDP and inward FDI stock – top 20 at OIC level



Source : UNCTAD, FDI/MNE database and World Bank.

Box II.3: Morocco: Commercial bridge between Africa and Europe

Morocco is increasingly working to establish itself as a manufacturing and commercial hub between Africa and Europe. In this regard, Morocco actively encourages FDI through macro-economic policies, trade liberalization, structural reforms, infrastructure improvements, and incentives for investors. Infrastructure investment has focused on expanding and improving sea, rail, and road links. New ports in Kenitra, Dakhla, Safi, Lamhiriz, and Nador West Med are under construction to be opened by 2030.

Moroccan legislation governing FDI applies equally to Moroccan and foreign legal entities, except for specific protected sectors. Robust investor protection is enshrined in both domestic and international law. Further, business rules and regulations are harmonized mainly with European Union standards.

Since 2012, Morocco has implemented reforms that facilitate business registration and reduce company registration fees. The business registration process is generally streamlined and fully digital. According to the World Bank, registering a business in Morocco takes on average nine days, significantly less than the Middle East and North Africa regional average of 20 days.

Morocco's operational environment for foreign investors has also benefited from relaxing regulations affecting FDI. Measures for improving the business environment include simplifying over 30 administrative procedures, establishing one-stop-shop regional investment centers, abrogating the minimum capital requirement, and developing online tax registration platforms.

As part of its efforts to attract FDI, the government offers tax exemption incentives, such as on corporate income tax. Moreover, the government's 2014-2020 Industrial Acceleration Plan aimed to boost the skill level of the local labor pool, ease land access and facilitate FDI inflows into emerging sectors. There are no exchange control restrictions on the repatriation of capital, profits, and dividends.

Morocco is expected to continue to provide incentives to attract investment in industries with high potential to serve as motors for growth and job creation.

Morocco's Investment and Export Development Agency (AMDIE, www.morocconow.com/#sites) is the national agency responsible for developing and promoting investments and exports. Following reform to the country's Regional Investment Centers governance in 2019, each of the 12 regions is empowered to lead its own investment promotion efforts.

Forecasting companies expect real GDP growth to average around 3% between 2023 and 2027 in Morocco. The growth will be supported by the Mohammed VI Investment Fund, which will invest in infrastructure and the development of small private firms.

Source: IHS Markit, Fitch Solutions and the PRS Group.

II.C Foreign direct investment outflows from OIC countries

Most of the OIC countries do not actively promote or incentivize outward investment. However, the OIC governments do not restrict domestic investors from investing abroad, although some OIC countries' conditions for outward investments differ. For example, Algeria does not restrict domestic investors from investing overseas, provided they can access foreign currency for such investments. On the other hand, the Foreign Exchange Regulation Act of 1947 gives the Bangladesh Bank a key role in limiting the outward FDI of Bangladesh. In September 2015, the government of Bangladesh amended the 1947 Act by adding a "conditional provision" that permits outward FDI for export-related enterprises. In Libya, the stress in the banking sector has reduced liquidity, which has negatively affected Libyan citizens' ability to acquire the hard currency to invest abroad. In Sudan, FDI's are not restricted, but the government seeks to oversee companies' cross-border transactions. The Central Bank of Tunisia also controls capital transfers abroad. Further, outward FDI is limited in some smaller low-income countries, as domestic investors tend to focus on the domestic market.

Among OIC countries that promote outward FDI more actively it is possible to mention Egypt, Guyana, Indonesia, Morocco, and Turkey. Investment promotion agencies and other governmental platforms play a primary role in this regard.

Azerbaijan does not actively promote outward investment, though Azerbaijani entities, notably the State Oil Company of Azerbaijan (SOCAR) and the State Oil Fund of Azerbaijan (SOFAZ), have invested in various countries. Similarly, in Kuwait, Fund for Future Generations sovereign wealth fund that the Kuwait Investment Authority manages plays a significant role in this country's outward investments. Some government-linked companies, pension funds, and investment companies in Malaysia have investments abroad. These companies include Khazanah Nasional Berhad-the sovereign wealth fund of the government of Malaysia; KWAP-Malaysia's largest public services pension fund; and the Employees' Provident Fund of Malaysia. Petronas's government-owned oil and gas firm also has investments in several regions outside Asia.

In the case of Saudi Arabia, the government has been transforming its Public Investment Fund (PIF) into a major international investor and sovereign wealth fund. Saudi Aramco-Saudi Arabian public petroleum and natural gas company and Saudi Basic Industries Corporation (SABIC), -a Saudi chemical manufacturing company, also have significant investments abroad. The United Arab Emirates is among the most prominent OIC countries participating in global capital markets, primarily through its sovereign wealth funds and several emirate-level, government-related investment corporations.

OIC countries' total outward FDI flows started to grow significantly after 2003. In 2013, OIC outward FDI flows reached the historically highest value of $72.7 billion. After 2013, despite fluctuations, a downward trend is visible in the OIC outward FDI. In 2021, the total value of OIC outward investment flows accounted for $69.8 billion, which is almost 57% higher than the value in 2020. The outward FDI stock of OIC countries has increased from $47.3 billion in 2000 to $903.8 billion in 2021, which is 19.1 times higher than the 2000 value. (Figure II.39).

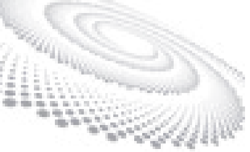
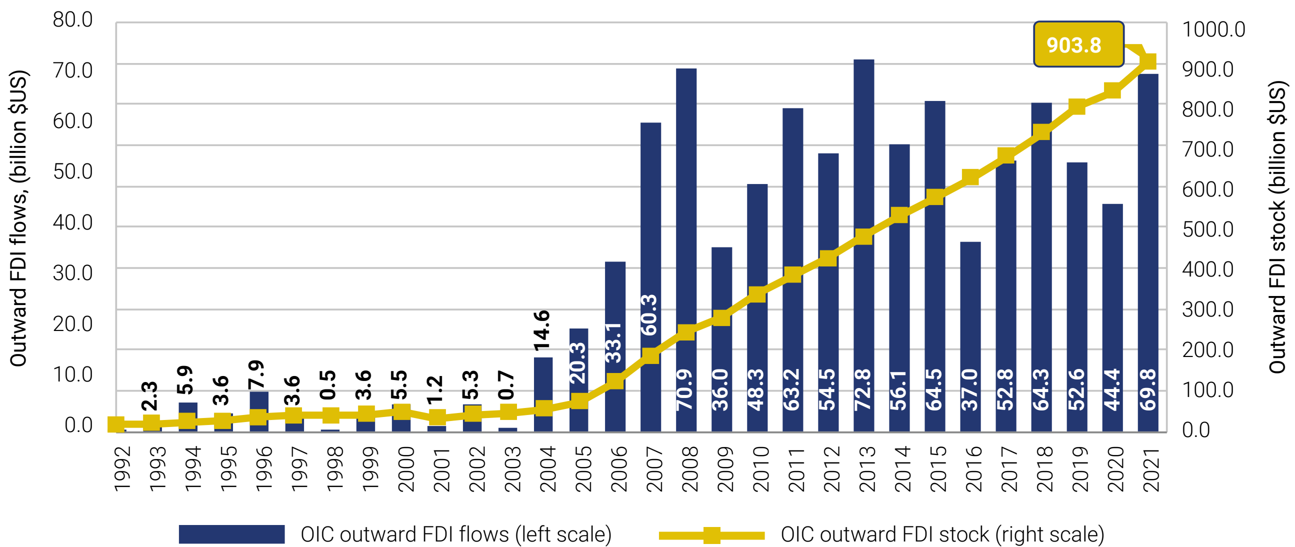


Figure II.39: OIC outward FDI flows and stocks worldwide *(Billion $US)*

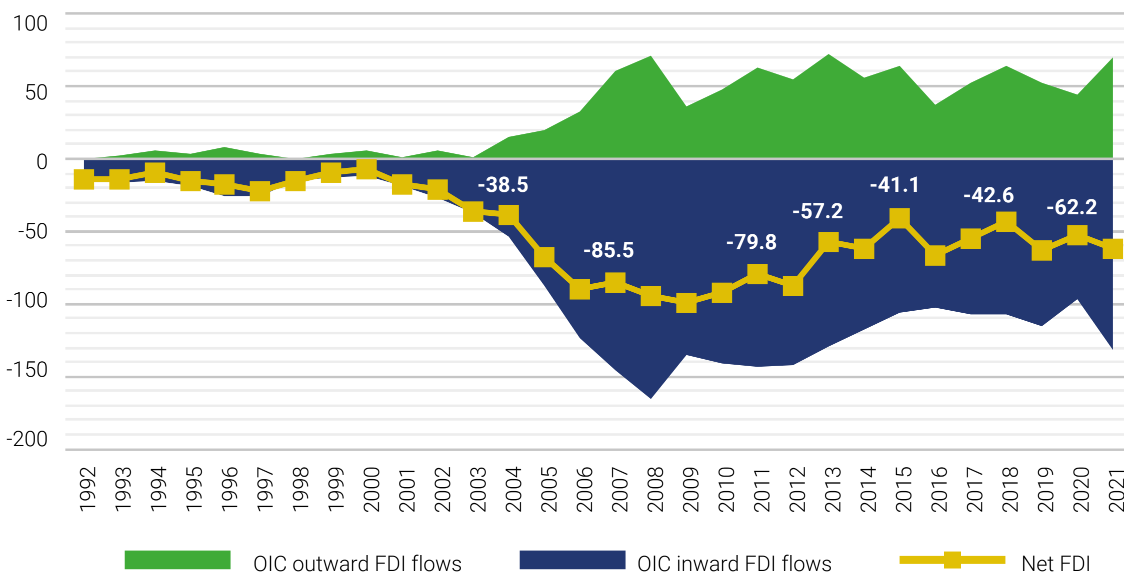


Source: UNCTAD, FDI/MNE database.

Net FDI of OIC countries - the difference between outward and inward FDI flows (outward FDI minus inward FDI) shows that this group of countries is a net importer of capital. (Positive values of net FDI represent net capital outflows and negative values represent net capital inflows). From 1992 to 2020, inward FDI flows to OIC countries were higher each year than outward FDI realized by them (Figure II.40). From 2003 to 2021, inward FDI flows to OIC countries were 2.4 times higher than their worldwide FDI outflows. In 2020, net FDI financed the current account deficit of Bangladesh, Guyana, Indonesia, Lebanon, Mauritania and Qatar, and more than half of the current account deficit in Benin, Gambia, Guinea-Bissau, Iraq, Kazakhstan, Mali, Morocco, Mozambique, and Uzbekistan, out of member states with available data.

In 2021, only Afghanistan, Kuwait, Saudi Arabia, Togo and the United Arab Emirates had positive net FDI among OIC countries, according to the UNCTAD data. However, over the last decade, Kuwait and Qatar, and after 2015 Azerbaijan, Malaysia, and the United Arab Emirates displayed an upward trend in FDI outflow, gradually turning from net recipients of FDI to net sources of foreign investment.

Figure II.40: OIC net FDI *(Billion $US)*

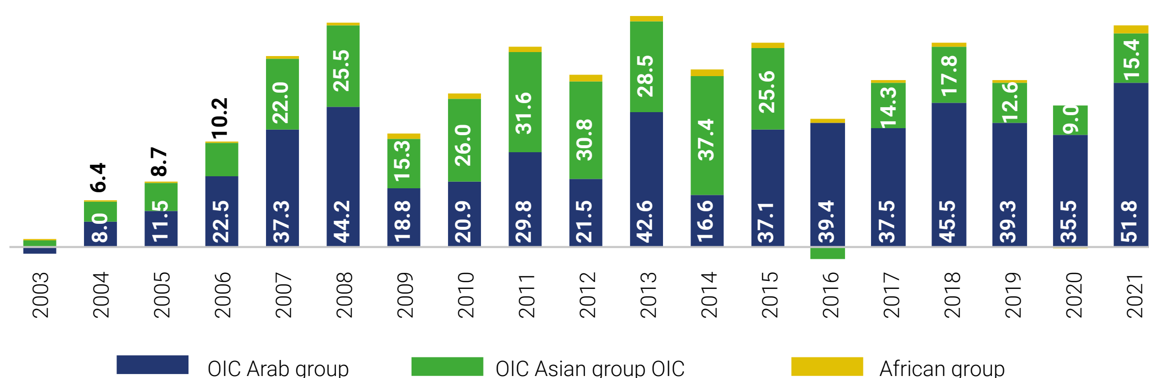


Source: UNCTAD, FDI/MNE database.
Note: Net FDI is the difference between outward FDI flows and inward FDI flows. Positive values represent net capital outflows and negative values represent net capital inflows.

From 2003 to 2021, the OIC Arab group realized 60.9% of OIC outward FDI flows, 36.7% belonged to the OIC Asian group, and only 2.4% to the OIC African group (Figure II.41). Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates dominated the OIC Arab group's outward FDI flows with an 86% share over this period. The share of the OIC Arab group in total OIC outward FDI flows has significantly increased from 2015 to 2020, reaching 74.2%, mainly due to an upswing in investments abroad realized by the United Arab Emirates and Saudi Arabia.

In contrast, the share of the OIC Asian group in total OIC outward FDI flows has decreased to 23.6% in the last seven years. This group's external investments are heavily influenced by Azerbaijan, Indonesia, Malaysia, and Turkey, whose share in outward FDI flows of the OIC Asian group accounted for near 97% from 2015 to 2021. Outward FDI flows from these countries have entered a downward trend after 2014. Particularly FDI flows from Malaysia abroad have been significantly reduced.

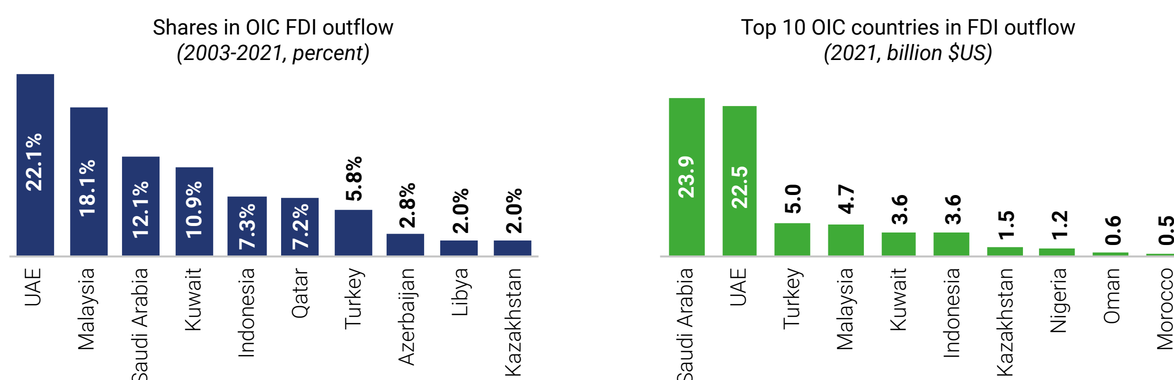
Figure II.41: Outward FDI flows by OIC country groups *(Billion $US)*



Source: UNCTAD, FDI/MNE database.

In 2021, Saudi Arabia was the leading FDI provider among OIC countries, which realized $23.9 billion in outflows, compared to the $22.5 billion of FDI outflows from the United Arab Emirates (Figure II.42). However, from 2003-2021, the United Arab Emirates lead the OIC outward FDI with a 22.1% share, followed by Malaysia, and Saudi Arabia, whose shares in the same period were 18.1% and 12.1%, respectively. Top-10 OIC countries by FDI outflows presented in Figure II.42 have realized almost 90% of OIC FDI outflows from 2003 to 2021.

Figure II.42: OIC outward FDI flow shares by individual countries



Source: UNCTAD, FDI/MNE database.

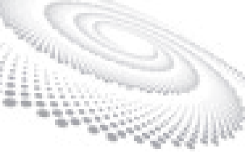
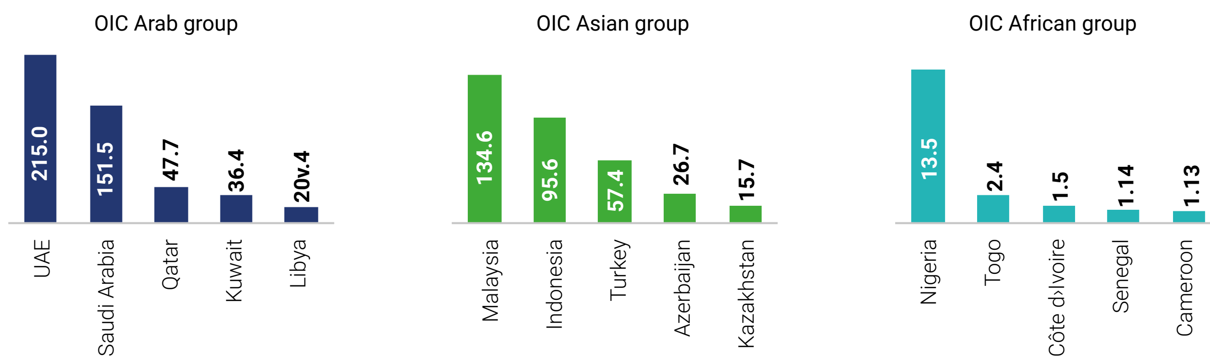


Figure II.43: OIC outward FDI stock by individual countries *(Top 5 by OIC country groups, 2021, billion $US)*



Source: UNCTAD, FDI/MNE database.

Among OIC countries in 2021, United Arab Emirates ($215 billion), Saudi Arabia ($151.5 billion), and Malaysia ($134.6 billion) had the most extensive outward FDI stock, according to UNCTAD data. In outward FDI stock United Arab Emirates, Saudi Arabia, and Qatar lead within the OIC Arab group, Malaysia, Indonesia, and Turkey within OIC Asian group, and Nigeria, Togo, and Côte d'Ivoire within OIC African group. The top five countries in outstock by OIC country groups are presented in Figure II.43.

Box II.4: Turkey's institutional aspects of economic relations with OIC countries

After following inward-oriented development strategies for 50 years, Turkey switched to outward-oriented policies in the early 1980s. As a result, a more open trade regime replaced the protection and import substitution policy. Further opening up the economy has paved the way for Turkish membership in World Trade Organization (WTO) on 26 March 1995 and a Customs Union agreement with the European Union (EU), which entered into force on 31 December 1995.

With the Customs Union agreement, Turkey was obligated to implement the EU's Common Customs Tariffs applied to the imports of goods across the external borders of the EU. Moreover, Turkey adopted the EU trade policy and, by 2001, started to implement all of the preferential trade agreements the EU had concluded with third countries. Currently, Turkey has 22 free trade agreements (FTAs) in force, including six OIC countries (Albania, Egypt, Malaysia, Morocco, Palestine, and Tunisia). By May 2022, FTAs with Lebanon, Qatar, and Sudan were under ratification process, and 17 FTA negotiations were launched, including with Cameroon, Chad, Indonesia, Pakistan, Somalia, and the Cooperation Council for the Arab States of the Gulf (GCC).

It should also be noted that Turkey possesses Trade and economic cooperation agreements, Double taxation avoidance agreements, and Agreements on mutual administrative assistance and cooperation in customs matters with many OIC countries. These are the critical documents in establishing legal infrastructure to develop bilateral economic relations. Further, Turkey has signed Bilateral investment treaties with 55 OIC countries.

Apart from the legal agreements, Turkey uses political tools to develop bilateral economic relations with different economies. In this regard, Turkey has established intergovernmental Joint Economic Commissions (Karma Ekonomik Komisyon - KEK) with some OIC countries. These commissions are generally co-chaired at the ministerial level, and delegations consist of representatives of all relevant line ministries and institutions. The commissions have been particularly effective in setting goals at the macro level, identifying challenges, developing solutions, and ensuring coordination among relevant public institutions. Since ministers co-chair these meetings, it is easier and faster to reach a solution with the necessary political will and authority. The Ministry of Trade of Turkey carries out all preparations, negotiations, and monitoring activities related to the Joint Economic Commissions on the Turkish side.

Another essential tool Turkey benefit from in developing economic relations with the SEE countries is high-level visits. On the occasion of these visits, many bilateral agreements were signed, including sectors such as energy, transport, infrastructure, science, and tourism. Moreover, visits at the highest level are

frequently followed by business forums organized as a side event, where many company representatives from Turkey participate.

Several institutions are supportive of the development of Turkey's foreign economic relations. Ministry of Trade provides export support, including export preparation, marketing, and branding. The Ministry has also been implementing state aid programs to ensure a sustainable increase in services exports. The Ministry of Trade also carries out a comprehensive program for providing technical consultancy services abroad. On the other hand, the Offices of the commercial counselors, which operate under Turkey's embassies, work to improve cooperation between public institutions, find solutions to the problems experienced by Turkish companies, and provide matching between companies of the two countries.

The Foreign Economic Relations Board of Turkey (DEİK) significantly contributes to developing business relations, lobbying, providing business platforms, and conducting business diplomacy. DEİK is an umbrella organization for 145 country-based business councils, two special-purpose business councils, and five sectoral business councils. The Union of Chambers and Commodity Exchanges of Turkey (TOBB) also maintains regular contacts and hosts meetings with many OIC countries' businesspeople. In 2020, the TOBB intensified the establishment of bilateral chambers, including with OIC countries. The general intention of these bilateral chambers of commerce and industry is to, among other things, 1) advocate for regulations that will improve bilateral trade and investment conditions; 2) bring the suggestions of the business people to the attention of the decision-makers; 3) inform parties about bilateral opportunities and possibilities for cooperation with third countries; 4) facilitate direct contacts between the business community and high-level government representatives.

It is also useful to mention the Turkish Exporters' Assembly (TIM), representing 61 Exporters' Associations and more than 95 thousand Turkish exporters. TIM takes part in determining export targets and policies and contributes towards reaching the export goals. Finally, many associations contribute to the development of bilateral economic relations of Turkey with OIC countries.

Source: Nuri and Eren (2013), Ministry of Trade of the Republic of Turkey (2022a and 2022b), UNCTAD Investment Policy Hub, DEİK (2022), TOBB (2022).

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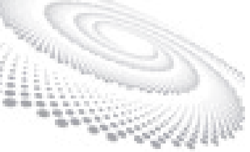

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PART III:

FOREIGN DIRECT INVESTMENT AMONG OIC COUNTRIES

III.A Overview of intra-OIC investment

The overall mission of the OIC is to promote peace and stability, facilitate cooperation, support economic, social, and institutional reforms of its member states, and thus contribute to building a better world. Almost all OIC Member States expect to benefit politically from stronger partnerships, economically from expanded economic opportunities and improved connectivity, and geopolitically from greater stability and security.

Historic Rabat Conference, or the 1st Islamic Summit, held in 1969 in Rabat, provided the floor for a pledge of the OIC countries to strengthen their close cooperation and mutual assistance in the economic, scientific, cultural, and spiritual fields. 3rd Islamic summit held in 1981 in Makkah declared promotion, protection, and guarantee of investments among the basic goals of OIC cooperation (Türbedar, 2019). Accordingly, the OIC Investment Agreement was adopted in the same year. Thus, investment became an integral part of the cooperation under the umbrella of OIC.

Available information points to the fact that four decades after adopting the OIC Investment Agreement, previously limited bilateral FDI flows between OIC countries have gained significance. Moreover, OIC countries are dedicated at the highest level to enhancing intra-OIC FDI by promoting investment opportunities among OIC countries.

III.A.1 The situation of intra-OIC investments

Analyzing intra-OIC FDI was a challenging part of the report because most OIC countries do not report their bilateral FDI data. Therefore, in the existing literature, no work comprehensively presents the state of investment among OIC countries. As shown in Table-III.1, bilateral FDI stock data for only 24 OIC countries was available in the UNCTAD FDI/MNE database in 2020. This database is also a data collection effort of UNCTAD staff from various online sources, including data provided by portals of central banks, statistical institutions, and other relevant national institutions. Still, even for these 24 OIC countries, the UNCTAD FDI/MNE database does not provide information for each year; instead, time series are intermittent. Considering that the same issue also exists for some non-OIC countries, instead of making the FDI/MNE database public, UNCTAD prefers to occasionally publish its estimations on countries' bilateral inward FDI stock as an annex table to its regularly published World Investment Report.
Another essential source for tracking intra-OIC FDI is the IMF's Coordinated Direct Investment Survey (CDIS), which includes only FDI stock data. However, in 2020, just 25 OIC countries reported their bilateral FDI data to this source. Moreover, even these 25 OIC countries did not report the FDI data for confidentiality reasons in some bilateral cases.

Regarding the OIC countries, the most significant shortage of the UNCTAD FDI/MNE and IMF CDIS databases is that the most prominent OIC investors, such as the United Arab Emirates, Qatar, and Saudi Arabia, are not covered. For that reason, intra-OIC FDI analysis, which relies only on a sample of countries listed in Table III.1, leaves the picture of intra-OIC FDI largely uncompleted.

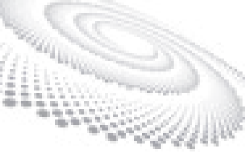


Table III.1 Intra-OIC inward FDI stock by countries

	UNCTAD estimations				IMF Coordinated direct investment survey			
	Share in inward FDI stock (Percent)		Inward FDI stock from OIC countries (Billion $US)		Share in inward FDI stock (Percent)		Inward FDI stock from OIC countries (Billion $US)	
	2017	2020	2017	2020	2017	2020	2017	2020
Albania	8.9%	8.7%	0.598	0.873	8.8%	8.2%	0.6	0.8
Algeria	..	17.3%	..	5.7	..	17.3%	..	3.8
Azerbaijan	37.5%	37.8%	11.0	12.4	37.5%	36.5%	11.0	11.3
Bahrain	81.0%	82.7%	22.3	26.2	81.8%	68.1%	21.7	21.6
Bangladesh	10.8%	9.7%	1.6	1.9	10.4%	10.2%	1.5	1.9
Benin	36.6%	21.9%	0.789	0.758	50.2%	30.3%	1.4	1.0
Brunei	..	..	..	..	..	2.5%	..	0.2
Burkina Faso	13.4%	7.7%	0.315	0.387	13.2%	22.4%	0.4	0.8
Côte d'Ivoire	16.8%	20.2%	1.6	2.6	16.4%	21.2%	1.4	2.5
Guinea	..	..	..	..	..	17.3%	..	0.6
Guinea-Bissau	48.9%	..	0.093	..	49.2%	59.4%	0.1	0.2
Indonesia	7.2%	8.0%	16.8	19.2	6.5%	6.2%	15.1	15.0
Kazakhstan	1.6%	1.9%	2.3	2.9	1.0%	1.5%	1.5	2.3
Kuwait	46.0%	43.0%	7.0	6.1	46.3%	42.8%	7.0	6.2
Kyrgyzstan	9.5%	8.7%	0.375	0.370	9.4%	10.1%	0.5	0.5
Lebanon	44.5%	39.4%	28.1	7.0	44.2%	41.6%	1.0	1.1
Malaysia	0.7%	1.2%	1.0	2.0	..	..	..	..
Mali	14.3%	10.6%	0.614	0.812	13.9%	12.1%	0.5	0.5
Morocco	39.0%	42.0%	24.7	30.3	38.9%	41.0%	12.2	13.7
Mozambique	19.7%	22.1%	7.5	10.0	19.3%	11.2%	7.5	5.6
Niger	15.4%	8.1%	1.0	0.9	8.7%	10.8%	0.5	1.0
Nigeria	3.6%	2.6%	3.2	2.7	2.0%	1.9%	1.8	1.4
Pakistan	11.6%	14.3%	4.7	5.1	12.5%	15.6%	5.2	5.0
Palestine	..	95.9%	..	2.6	59.3%	60.8%	1.6	1.6
Senegal	..	16.2%	..	1.6	21.1%	..	0.8	..
Tajikistan	11.8%	10.8%	0.320	0.341	11.4%	10.7%	0.3	0.3
Togo	29.6%	..	0.524	..	29.2%	..	0.6	..
Turkey	15.2%	20.9%	30.0	54.7	18.7%	35.9%	21.8	44.8
Uganda	3.7%	..	0.441	..	2.8%	..	0.3	..
TOTAL			166.9	197.6			116.1	144.0

Source: UNCTAD (2018), Annex Table 22; UNCTAD (2021), Annex Table 21; IMF CDIS.

Bilateral data figures of the UNCTAD FDI/MNE and IMF CDIS databases are significantly different in some bilateral cases without explaining why. As shown in Table III.1, the difference in intra-OIC FDI stock figures for around 25 OIC countries with available data in these databases is above $50 billion, both in 2017 and 2020. According to UNCTAD estimations, intra-OIC FDI stock accumulated in 25 OIC countries reached $197.6 billion. In contrast, IMF CDIS reports $144 billion of intra-OIC FDI stock for almost the same sample of countries.

Still, the message from the Table III.1 is that from 2017 to 2020, intra-OIC FDI stock has increased between $28-31 billion in the sample of around 25 OIC countries. Moreover, FDI from OIC countries accounts for above 50% of inward FDI stock in Bahrain, Guinea-Bissau, and Palestine, and between 30-50% in Azerbaijan, Benin, Kuwait, Lebanon, Morocco, and Turkey.

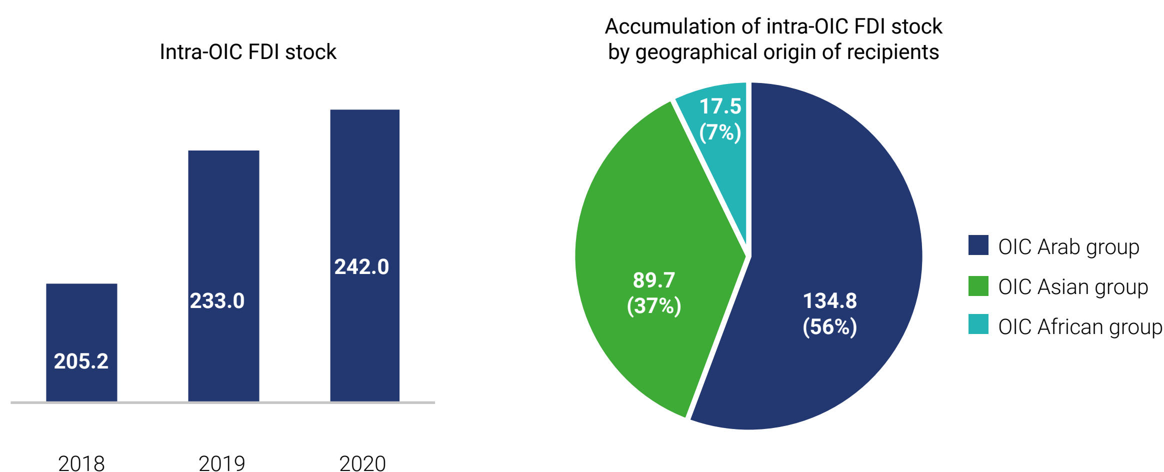
Due to data gaps or errors at the counterpart economy level, the picture becomes more complicated. Under ideal conditions, for a given economy A with inward FDI from economy B, inward FDI data reported by A about B economy should be equal to outward FDI data reported by B in economy A. However, these data rarely match, and the gaps in reported data are enormous in many cases. For example, according to inward FDI data reported by Turkey, in 2020 FDI stock of Azerbaijan in Turkey was $4.2 billion. On the other side, according to outward FDI data reported by Azerbaijan, this country's FDI stock in Turkey was $12.3 billion in the same year. In the Kuwait-Morocco bilateral case, data reported by Morocco shows inward FDI stock from Kuwait at $999 million, while outward FDI statistics reported by Kuwait display this country's investments in Morocco at $255 billion.

Despite these difficulties, with great efforts in data collection, this chapter sought to present the state of investments between OIC countries, as it would be pointless to leave an OIC investment report without such data. For this purpose, the following steps have been undertaken:

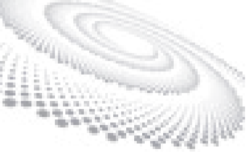
1. Dataset on bilateral FDI of OIC countries, provided by the generosity of UNCTAD, has been used as a primary source of information. Some missing values are completed from IMF CDIS, ITC Investment Map, and ASEAN Foreign Direct Investment Statistics.
2. Since countries can provide more precise information on inward FDI flows than outward investments, calculations are based on inward FDI data reported by OIC countries.
3. To ensure greater coverage, mirror data is used for OIC countries with unavailable bilateral FDI data. Mirror data are data reported by counterpart economies, which is information reported by the partner countries as their outward FDI. For a given economy A with inward investment from economy B, its mirror data would be the outward FDI reported by B in economy A. Mirror data are most extensively used from the IMF CDIS database.

Unfortunately, mirror data should be used with caution as they have limitations. Some counterpart economies may overestimate or underestimate their cross-border investments. Further, some countries may not provide mirror data at all for some bilateral FDI cases. Still, in the absence of official inward FDI figures, mirror data can be used as an indicator until related countries make their bilateral FDI figures available.

Figure III.1: Intra-OIC foreign direct investment stock (2020, stock values, billion $US and percent of total)



Source: UNCTAD, FDI/MNE database, IMF Coordinated Direct Investment Survey, ASEAN Foreign Direct Investment Statistics, ITC Investment Map.
Note: The figure is prepared based on reported bilateral inward FDI stock data and mirror data for countries for which bilateral inward FDI stock data is not available. N=50 OIC countries. Inward FDI stock in the host economy by origin of investors not available for Comoros, Guyana, Iran, Libya, Somalia, Suriname and Syria. Data for Afghanistan, Cameroon, Chad, Djibouti, Egypt, Gabon, Gambia, Iran, Iraq, Jordan, Maldives, Mauritania, Niger, Qatar, Saudi Arabia, Sierra Leone and United Arab Emirates are based on information reported by the partner countries (mirror data).



Having said this, Figure III.1 provides information on intra-OIC FDI stock accumulated in 50 OIC countries, corresponding to 96% of OIC GDP. The figure is prepared based on reported bilateral inward FDI stock data and mirror data for countries where bilateral inward FDI data is unavailable. Intra-OIC inward FDI stock has increased by $36.7 billion from 2018 to 2020, reaching $242 billion, accounting for 29% of OIC countries' total inward FDI stock. A growing number of economic MoUs signed between OIC countries (see Box III.1) gives hope for higher amounts of intra-OIC investments in the coming years. As of 2020, 56% ($134.8 billion) of intra-OIC FDI stock was accumulated in the OIC Arab group, 37% ($89.7 billion) in OIC Asian group, and 7% ($17.5 billion) in the OIC African group (Figure III.1).

Box III.1: Some MoUs signed between OIC countries

January 2021

- Albania and Turkey signed an agreement and entered a strategic relationship to cooperate in every sector and strengthen their economic ties.
- Algeria and Saudi Arabia signed an MoU and announced housing and infrastructure development cooperation.
- Morocco and Turkey signed an MoU to establish a partnership to promote cooperation in competition policies and competition law enforcement.
- Azerbaijan and Turkmenistan signed an MoU regarding the joint development of the Dostluq oil and natural gas field.
- Afghanistan and Turkmenistan inaugurated three projects to strengthen bilateral and regional ties through TAPI (Turkmenistan-Afghanistan-Pakistan-India) gas pipeline, the TAP (Turkmenistan-Afghanistan-Pakistan) power transmission line and the fiber-optic network.

February 2021

- Bangladesh and the Maldives announced that they were entering into a strategic relationship regarding improving trade and business cooperation.
- Cameroon and Algeria signed a bilateral air transport agreement to promote tourism and enhance commercial transactions between the two countries.
- Kyrgyzstan and Turkey signed a framework agreement regarding enhanced cooperation in the mining, energy, and natural resources sector.
- Morocco and Senegal signed an MoU to increase bilateral business and scientific research cooperation.
- Pakistan and Uzbekistan signed a bilateral agreement regarding banking cooperation, working on rail and road connectivity projects, and enhancing existing ties in the textile, engineering, and information technology sectors.
- The Abu Dhabi Fund for Development (ADFD) and Turkmenistan signed three MoUs, which include establishing an investment company in Turkmenistan with a target capital of $100 million and constructing a chemical industry complex worth $175 million and financing infrastructure projects.

March 2021

- Egypt and Jordan signed an MoU to enhance cooperation in ICT.

April 2021

- Iran and Pakistan signed an MoU to set up three border markets in the common border area between the two states.
- Kazakhstan and Uzbekistan launched the construction of an international center for trade and economic cooperation named 'Central Asia.'
- Egypt and Libya signed 11 MoUs to enhance bilateral cooperation between the two countries in various fields.

June 2021

- Azerbaijan and Malaysia signed an MoU regarding cooperation in agriculture.
- The Algerian Chamber of Commerce and Industry and the Libyan General Union of Chambers of Commerce and Industry signed an economic cooperation agreement.
- The Moroccan Agency for the Promotion of Employment and Skills (ANAPEC) and the Tunisian Agency for Employment and Independent Work (ANETI) signed an agreement to establish cooperation to exchange experience and expertise in promoting employment and private initiative development.
- Afghanistan Turkmenistan conducted a bilateral cooperation agreement regarding the expansion of rail links, marble trade, and regional energy transit projects between the two countries.

July 2021

- The Algerian Chamber of Commerce and Industry and the Uganda National Chamber of Commerce and Industry (UNCCI) signed an MoU to boost trade and investments between the two countries.
- Bahrain and Pakistan signed an MoU to promote bilateral business and both nations' economic growth.
- Azerbaijan, India, Turkmenistan, and Uzbekistan agreed to build a long-term relationship regarding energy security, trade, and infrastructure connectivity.

August 2021

- Morocco signed the Arab Space Cooperation Group's basic charter to establish cooperation in the space industry.

September 2021

- Nigerian Federal Ministry of Industry, Trade and Investment and the Arabian Chamber of Commerce signed an MoU to strengthen business relationships between Nigeria and the Gulf nations.
- Pakistan and Tajikistan signed an MoU regarding trade, investment, banking, tourism, and information and broadcasting cooperation.
- Iran to Tajikistan signed several agreements, including developing a long-term economic and commercial cooperation program between the two countries.
- Turkmenistan and the United Arab Emirates signed an MoU regarding cooperation in the economic, investment, ports, and energy sectors.

October 2021

- Pakistan and Syria signed an MoU to develop commercial and economic relations between the two countries.
- Iran and Turkmenistan agreed to strengthen cooperation in the energy, trade, logistics, and transportation sectors.

November 2021

- Iran, Kazakhstan, and Turkmenistan signed a tripartite MoU to expand the rail input load from Kazakhstan to Turkmenistan and Iran.
- Egypt and Jordan signed an MoU to support the sector of micro, small and medium-sized enterprises in the two countries.
- Egypt, Iraq, and Jordan signed an MoU to enhance cooperation in industrial integration among the countries.
- Azerbaijan and Turkmenistan entered a strategic relationship to boost economic cooperation between the two countries.
- Azerbaijan, Iran, and Turkmenistan entered into a trilateral gas swap deal. Accordingly, Iran will receive gas from Turkmenistan and deliver an equivalent amount to Azerbaijan.

December 2021

- Bahrain and Saudi Arabia signed four mutual agreements to enhance economic, investment, and bilateral political relations.
- Iran and Kyrgyzstan signed an MoU to establish a joint trade committee between the two countries.
- Iran and Tajikistan signed an MoU to expand agricultural ties.
- Abu Dhabi Ports and Jordan's Aqaba Development Corporation signed an MoU and started a strategic partnership in tourism, transport, logistics, and digital infrastructure.
- Jordan and Tunisia signed an MoU to promote investors, particularly in the housing and construction sectors.

Source: MarketLine, Country Profiles (PEST insights).

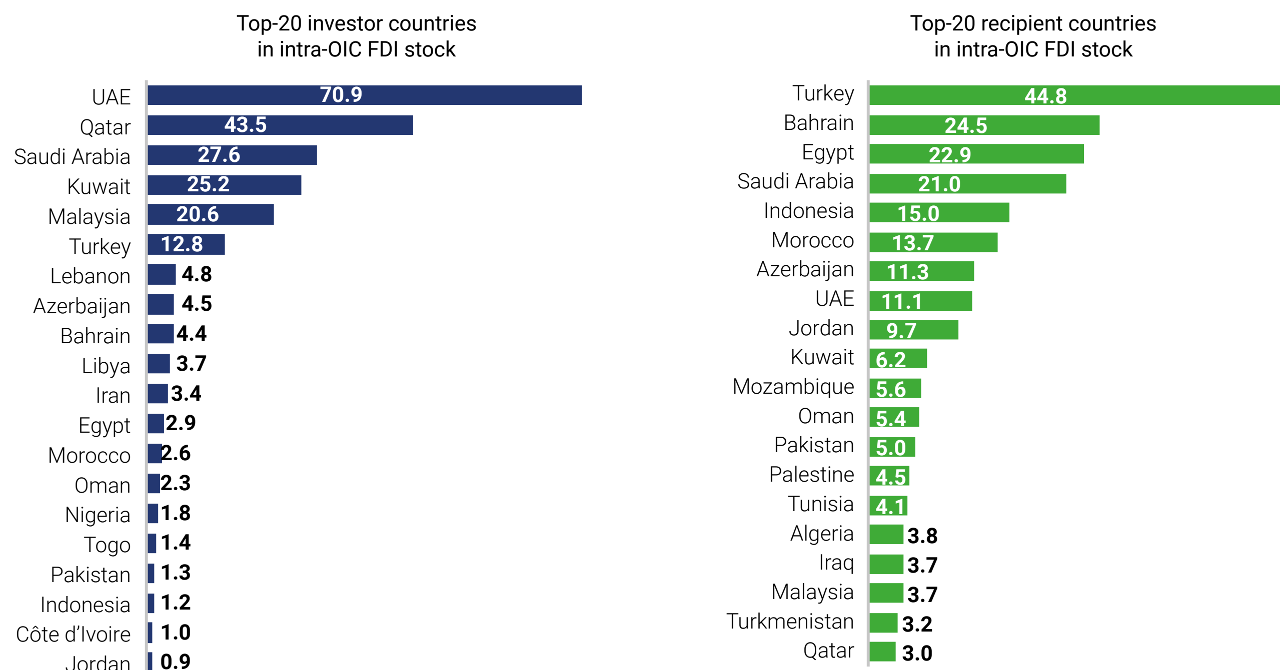
III.A.2 Largest intra-OIC investor and host countries

The most significant investor in OIC countries is the United Arab Emirates. As of 2020, this country contributed to intra-OIC investments with an estimated $70,9 billion, or 29% of the total intra-OIC FDI stock (Figure III.2). The levels of FDI of the United Arab Emirates in OIC countries increased by about $6.5 billion from 2018 to 2020. However, not all OIC countries have equally benefited from the investments of the United Arab Emirates, and they are heavily concentrated in Egypt (21% of the total), Saudi Arabia (20%), Morocco (16%), Mozambique (8%) and Turkey (6%).

The United Arab Emirates is known as the biggest supporter of the economy of Egypt. These two countries launched in November 2019 a $20 billion joint strategic platform to invest in a range of sectors and assets. On April 12, 2022, the Abu Dhabi Developmental Holding Company (ADQ) has invested about $1.8 billion to acquire shares of five major publicly traded Egyptian companies (e-payment platform Fawry, state-owned Alexandria Container and Cargo Handling Company, Abu Qir Fertilizers, the Commercial International Bank and Misr Fertilizers Production Company) (Al-Monitor, 2022).

As an investor, Qatar had the second-largest share of intra-OIC FDI stocks - 18% in 2020, or about $43.5 billion. However, Qatar's investments are significantly concentrated in Turkey, with about $32.5 billion (or 75% of Qatar's contribution to intra-OIC FDI stock), according to figures reported by Turkey. 8% of Qatar's total FDI in OIC countries is attracted by Kuwait and 5% by Egypt. Qatar has many investments in Turkey, ranging from the banking sector to the automotive and construction to the food sector.

Figure III.2: Intra-OIC foreign direct investment stock by top-20 investor and recipient countries *(2020, stock values, billion $US)*



Source: IMF Coordinated Direct Investment Survey, UNCTAD, FDI/MNE database, ASEAN Foreign Direct Investment Statistics, ITC Investment Map. Note: The figure is prepared based on reported bilateral inward FDI stock data and mirror data for countries for which bilateral inward FDI stock data is not available. N=50 OIC countries. Inward FDI stock in the host economy by origin of investors not available for Comoros, Iran, Guyana, Libya, Somalia, Suriname and Syria. Data for Afghanistan, Cameroon, Chad, Djibouti, Egypt, Gabon, Gambia, Iran, Iraq, Jordan, Maldives, Mauritania, Niger, Qatar, Saudi Arabia, Sierra Leone and United Arab Emirates are based on information reported by the partner countries (mirror data).

In 2020 Saudi Arabia had the third-largest share of intra-OIC inward FDI stocks, which accounted for $27.6 billion, or 11.4%. Saudi Arabia has a significant FDI stock in Bahrain ($8.9 billion in 2020, or 32% of Saudi Arabian investment in OIC countries), Egypt ($4.5 billion), the United Arab Emirates ($4.4 billion), and Jordan (3.8 billion), according to available estimations.

Table III.2: Some prominent companies from OIC countries contributing to intra-OIC foreign direct investment

Company name	Headquarters	Number of OIC countries in which operates	Activity area
Savola Group Co	Saudi Arabia	18	Savola Group Co is an investment holding group involved in the food and retail business.
Arab Bank Group	Jordan	17	Arab Bank Group provides personal banking, corporate and investment banking, private banking, treasury services, international trade, and financing services.
Ecobank Transnational Inc	Togo	17	Ecobank Transnational Inc is a banking and financial services group.
Petroliam Nasional Berhad	Malaysia	17	Petroliam Nasional Berhad is a petroleum corporation wholly owned by the Malaysian government.
Attijariwafa Bank SA	Morocco	16	Attijariwafa Bank SA offers banking and other related financial services.
Emirates Telecommunications Group Company PJSC	United Arab Emirates	15	Emirates Telecommunications Group Company PJSC is a provider of telecommunications services.

Saudi Basic Industries Corporation	Saudi Arabia	15	Saudi Basic Industries Corporation provides chemical products and services. The company is mainly involved in the manufacturing, marketing, and distribution of petrochemical, plastics, fertilizers, metals, and basic hydrocarbon products.
Al Baraka Banking Group BSc	Bahrain	15	Al Baraka Banking Group BSc is a banking and other related financial services provider.
EL Sewedy Electric Co	Egypt	13	EL Sewedy Electric Co is an integrated energy solutions company. It manufactures and supplies power cables, wires, insulators, terminators, transformers, joint accessories, meters and systems, telecom cables and accessories, etc.
Ooredoo QPSC	Qatar	13	Ooredoo QPSC provides telecommunication services. It provides a wide range of mobile, fixed, broadband internet, and corporate managed services to international and domestic customers.
ENKA Insaat ve Sanayi A.Ş.	Turkey	12	ENKA Insaat ve Sanayi A.Ş. is an industrial conglomerate. Its activities include energy generation, construction, real estate operations and trading.
United Bank for Africa Plc	Nigeria	12	United Bank for Africa Plc provides banking and related financial solutions.
Dar Al-Handasah Consultants Shair and Partners Holdings Ltd	Lebanon	11	Dar Al-Handasah Consultants Shair and Partners Holdings Ltd is a consultancy services provider. The company's services include strategic planning, master planning, urban design, policy studies, development strategy, land and resources management.
First Abu Dhabi Bank	United Arab Emirates	10	First Abu Dhabi Bank offers corporate, retail, private, and investment banking; Islamic banking; and real estate and management solutions.
Kuwait Foreign Petroleum Exploration Co	Kuwait	9	Kuwait Foreign Petroleum Exploration Co is an upstream oil and gas company that explores, develops, and produces crude oil and natural gas.
TC Ziraat Bankasi A.Ş.	Turkey	8	TC Ziraat Bankasi A.Ş. offers a range of retail, small and medium enterprises, and commercial banking products and services to retail clients, corporate, and agricultural sectors.

Source: Research based on 107,133 companies profiled by MarketLine, as of 31 March 2022.

Other relatively more significant investors in OIC countries are Kuwait, Malaysia, and Turkey. Together with the United Arab Emirates, Qatar, and Saudi Arabia, investments from these six countries represent 83% of intra-OIC FDI stock. Some OIC countries' companies contributing to intra-OIC FDI are shown in Table III.2.

A database developed by MarketLine profiles all major companies worldwide. As of 31 March 2022, the number of profiled public and private companies was 107,133. Of them, 1,067 belonged to OIC countries and contributed to intra-OIC investments, with headquarters out of related OIC countries. The distribution of activities of these companies from OIC countries shows that they were primarily engaged in construction and real estate (18.6%), energy and utility (17.7%), and financial services (11.5%). Other industries where intra-OIC investor companies are engaged are listed in Figure III.3.

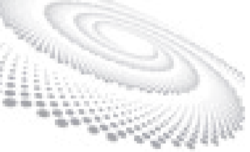
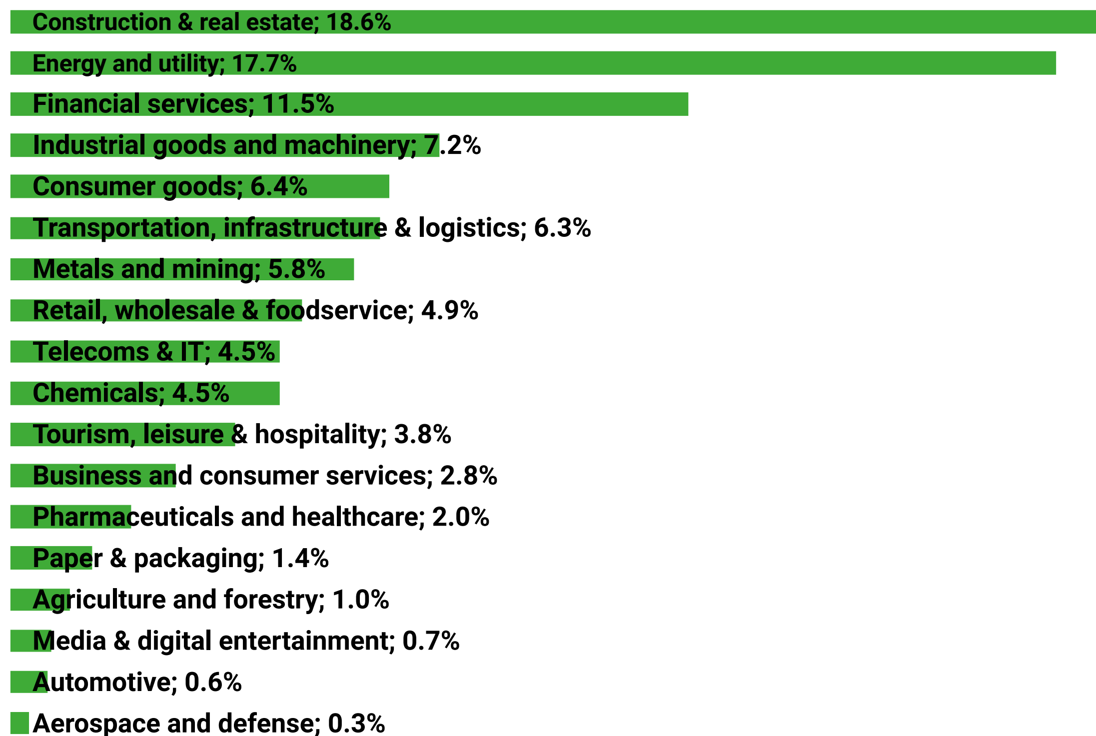


Figure III.3: Distribution of companies from OIC countries contributing to intra-OIC investments by their industries (N=1067 companies, percent, as of 31 March 2022)



Source: Calculations based on companies profiled by Marketline.
Note: As of 31 March 2022, the number of profiled public and private companies was 107,133. Out of them, 1067 companies belonged to OIC countries, with headquarters out of related OIC countries.

III.A.3 Mergers and acquisitions

From 2018 to 2021 number of completed intra-OIC cross-border M&A transactions targeting OIC countries was 251, according to research based on Refinitiv and Emis DealWatch. These transactions include share-raising investments and sales of foreign affiliates/assets (already owned by foreign companies) to foreign companies from OIC countries. The total value of 114 disclosed transactions was $13.7 billion (Figure III.4).

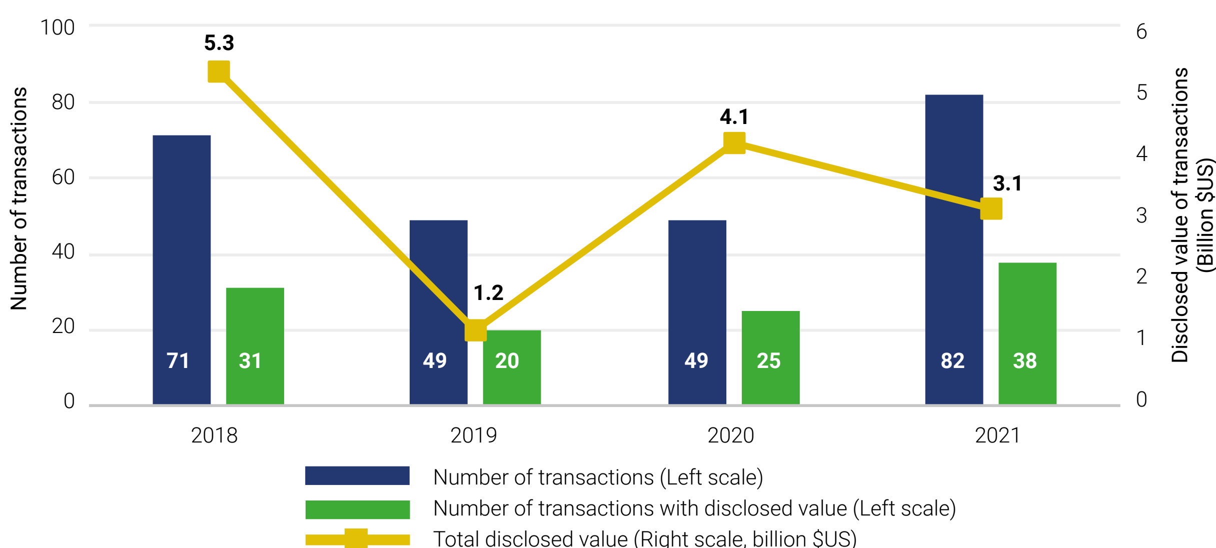
Despite the Covid-19 pandemic, the number of intra-OIC cross-border M&As transactions remained stable in 2020, compared with 2019, and has increased significantly from 49 transactions in 2020 to 82 transactions in 2021.

In 2020, the most significant transaction was realized by PT Indofood CBP Sukses Makmur Tbk of Indonesia, which acquired the entire share capital of Pinehill Co Ltd, a Jeddah-based manufacturer of perishable prepared foods, for approximately $3 billion. Another significant transaction with disclosed value came from Gulf Insurance Group KSCP from Kuwait, which acquired the entire share capital of the Middle East business of Axa Gulf, a Riyadh-based direct life insurance carrier ultimately owned by AXA SA. The value of this transaction was $475 million.
In 2021, four of the top-10 intra-OIC cross-border transactions with disclosed value have targeted companies in Egypt and two in Indonesia. The biggest cross-border intra-OIC transaction in 2021 was realized by Ultra Welfare Ltd of the United Arab Emirates, which acquired the entire share capital of Amoun Pharmaceutical Co SAE, a Cairo-based manufacturer of a pharmaceutical preparation, for nearly $659 million (Table III.3).

Another significant transaction in 2021 came from the Arab Banking Corp Bsc of Bahrain, a unit of the Libyan state-owned Central Bank of Libya. The company acquired the remaining 99.5% interest, which it did not already own, in commercial bank BLOM Bank Egypt, for $429.2 million.

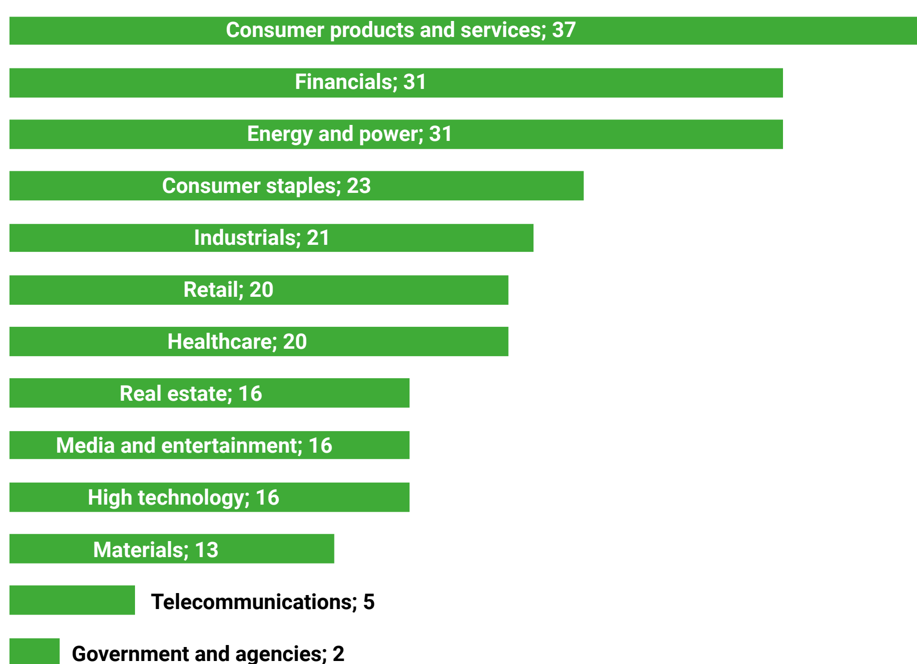
The distribution of intra-OIC M&As from 2018 to 2021 by macro industrial groups is presented in Figure III.5. Most often targeted sectors in this period were consumer products and services (37 transactions), financials (31 transactions), and energy and power (31 transactions).

Figure III.4: Completed intra-OIC cross-border mergers and acquisitions (Billion $US and number)



Source: Refinitiv and EMIS DealWatch.

Figure III.5: Sectoral distribution of completed intra-OIC cross-border mergers and acquisitions *(Number of transactions, 2018-2021)*



Source: Refinitiv and EMIS DealWatch.

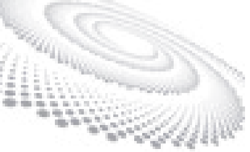


Table III.3: Major intra-OIC cross-border completed transactions in 2021 with disclosed value

Buyer(s)	Country of buyer	Target company	Country of a target company	Target's mid industry	Deal stake (%)	Deal value (Million $US)
Ultra Welfare Ltd	UAE	Amoun Pharmaceutical Co SAE	Egypt	Pharmaceuticals	100%	658,9
Arab Banking Corp Bsc	Libya	BLOM Bank Egypt	Egypt	Banks	Remaining stake acquisition	429,15
Abu Dhabi Investment Authority	UAE	PT GoTo Gojek Tokopedia Tbk	Indonesia	Software	Minority stake	400,0
Aldar Properties PJSC and Abu Dhabi Developmental Holding Co PJSC	UAE	Sixth of October Development & Investment Co SAE	Egypt	Other real estate	85.52%	388,6
ADES International Holding PLC	UAE	Noble Corp-Jackups	Saudi Arabia	Oil and gas	..	292,0
Savola Foods Co	Saudi Arabia	Bayara Holding Ltd	UAE	Food and beverage	100%	260,0
Agthia Group PJSC	UAE	Al-Nabil Food Industries Co Ltd	Jordan	Food and beverage	80%	107,3
Chimera Capital Ltd	UAE	Gemini Global Development	Egypt	Other financials	25%	100,0
Elsewedy Electric Co for Trading & Distibution	Egypt	PT CG Power Systems Indonesia	Indonesia	Other energy and power	95%	60,0
Uni Confort Maroc Dolidol	Morocco	Mouka Ltd	Nigeria	Home furnishings	100%	60,0
Almarai Co SJSC	Saudi Arabia	Binghatti Beverages Manufacturing LLC-Manufacturing Factory Unit	UAE	Food and beverage	..	58,54
Egypt Kuwait Holding Co SAE	Egypt	Bawabat Al Kuwait Holding Co	Kuwait	Oil and gas	Minority stake	35,30
Al Maather REIT Fund	Saudi Arabia	Al Yousuf Group-Burjeel Hospital Building	UAE	Other real estate	100%	28,6
Almarai Co SJSC	Saudi Arabia	Bakemart International FZ LLC	UAE	Food and beverage retailing	100%	25,5
WZaki FZE	UAE	Pioneers Holding Co for Financial Investments SAE	Egypt	Other financials	6.7%	22,4
Silver Arrow Real Estate Co	Egypt	Hilal Cement Co KSCC	Kuwait	Construction materials	Remaining stake acquisition	18,2
Nub Holdco Dmcc	UAE	Taaleem Management Services Co SAE	Egypt	Educational services	7.07%	15,1
Saudi Trade & Export Development Co	Saudi Arabia	Elite Group	UAE	Professional services	100%	15,0
Rimco Investment Co LLC	UAE	B Investments Holding SAE	Egypt	Asset management	Increase from 2.9% to 10.6%	12,3

Source: Refinitiv and EMIS DealWatch.

As shown in Table III.4, from 2018 to 2021, the United Arab Emirates was leading in intra-OIC cross-border M&A, with 80 transactions targeting other OIC countries. Out of 80 transactions, 26 have targeted companies in Egypt, ten transactions companies in Saudi Arabia, seven in Turkey, six in Morocco, and five in Jordan.

The second most significant acquirer nation within intra-OIC cross-border M&As was Saudi Arabia, with 34 transactions from 2018 to 2021. For Saudi Arabia, the most attractive target companies were located in Egypt (11 transactions), the United Arab Emirates (11 transactions), Kuwait (4 transactions), Bahrain (3 transactions), and Jordan (3 transactions). Kuwait was the third-biggest acquirer nation in the same period, with 18 transactions mainly targeting companies in Egypt (5 transactions), Bahrain (4 transactions), and the United Arab Emirates (3 transactions). Other numbers of acquirer nations in intra-OIC cross-border completed M&As are presented in Table III.4.

Table III.4: Major acquirer nations in intra-OIC cross-border completed mergers and acquisitions (2018-2021)

Acquirer nation	Number of transactions	Number of transactions with disclosed value	Total disclosed value (Million $US)
Azerbaijan	1	1	273,4
Bahrain	12	3	21,4
Côte d'Ivoire	6	0	0
Egypt	12	5	126,2
Gabon	1	0	0
Guinea	4	0	0
Indonesia	5	2	3008,1
Jordan	7	5	37,1
Kazakhstan	1	1	2,6
Kuwait	18	9	522,6
Lebanon	4	1	1,6
Libya	1	1	429,15
Malaysia	13	9	206,3
Mali	1	1	0,237
Mauritania	1	0	0
Morocco	12	3	181,5
Nigeria	10	1	157,6
Oman	5	1	54,5
Pakistan	1	0	0
Qatar	11	8	494,0
Saudi Arabia	34	16	623,2
Senegal	1	0	0
Sierra Leone	1	0	0
Sudan	1	0	0
Tunisia	3	1	0,785
Turkey	5	4	537,7
United Arab Emirates	80	42	7071,4

Source: Refinitiv and EMIS DealWatch.

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PART IV:

INVESTMENT CLIMATE IN OIC COUNTRIES

IV.A Conditions for investment

In its simplest form, the term “investment climate” defines a country’s or region’s socioeconomic and political landscape as it relates to favorability toward investing and lending. In a country where the investment climate is not favorable, doing business is challenging due to several regulatory and physical obstacles such as inadequate infrastructure or weak protection of investors (Kearney, 2022). Moreover, the investment climate may be unfavorable in countries with high macroeconomic volatilities and political uncertainties. Yet, this does not mean that some investors are not willing to take on the high level of risk and volatility associated with investing in an unfavorable climate because of the potential that the increased risk will be rewarded with high-profit returns. However, this could be a preferred mode of investment especially made in capital markets (bonds, stocks, etc.).

Regarding FDI, it is more difficult to leave the country once foreign investors complete investments worth millions of dollars. The exit process from a host country is not only very costly but also time-consuming. Therefore, FDI is considered the best type of investment that a country can attract and host from abroad as foreign investors tend to stay more prolonged periods and become productive units in host economies.

Against this background, this section first overviews the investment climate in OIC countries by looking into selected indicators and indices used globally to assess the investment climate in OIC countries from the perspective of investors and decision-makers. Then, section 4.B discusses how OIC countries’ investment promotion agencies (IPAs) could develop and implement FDI promotion/facilitation strategies such as better marketing and promoting competitive factors of countries related to the investment climate towards attracting more FDI and retaining the existing ones.

IV.A.1 Ease of Doing Business

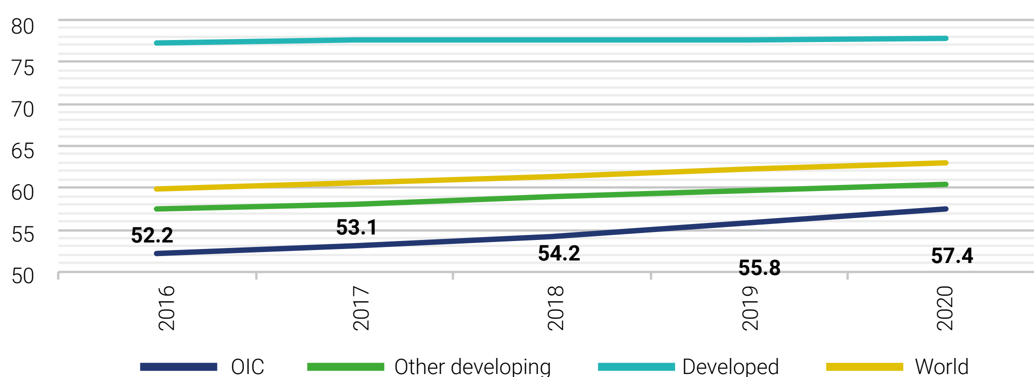
Ease of Doing Business Index

The economic health of a country is measured not only in macroeconomic terms but also by other factors that shape daily economic activity, including laws, regulations, and institutional arrangements, which are all critical for foreign investors. Regardless of the origin of investors, investments and economic activities require good rules and regulations that are efficient, accessible to all, and simple to implement (World Bank, 2020a).

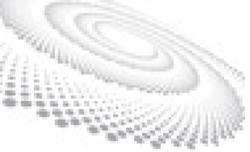
The World Bank has developed the Ease of Doing Business Index (EDBI) to gauge the overall ease of doing business in a cross-country context. The Doing Business Report was first published in 2003 with five indicators (Djankov, 2016). Over time, several indicators and dimensions were included in the EDBI. Many countries, international and regional institutions, investors, and decision-makers use the EDBI to understand the state of the overall investment climate comparatively.

In the most recent edition of the Ease of Doing Business Report-published in 2020-, the aggregate EDBI score for each economy is the simple average of their scores on the following ten topics: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. All topics are weighted equally. A higher ranking (or better score) in the EDBI implies a more enabling investment climate, where the doing business environment has fewer hurdles for companies due to existing effective and transparent rules and regulations.

Figure IV.1: Overview of the Ease of Doing Business index scores



Source: World Bank. N=54 OIC countries.



The OIC countries have consistently improved their average score in the EDBI over 2016-2020, which climbed from 52.2 to 57.4 (Figure IV.1). Other country groups and the global average also increased during the same period. In 2020, the OIC group still had a relatively lower score in the EDBI, indicating the challenges related to doing business that discourage new FDI projects. It is worth mentioning that wide disparities exist at the individual country level in the OIC group regarding the EDBI scores. In 2020, 18 OIC countries (nine from the OIC Arab group and nine from the OIC Asian group) obtained higher scores than the global average of 63.1. Among OIC countries, Somalia, Yemen, Libya, and Chad had the lowest scores in 2020.

Over the past two decades, OIC countries, like many developing countries, have taken swift measures and completed reforms to improve their investment climate to attract more FDI. The increased competition among countries accelerated the pace of such business-related reforms. Many OIC countries also have taken measures and implemented a series of reforms in various dimensions of the EDBI that are directly related to the investment climate.

In total, OIC countries completed 1289 reforms related to doing business from 2003 to 2020, corresponding to one-third of all reforms completed worldwide during the same period. The OIC African group made the highest number of reforms (448), followed by the OIC Asian group (459) and the OIC Arab group (382) (Figure IV.2, left). This reflects the high willingness of OIC countries to improve their investment climate and ultimately host more foreign investors. Côte d'Ivoire (37) from the OIC African group, Saudi Arabia (43) from the OIC Arab group, and Kazakhstan (49) from OIC Asian group were the top performers in terms of the cumulative number of 'doing business reforms' in this period.

When it comes to the dimensions of the completed reforms, OIC countries made the highest number of reforms in starting a business (250), getting credit (182), and paying taxes (155). OIC countries' lowest number of reforms were recorded in resolving insolvency (51) (Figure IV.2, right).

Figure IV.2: Reforms on improving doing business environment in OIC Countries (2003-2020 total number of reforms)

Source: World Bank.

Overall, the analysis of the EDBI scores revealed that OIC countries, as a group, still underperform in providing an investor-friendly business environment. They should accelerate the scope and effectiveness of reforms, particularly in areas where foreign investors pay more attention. This will help them have a more enabling environment for investors and further their performance in the EDBI. In particular, the OIC African group should keep up with reforms to improve their investment climate. Concrete results could be obtained once the political willingness turns into policy actions. For example, Nigeria has recently taken steps in this direction and climbed up in the global ranking of the EDBI (see Box IV.1).

Box IV.1: Nigeria's success story in improving the investment climate

As part of the Nigerian government's efforts to improve its performance in the World Bank's Ease of Doing Business Index, a committee known as the Presidential Enabling Business Environment Council (PEBEC) was set up with tasks to simplify the process of establishing and sustaining businesses in Nigeria. The World Bank's 2020 Doing Business Index ranked Nigeria 131st out of 190 countries, up 15 places from 146th in the previous year and up from 170th place in 2014. This success was achieved due to the performance of the PEBEC. Today PEBEC aims to minimize the constraints that come with running business in the country, working towards fulfilling the projections of Nigeria's Economic Recovery and Growth Plan.

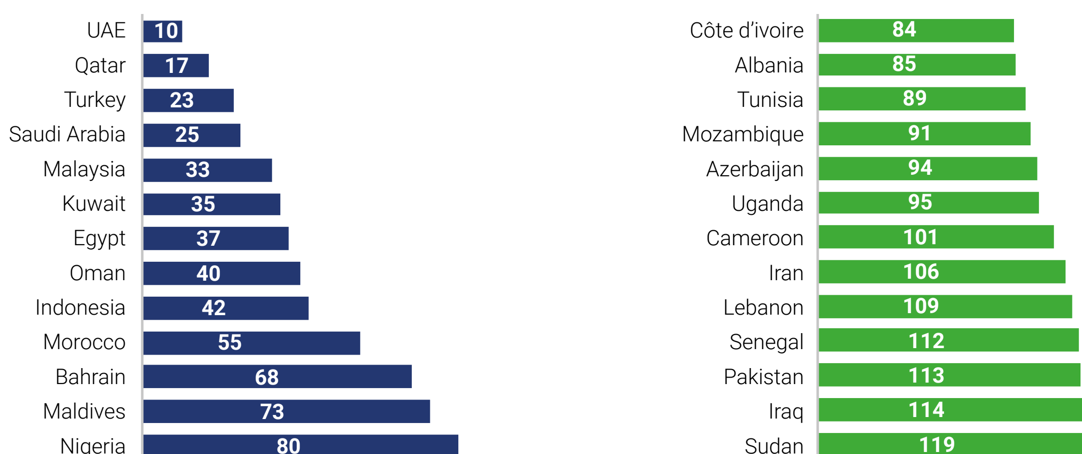
Source: Iweama et al. (2021).

The Business-Trade Index

The business-trade index is a subcomponent of the Global Soft Power Index. It measures the business-trade environment of countries in four main dimensions, which are all critical for foreign investors. These dimensions are easy to do business in and with; a strong and stable economy, products and brands the world prefer, and future growth potential.

Nine OIC countries were placed in the top-50 countries of the business-trade index worldwide, which are from the OIC Arab and OIC Asian groups. Among the OIC countries, the United Arab Emirates topped the list and ranked 10th globally in 2022. It was followed by Qatar (17th) and Turkey (23rd) (Figure IV.3). Several OIC countries from all three OIC groups like Sudan, Iraq, and Pakistan, obtained low scores. According to the index's methodology, countries with relatively low scores could not provide a conducive and competitive business and trade environment. The impediments to doing business, unstable economies, the limited number of global brands, and uncertainties about future growth were among the key reasons why some OIC countries obtained low scores. Low scores in particular areas provide clues to what governments need to do to climb up in the ranking. A better ranking in the index would indicate an improvement in the overall investment environment and will likely associate with more FDI inward flows.

Figure IV.3: Business-Trade Index scores in OIC countries (Global rank in 2022)



Source: Brand Finance, Global Soft Power Index 2022. 120 countries are listed in the index.

Global Competitiveness Index

According to the World Economic Forum (WEF), an economy's enabling environment encompasses both formal and informal institutions, utilities, and infrastructures such as transport, energy, water, and telecommunications, as well as the framework conditions set by monetary and fiscal policy and public finances. To reflect this understanding, the WEF constructed the "enabling environment pillar" in the Global Competitiveness Index, which has four pillars: institutions, infrastructure, ICT adoption, and macroeconomic stability. Countries with higher scores have a more competitive enabling environment conducive to foreign investors.

Based on WEF (2020), the analysis of the enabling environment pillar from a comparative perspective revealed that OIC countries, on average, had the least enabling environment as compared to other country groups. The OIC (57) average also stayed well below the global average of 64 in 2019 (Figure IV.4, left). None of the OIC subregions could get a higher score than the world average. Yet, the performance of the OIC African group was the poorest, reflecting significant challenges in providing an enabling environment for investors and economic actors in their respective countries. On average, the OIC African group obtained the lowest score, measured at 44 (Figure IV.4, right).

Wide disparities were observed at the individual country level (Figure IV.5). On the one hand, the United Arab Emirates (88), Qatar (82), and Malaysia (80) obtained scores around the average of developed countries, which was 80. On the other hand, OIC countries like Yemen (29), Mozambique (35), and Chad (38) had scores even far lower than the OIC average score of 57. In total, the average scores of 18 OIC countries exceeded the OIC group average in 2019, reflecting the disparities in the existing conditions for investment, from macroeconomic stability to institutional quality. Such wide disparities in the provision of enabling environment could be seen as an opportunity to enhance intra-OIC cooperation in these dimensions by stimulating the exchange of knowledge and experiences among OIC countries.

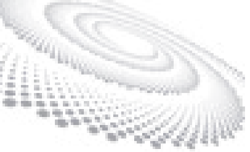
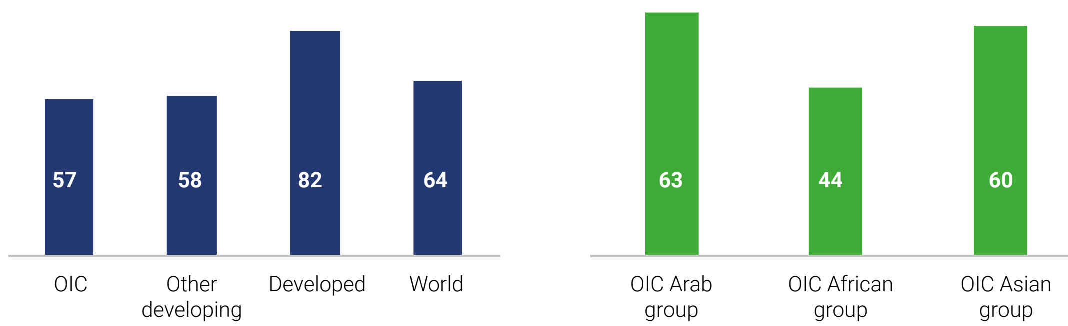
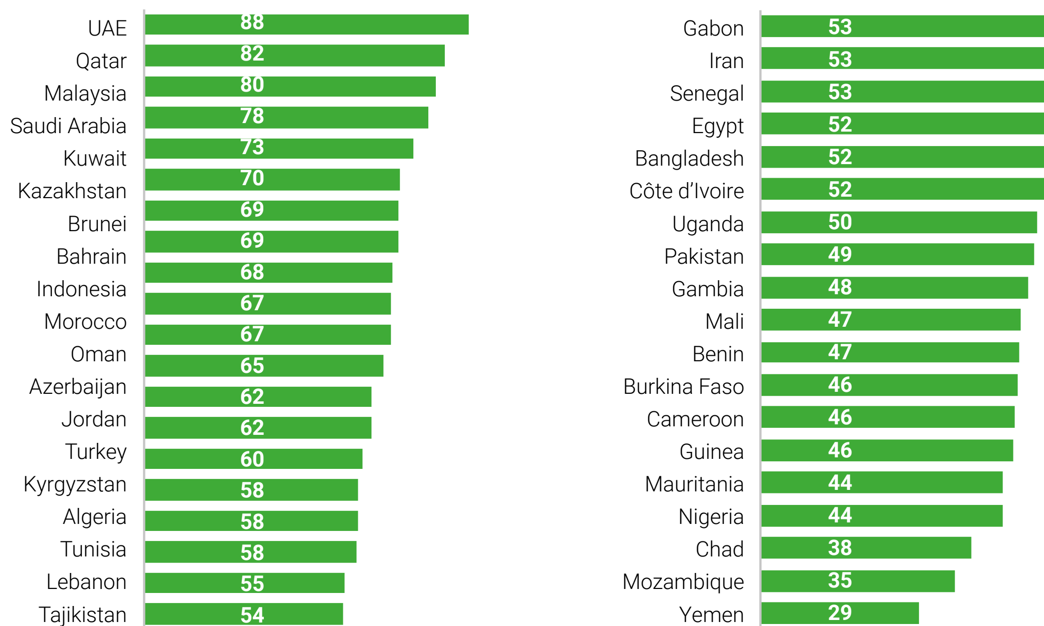


Figure IV.4: Enabling environment pillar of the Global Competitiveness Index 4.0 *(Scores in 2019)*



Source: World Economic Forum (2020).

Figure IV.5: Enabling environment pillar of the Global Competitiveness Index 4.0 by countries *(Scores in 2019)*



Source: World Economic Forum (2020).

IV.A.2 Perceived constraints to investment at the firm level

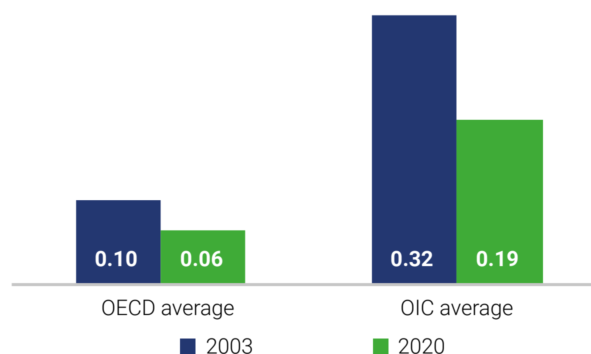
FDI Restrictiveness Index

Restrictive measures on foreign investors deter FDI projects and negatively affect the investors' sentiment in host countries. Such measures and policies hinder inward FDI flow by creating an unfavorable investment climate. To measure the role played by such restrictive measures in the FDI landscape, the OECD developed the FDI Restrictiveness Index that is gauging the restrictiveness of a country's FDI rules by looking at four main types of restrictions: foreign equity restrictions; discriminatory screening or approval mechanisms; restrictions on key foreign personnel and operational restrictions (OECD, 2022).

Implementation of rules and regulations issues are not addressed, and factors such as the degree of transparency or discretion in granting approvals are not considered while developing the index. The index here has nine component sectors taking values between 0 for open and 1 for closed. The FDI Restrictiveness Index reflects the average of those sectoral scores.

Scores of OIC countries went down on average from 0.32 to 0.19 from 2003 to 2020, thanks to the gradual removal of a set of restrictions on FDI (Figure IV.6). In other words, OIC countries have had a high tendency to remove sectoral restrictions and make them more open for FDI since 2003. Yet, it becomes evident that OIC countries, on average, still have some significant restrictions compared to the OECD average (Figure IV.6).

Figure IV.6: FDI Restrictiveness Index *(Scores)*



Source: OECD (2022).

FDI Restrictiveness Index provides insights on available restrictions in nine sectors. The pace of moving towards a more open (i.e., less restrictive) FDI landscape is not similar across OIC countries and among these nine sectors. Based on available complete data for four OIC countries (Turkey, Malaysia, Indonesia, and Kazakhstan), the most restrictions on FDI were seen in the broadcasting, legal, and air transport sectors (Figure IV.7). The most open sectors (i.e., more limited restrictions) for foreign investors were found to be a sound recording, architecture, and engineering based on the data of Turkey, Malaysia, Indonesia, and Kazakhstan.

Figure 4.7: FDI Restrictiveness Index by sectors in four OIC countries *(Average scores in 2020)*

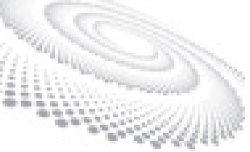
Source: OECD (2022).
Note: Based on data for Turkey, Malaysia, Kazakhstan and Indonesia. A higher score implies more restrictions on FDI.

IV.A.3 Potential risks and uncertainties

S&P Long-term sovereign ratings

Credit rating agencies (CRAs) provide sovereign ratings of countries to investors and financial markets to help them evaluate risks, thus directly impacting FDI decisions. The negative warning announcements by CRAs are linked to increases in the cost of borrowing, particularly for developing countries (UN DESA, 2022). The negative outlook news or downgrade announced by CRAs affects the investment climate of a country negatively by deteriorating the perceptions of foreign investors and giving them a signal of increased risk. Swamy and Narayanamurthy (2018) found that sovereign credit ratings are one of the main drivers of capital flows, including FDI to developing countries. Risks could involve increased macroeconomic volatility, poor financial system, currency risks, etc. In countries where the rating scores are not sufficiently high, foreign companies could ask for additional government guarantees for their FDI. Moreover, MNEs have higher bargaining power as the host countries need more foreign capital/investment while the cost of borrowing is high due to poor rating scores.

Table IV.1 is based on the S&P's long-term sovereign rating for 29 OIC countries with available data. In the first half of 2022, 22 OIC countries were rated by the S&P in the non-investment-grade-speculative category and below (extremely, highly speculative, and default risk). In such OIC countries, the investment climate has several challenges for investors, and the cost of borrowing is relatively high. Therefore, these OIC countries should take



bold steps toward addressing the risks that deteriorate their long-term rating scores that affect both the private and public sectors negatively. Moreover, such rating scores constitute a hindrance for IPAs, in promoting and marketing their respective countries' FDI landscape and investment environment.

Seven OIC countries from OIC Arab and Asian groups, namely Indonesia, Kazakhstan, Kuwait, Malaysia, Qatar, Saudi Arabia, and the United Arab Emirates, obtained rating scores above the non-investment-grade-speculative scale. These OIC countries have a more enabling environment for investors and possess limited risks (financial, macroeconomic, etc.) that encourage firms to expand their operations and investments. It is worth noting that none of those OIC countries belong to the OIC African group, reflecting the need for extra efforts to be exerted by OIC African countries to have higher rating scores that could stimulate FDI inflows towards them, among other benefits.

Table IV.1: S&P Long-term sovereign ratings of OIC countries (2022, H1)

Above the non-investment-grade-speculative	Non-investment-grade-speculative
Indonesia, Kazakhstan, Kuwait, Malaysia, Qatar, Saudi Arabia, and the United Arab Emirates.	Albania, Azerbaijan, Bahrain, Bangladesh, Benin, Burkina Faso, Cameroon, Egypt, Iraq, Jordan, Lebanon, Morocco, Mozambique, Nigeria, Oman, Pakistan, Senegal, Tajikistan, Togo, Turkey, Uganda, and Uzbekistan.

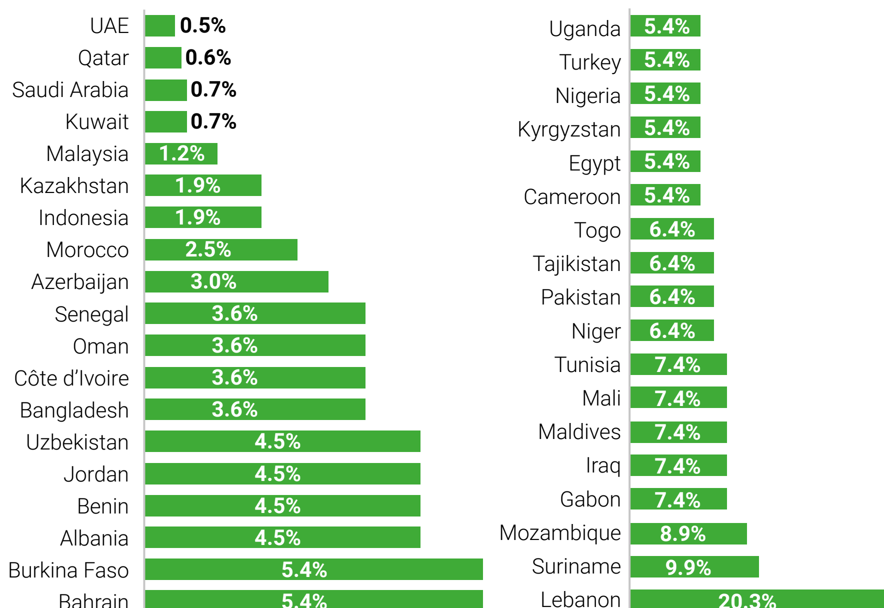
Source: Damodaran.com

Country risk premium

A Credit Default Swap (CDS) is an alternative indicator that reflects a country's macroeconomic/financial risk. A credit default swap is a financial derivative contract that shifts the credit risk of a fixed income product to a counterparty in exchange for a premium. Essentially, credit default swaps serve as insurance on a borrower's default. At the macro level, they could indicate the overall macroeconomic risks of the country. For instance, in September 2011, investors believed Greece's government bonds had nearly a 100% probability of default. Some hedge funds even used CDS to speculate on the likelihood that the country would default. It is a proxy indicator related to the investment climate. Many MNEs consider a country's CDS while long and shortlisting in selecting their location of new investments. Emara and El Said (2015) and Avci (2020) found that sovereign ratings statistically impact both FDI and portfolio investment capital flows.

Figure IV.8 reveals that the average probability of default in 37 OIC countries with available data was 5.1% as of January 2022. 17 OIC countries (free from the OIC African group, five from the OIC Asian group, and nine from the OIC Arab group) had lower CDS than the average of the OIC. The highest average probability of default was in Lebanon (20.3%), followed by Suriname (9.9%).

Figure IV.8: Country risk premium in OIC Countries *(January 2022, percent)*

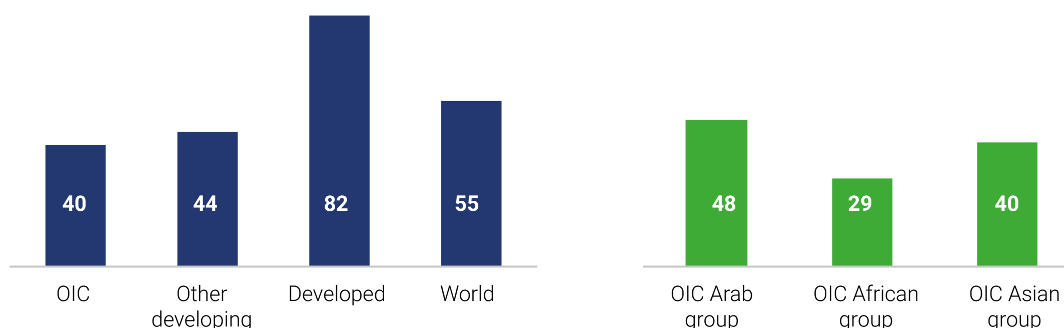


Source: Damodaran.com

FM Global Resilience Index

There is no country without risks. However, some countries have better resilience mechanisms to gradually cope with and mitigate existing risks. Such resilience of countries could affect their investment climate and determine the level of FDI directed to them. The FM Global Resilience Index is an equally-weighted composite measure of three core resilience factors: economic, risk quality, and the supply chain. Each factor is comprised of four core drivers. Scores are bound on a scale of 0 to 100, with 0 representing the lowest resilience and 100 being the highest resilience. The 2021 FM Global Resilience Index revealed that developed countries, on average, had the highest resilience index score (82), whereas the global average was measured at 55. OIC countries obtained an average score of 40, which was far lower than the global average. The OIC African group (29) had the least resilience in relative terms. The OIC Arab group had an average score of 48. Lastly, countries in the OIC Asian group scored similarly to the OIC average of 40. Overall, OIC countries need to record improvements in this index to provide a more enabling environment for economic agents, including foreign investors. This way, they could address risks and crises more effectively and better protect their investors from shocks.

Figure IV.9: FM Global Resilience Index *(Scores in 2021)*



Source: FM Global 2021.

Regulatory Risk Index

Measuring risk and uncertainty is inherently challenging. Proxies help track risk movements and study their consequences on market participants. In particular, regulatory risk matters for investments. World Bank (2020) finds that lower risk is associated with higher FDI inflows. Consistent with this finding, estimations from a model of investor location choices suggest that regulatory risk can deter the decisions of MNEs to enter or expand in a host country. The analyses showed that one standard deviation decrease in regulatory risk is associated with a nine-percentage point increase in the likelihood of investor entry. In this context, the legal provisions and other regulatory features selected and scored in this index can provide a meaningful framework for government actions and reforms to reduce the regulatory risk that could, in turn, be associated with a significant increase in FDI inward flows.

The index has three pillars: transparency and predictability, investment protection, and recourse. A higher score implies increased regulatory risk. According to this index developed by the World Bank, 25 OIC countries had scores exceeding the OIC average of 52, reflecting higher risk levels. Of these 25 OIC countries with relatively high-risk scores, 14 belong to the OIC African group.

Overall, the OIC average is higher (52) than the world average (50). 24 OIC countries had relatively limited risk scores compared to the OIC average. Still, wide disparities exist among OIC countries. For example, Turkey, Morocco, and Kazakhstan had the lowest regulatory risk scores in 2017 among the OIC countries with available data. Their average scores stayed below 30 (Figure IV.10). On the opposite side, Iraq, Comoros, Afghanistan, Suriname, and Chad possessed the highest risk scores in OIC, exceeding 75.

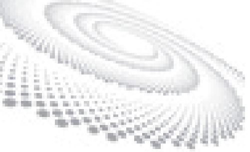


Figure IV.10: OIC countries with the highest and lowest regulatory risk scores in 2017

Source: World Bank (2020).

There is also some evidence that OIC countries, on average, achieved to reduce the regulatory risks that affect the decisions of MNEs. The average score of the OIC went down from 55 to 52 over the period from 2014 to 2017. In this respect, OIC countries should continue making reforms to address the legal and regulatory risks and provide more transparent and better protective legislation for foreign investors. In this way, they could have a more enabling environment for FDI.

Overall, factors ranging from macroeconomic stability to country risks determine whether a country's investment climate enables FDI. In addition to such factors, the timing of the investment also matters and has some influence on investors' decisions. For example, during times of crisis, priorities and choices of investors could change, as in the case of the Covid-19 pandemic (see Box IV.2) and they could seek safe resorts (e.g., host countries with limited risks, sectors with modest profits but with fewer risks) to direct their investments. To this end, FDI attraction policies should be dynamic and require some flexibility to respond to the changing needs of investors and MNEs.

Box IV.2: Covid-19 and determinant factors of FDI

According to a survey conducted by Kearney (2022) in January 2022 with senior executives of the world's leading corporations, some determinant factors outweigh others when making their investment decisions, especially during the Covid-19 pandemic. The survey revealed that government regulations, a lack of corruption, technological and innovation capabilities, tax rates, and ease of tax payment were identified as the most important factors that senior investors pay attention to amid the pandemic. Technological and innovation capabilities were ranked as the second factor overall prioritized by business leaders and are the top-rated market asset and infrastructure factor. The pandemic has driven home the crucial role of technology in facilitating everything from remote work and more excellent connectivity to increased automation. Furthermore, as is the case with issues of transparency and corruption, technological and innovation capabilities generally tend to be strongest in developed markets with advanced technology infrastructures.

There is some variation across geographical regions around the world in the factors shaping investment intentions and decisions. Nevertheless, governance and regulatory factors dominated the rankings, capturing eight of the top 10 positions compared with market asset and infrastructure factors. This suggests that after two years of the Covid-19-related disruptions, supply chain challenges, and other dislocations, investors recognize the value of good governance and transparent regulation while also seeking safe and reliable destinations to place their investments.

Source: Iweama et al. (2021)

IV.B Foreign direct investment promotion policy and role of IPAs

By acknowledging the importance of FDI for economic and social development, most countries have established Investment Promotion Agencies (IPAs) and/or dedicated agencies responsible for investment promotion and facilitation. In many countries, IPAs are significant players in the implementation of four core functions:

a) image building - consists of fostering the positive image of the host country and branding it as a profitable investment destination;

b) investment generation - deals with direct marketing techniques targeting specific sectors, markets, projects, activities, and investors, in line with national priorities;

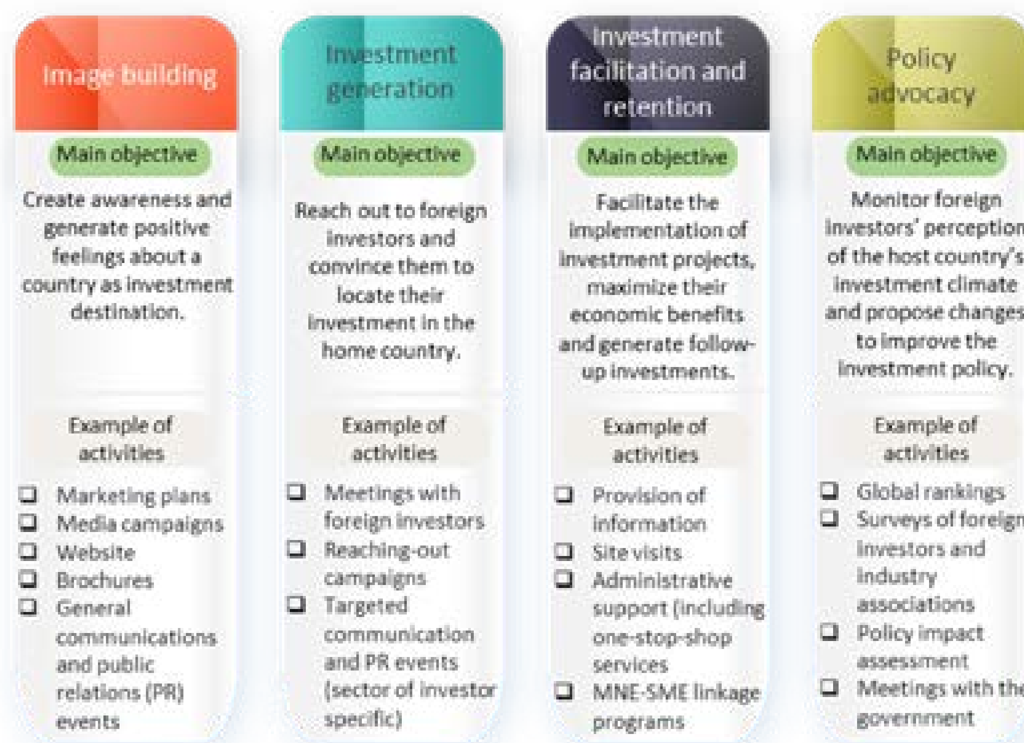
c) investment facilitation - retention and aftercare are about providing support to investors to facilitate their establishment phase as well as retaining existing ones and encouraging reinvestments by responding to their needs and challenges; and

d) policy advocacy - includes identifying bottlenecks in the investment climate and providing government recommendations to address them.

While the first two functions (a and b) are about investment promotion (i.e., marketing a country or a region as an investment destination and attracting new investors), the latter two functions (c and d) deal with investment facilitation (i.e., making it easy for investors to establish, operate and expand their existing investments) (Novik and de Crombrugghe, 2018).

Nonetheless, there are no bold lines between investment promotion and facilitation regarding the final objective - attracting and hosting more foreign investors. Investment promotion policies and activities aim to attract potential investors that have not yet selected an investment destination, whereas facilitation starts at the pre-establishment phase when an investor shows interest in a location. Figure IV.11 provides examples of activities for each of the four key functions of IPA.

Figure IV.11: The four key functions of IPAs



Source: Authors' visualization based on information from OECD (2019).

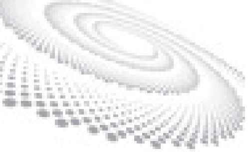


Table IV.2 exhibits the main differences between investment promotion and facilitation. Put differently, investment facilitation aims to make investment and doing business easier by providing transparent and predictable rules, efficient administrative producers, efficient dispute prevention and resolutions, effective stakeholder relations, and investor services. Therefore, investment facilitation policies often go beyond the scope of services of IPAs and require the intervention of a group of public agencies (Zhan, 2016).

Table IV.2: Investment promotion vs. facilitation

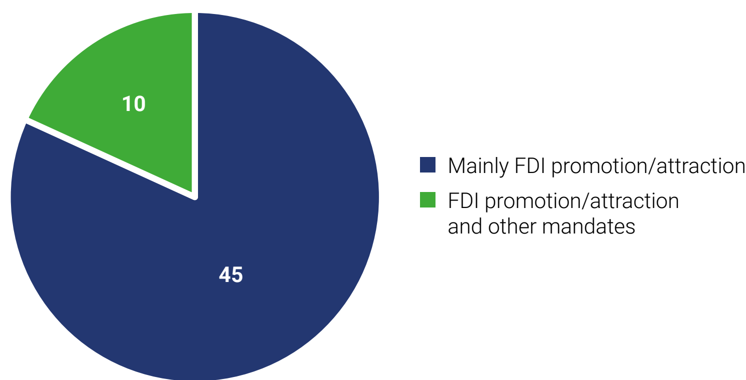
Investment Promotion	Investment Facilitation
• Predominant role for IPAs. • Building image and marketing locations. • Targeting certain types of FDI projects. • Providing incentives.	• Holistic government approach. • Relevant for all investments (domestic and foreign). • Increasing administrative efficiency and reducing bureaucracy.

Source: Zhan (2016).

Investment promotion measures are primarily the business and responsibility of IPAs. They are usually established in a one-stop-shop format to promote investment opportunities and help potential investors make decisions. Nevertheless, significant differences exist among IPAs regarding institutional settings, governance policy, strategic priorities, and investment promotion tools and activities (OECD, 2020). The tools and objectives assigned to IPAs greatly influence their success in attracting FDI most efficiently.

In some countries, IPAs are fully dedicated to investment promotion and facilitation. Their primary function is investment promotion and attraction. Some IPAs could have additional mandates, such as promoting exports, innovation, regional development, and outward and domestic investment. Most IPAs have multiple assignments and conduct activities beyond inward foreign investment promotion. For instance, in OECD economies, the most frequent combination of mandates in IPAs are export promotion (56% of agencies) and innovation promotion (56% of agencies) (OECD, 2018).

Figure IV.12: IPAs in OIC countries by mandate *(Number of countries)*



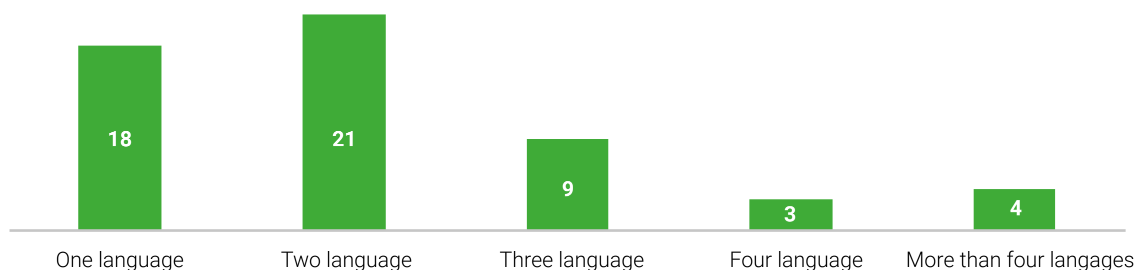
Source: Research based on the information provided on the website of WAIPA.

Some IPAs function as dedicated one-stop-shop agencies in OIC countries with clear mandates and independent governance structures. Many others are directorates or departments within the Ministry of economy or investment. 45 OIC countries have IPAs that are mainly responsible for FDI promotion and attraction. For such IPAs, focusing solely on such activities and developing their capacities in this domain is relatively easier. In the other 10 OIC countries, IPAs or responsible agencies have other mandates like export promotion and regional development (Figure IV.12).

IPAs in OIC countries have increasingly become more connected to the global market. They attend international exhibitions, fairs, and roadshows to promote their country's investment climate and opportunities. Moreover, they often use their websites and social media accounts to reach prospective investors. To this end, all IPAs have their websites that provide information on the country's investment climate, including legislation for foreign investors, investment opportunities/priority sectors, incentives, procedures for establishing a foreign-owned company, and protection mechanisms for investors (e.g., dispute settlement).

Most of OIC IPAs provide detailed information in more than one language to reach investors from different geographies (Figure IV.13). For instance, 21 of them have websites that are available in two languages. The nine IPAs provide information in three languages, and three IPAs have a website that presents information in four languages. Even four IPAs have a website available in more than four languages. Yet, 18 IPAs in OIC countries still offer their services to investors only in one language, limiting their engagement with prospective investors. In this respect, such IPAs of OIC countries should exert more effort to translate their investment promotion information into other languages.

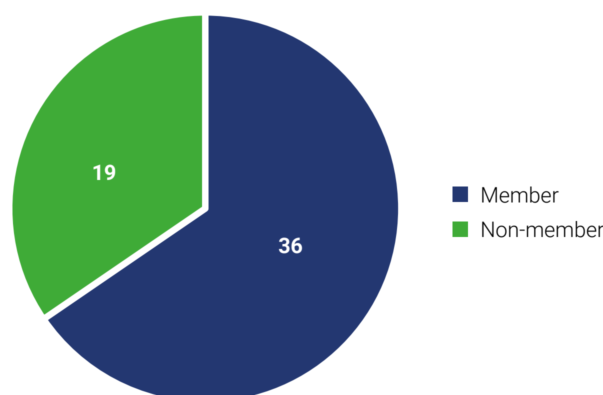
Figure IV.13: Number of languages on the websites of IPAs of OIC countries *(number of countries)*



Source: Research based on the information provided on the website of WAIPA.

Connecting with other IPAs worldwide and sharing knowledge and experience with them is crucial for the IPAs (ICIEC et al., 2017). IPAs may better adapt and perform their duties once they understand the most critical trends in global investment, get insight into best practices and successful approaches from around the world, and build their professional competencies and practical techniques. For that reason, being a member of umbrella organizations of IPAs like the World Association of Investment Promotion Agencies (WAIPA), which was created in 1995, could offer essential opportunities like networking, training, and capacity building for the IPAs of OIC countries. By recognizing the importance of this fact, 36 IPAs from OIC countries have already become a member of the WAIPA (Figure IV.14). Other national IPAs from 19 OIC countries are still not members of WAIPA.

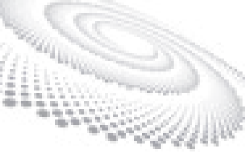
Figure IV.14: WAIPA membership of IPAs from OIC countries (Number of countries)



Source: Research based on the information provided on the website of WAIPA.

IV.B.1. Investment promotion strategies

The economic health of a country is measured not only in macroeconomic terms but also by other factors that shape daily economic activity, such as laws, regulations, and institutional arrangements, which are all critical for foreign investors. Regardless of the origin of investors, investments and economic activities require good rules and regulations that are efficient, accessible to all who need to use them, and simple to implement. Therefore, it is an investment promotion strategy that has to be comprehensive enough and should deal with all these aspects to respond to the needs and questions of foreign investors. For example, if it is built solely on the investment protection or investment incentives aspects, such a strategy would be far from being adequate to convince foreign investors to make their decisions. A key element in devising an investment promotion strategy is determining priorities in terms of sectors and the type/origin of investors.



Prioritization

Many IPAs around the globe prioritize some sectors and investors. For example, a survey conducted by OECD (2019) with the IPAs from the Middle East and North Africa (MENA) region revealed that all but one IPA prioritizes investments in certain sectors, and six prioritize investments from specific countries. For example, Jordan has the only IPA with a list of priority countries, whereas the Palestinian Agency prioritizes investments from particular regions. Most IPAs prioritize similar sectors, including ICT, tourism, agribusiness, renewable energies, and some high-value-added industries (such as automotive and aerospace).

Prioritization by sector includes criteria like diversification of the economy, sustainable economic growth, links with other economic sectors, and impact on employment. On the other hand, host countries may prioritize FDI projects from certain source countries depending on different criteria like the source of high technology, the status of the existing bilateral investment and free trade agreements, growth potentials, and distance.

Besides prioritizing certain countries and sectors, the majority of IPAs tend to prioritize specific investment projects, referred to as "high quality," "strategic," or "priority" projects (OECD, 2019). To determine whether to prioritize or not such investment projects, IPAs usually consider the size of the investment and its impact on the country's image, job creation, exports, and innovation/R&D as essential to prioritize investment projects. In addition, many IPAs also consider the project's sustainability and alignment with the SDGs, such as whether the project is in a priority sector, the duration of the investor's commitment, the project's impact on regional development, and domestic firms' production capabilities, and competition.

Exclusion

Exclusion could be a part of an investment promotion strategy. Some IPAs can prioritize by excluding certain types of investment from their promotion activities or assistance when approached by investors. Thus, IPAs could allocate fewer resources to promote specific sectors. For example, the agency of Tunisia does not prioritize the financial sector because there is strong growth without the agency's assistance. Algeria's agency excludes activities with a weak value-added due to market saturation and low impact on employment, in line with Algeria's national development plan. Lebanon's priority sectors are outlined in its investment law, and it does not promote or assist other sectors. Moreover, Lebanon's investment law stipulates that a project must be of a specific size to receive assistance, reflecting the exclusion of particular projects. The agency of Tunisia also excludes specific investors if they are not "eco-friendly" (OECD, 2018; OECD, 2019).

IV.B.2. Investment facilitation strategies

According to UNCTAD, there is a broad consensus that investment facilitation has three main pillars: (i) information provision, (ii) regulatory transparency, and (iii) streamlining of administrative procedures for investment. These pillars make the most significant difference for investors. However, it is evident that investment facilitation is a broader concept and includes services like investment aftercare. To this end, UNCTAD has listed a set of measures, namely 'UNCTAD core beliefs' that guide IPAs and countries in providing investment facilitation (see Box IV.3).

Box IV.3: UNCTAD's core beliefs on investment facilitation

According to UNCTAD, the following interventions with the highest potential development return on investment:

1. Always on: Prioritize elements of investment facilitation that are needed all the time, not just under exceptional circumstances (e.g., when a dispute looms).
2. For all investors: Transparent, streamlined and digital administrative processes and registrations help local firms as much as foreign investors, and MSMEs as much as (or more than) multinationals.
3. All-encompassing: Rather than putting in place dedicated processes and systems for investment authorizations only, capture economies of scope by gradually covering all or most procedures and services required by foreign and local businesses (e.g., business registration, tax/social security registration, licenses, etc.).

Experience has shown that much of the required streamlining of administrative procedures can be done within existing legislative frameworks, i.e., without changing laws, which is vital for rapid and obstacle-free implementation.

Source: UNCTAD (2022).

In addition to UNCTAD's core beliefs, the adoption of UNCTAD's (2016) Global Action Menu for Investment Facilitation is a global step forward that provides agreed action lines on how to facilitate investments. This document includes ten action lines, which aim to encourage investments and benefit more from them, as follows:

- ✓ Action Line 1: Promote accessibility and transparency in investment policies, regulations, and procedures relevant to investors.
- ✓ Action Line 2: Enhance predictability and consistency in applying investment policies.
- ✓ Action Line 3: Improve the efficiency of investment administrative procedures.
- ✓ Action Line 4: Build constructive stakeholder relationships in investment policy practice.
- ✓ Action Line 5: Designate a lead agency, focal point, or investment facilitator.
- ✓ Action Line 6: Establish monitoring and review mechanisms for investment facilitation.
- ✓ Action Line 7: Enhance international cooperation on investment facilitation.
- ✓ Action Line 8: Strengthen investment facilitation efforts in developing country partners through support and technical assistance.
- ✓ Action Line 9: Enhance investment policy and proactive investment attraction in developing country partners.
- ✓ Action Line 10: Complement investment facilitation by enhancing international cooperation for investment promotion for development, including through provisions in international investment agreements.

These action lines and core beliefs broadly frame the policy actions to be taken at various dimensions of the investment facilitation and could provide some guidance to OIC countries' policymakers. Yet, there is no one-size-fits-all policy for OIC countries. For example, some OIC countries struggle to have some consistency in investment laws that require more emphasis to be given to Action line 2. Some others have issues with technical capacities in investment facilitation. Therefore, such OIC countries need to pay more attention to Action line 8 and its recommended detailed action points.

An overview of OIC countries' IPAs and investment policies has revealed that in pursuing investment promotion and facilitation strategies, not all OIC countries have solid and well-functioning IPAs (ICIEC et al., 2017). The limited number of staff, limited international exposure, and issues related to governance are some challenges faced by IPAs in many developing economies, including several OIC countries. Moreover, many professionals working in IPAs require training to sharpen their skills and increase their knowledge of investment policies and strategies (Box IV.4).

Box IV.4: Investment promotion professionals need training

Investment promotion is a highly complex and varied field of work. Investment promotion professionals have fascinating jobs but struggle to find professional development that meets the needs of their profession. They regularly deal with a broad and diverse range of topics. At a macro level, they need to understand global economic trends, geopolitics, regulatory frameworks, national policies and laws, industry developments, and the impact these factors have on investment. At the level of individual projects, investment promotion professionals typically deal with finance, tax, human resources, logistics, real estate, land use planning, utilities, and many other issues that influence the successful outcome of an investment. In addition, investment promotion requires capabilities in marketing, consultative selling, relationship building, and managing a network of stakeholders and partners.

No two investment projects are the same, making investment promotion an exciting field to work in. It also explains why there is no formal education or recognized professional certification for investment promotion professionals. Developing a formal educational program for investment promotion is not easy. Because professionals at IPAs need to manage a complicated balancing act of motivating their teams and retaining top performers, ensuring new and existing investors are satisfied, and maintaining the support of partners in the government and private sector, all while pleasing political stakeholders and achieving ever more challenging objectives.

The staff of IPAs has fewer opportunities to sharpen their skills, exchange experiences with peers in a meaningful and open way, and take the time to reflect on their organization's future direction. Given the importance of investment promotion for the economy, the professionals of these agencies need to be trained to sharpen their skills.

Source: FDI Center (2022).

Given the wide range of challenges faced by the IPAs in OIC countries, they should benefit from the potential of enhancing intra-OIC cooperation in investment promotion and facilitation. In this area, for example, OECD established the OECD IPA Network in 2016 that regularly convenes to foster collaboration among them (OECD, 2022b).

Establishing a similar IPA Network or Forum of the OIC could bring a set of opportunities to improve the capacities of IPAs in OIC countries and enhance the dialogue among them by exchanging good practices and lessons learned in this domain. Moreover, the such network could help increase intra-FDI flows by promoting investment opportunities in various OIC countries. One encouraging step in this regard came from ICDT and IsDB, which developed a new program for the benefit of OIC IPA related to boosting intra-African investment, promoting the continent's competitiveness, and supporting its economic growth. The two parties proposed an investment promotion program to support OIC African group countries' efforts in attracting development-oriented FDI. Further details on this program are provided in Box IV.5.

Box IV.5: ICDT-IsDB investment promotion program

The proposed program intends to support the OIC IPAs in their pursuit of attracting investment to their countries that help finance the developmental projects. It also aims to foster collaboration between IPAs within the OIC African group and share knowledge and best practices in investment promotion. This program was initiated in Riyad in May 2016 during the 15th OIC Trade Fair through the OIC IPA Forum and matured during the 17th edition in Dakar in June 2022.

The program shall focus on the three key areas of capacity development, i.e., individual, institutional, and enabling environment. It will comprise five main components, specifically 1) country projects, 2) experience sharing and cooperation for investment promotion (reverse linkage program), 3) investment promotion and investor targeting events, 4) training for trainers, and 5) an annual report on investment climate and opportunities in OIC countries.

Based on a partnership between IsDB and ICDT, the program is expected to capitalize on ICDT's expertise

in reforming the investment climate. Additionally, the program will be open to financial and technical contributions from other development partners. Further, in cooperation with relative institutions from interested OIC countries, ICDT intends to regularly organize the OIC Investment Forum on the sidelines of OIC Expos.

Besides, the mentioned ICDT-IsDB program aims to:

- Learn how to develop a structured and focused approach for identifying, contacting, and engaging with decision-makers of companies with the greatest investment potential.
- Cover the full range of methods for approaching potential investors and highlight which ones are most effective for different markets and industries.
- Share best practices on investment policies and incentives among the OIC countries.
- Exchange views on investment barriers in OIC Zone and find solutions to overcome these obstacles at national and regional levels.
- Identify investment opportunities in some key sectors in the OIC countries.
- Develop a program of capacity building and guidelines related to investment promotion for the benefit of the OIC countries in order to implement and monitor policies and programs.
- Deepen regional markets and accelerate industrialization through intra-OIC trade and investments via the value adding and the development of manufacturing and industrial clusters and regional e-platform for strengthening collective investment action in collaboration with the regional financial institutions.
- Promote investments along the economic corridors while considering the existence of road and rail infrastructure. ICDT intends to organize activities allowing the revitalization of trade and investments along these corridors in the Arab-African space through;

1. study on the potential of corridors in strengthening intra-OIC trade and investments,
2. roundtable on the investment situation in road infrastructure of the OIC African zone (Trans-African: Libya-South Africa, Tangier-Lagos; railway lines: Dakar-port Sudan) and industrial and commercial investment opportunities,
3. organization of an investment forum on transport and logistics in the corridors of OIC countries to encourage operators to invest in agricultural value chains along land and rail corridors,
4. organization of capacity development activities, including a) workshop on sharing the experience of the procedures for setting up and managing industrial and agri-food investment zones (green corridors devoted to procedures related to customs clearance and control standards of agricultural products); b) digitization of IPA services operations; and c) A roundtable on investments within cross-border road corridors to develop commercial and industrial production activities between Arab and African countries in sub-Saharan Africa in the area of PPP.

Source: ICDT (2022a).

Investment facilitation tends to be a broader concept than investment promotion, including dimensions like aftercare services. A key essential element is retaining existing investors in a host country by providing an enabling environment for their operations and investment projects. Yet, MNEs sometimes could change their company strategies and decide to exit from a host country. 45% of exit decisions stem from such changes in the corporate strategy of MNEs, which IPAs or host countries do not have any control over (Figure IV.15). However, there are a set of factors that IPAs or host countries have some influence such as addressing unstable macroeconomic conditions and exchange rates and policy uncertainty. Respondent MNEs have selected these two factors by 41% and 32% in a survey conducted by the World Bank (2018). Therefore, OIC countries' IPAs and decision-makers must carefully examine factors that could deter foreign investors and lead to disinvestments while shaping their investment promotion and facilitation strategies.

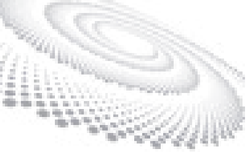
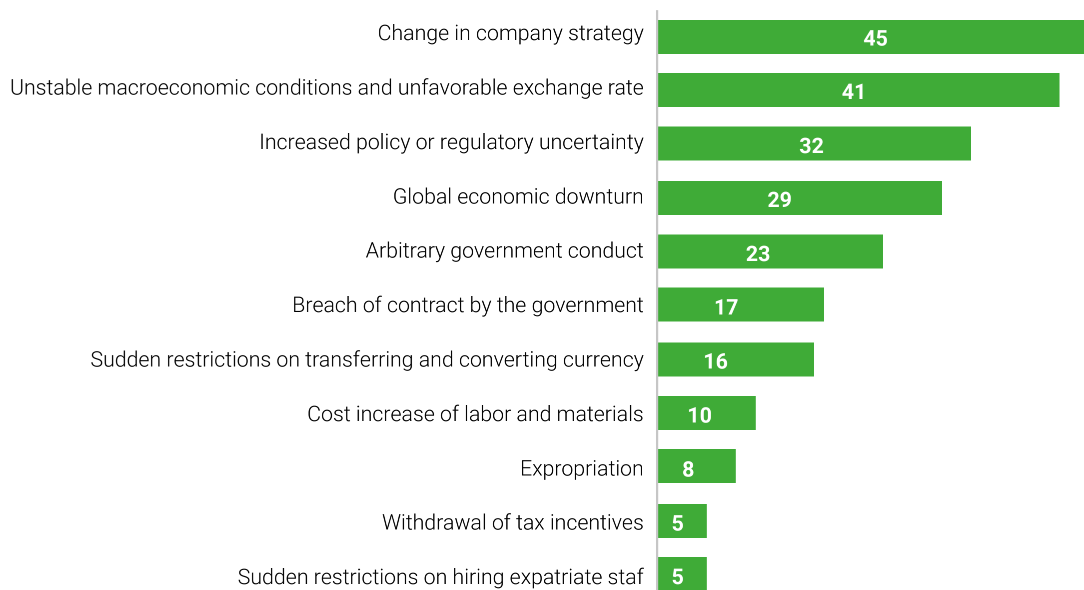


Figure IV.15: Reasons for exiting decisions of MNEs (Percent share of respondents)



Source: Global Investment Competitiveness Report 2017/2018.

It is essential to underline that investment facilitation measures are not monotonic. They must be tailored according to any arising needs, such as external shocks (e.g., Covid-19 pandemic). The recent pandemic impacted the investment projects, fueled uncertainties, and slowed down the investment facilitation efforts in many countries around the globe. It is evident that some industries were particularly affected by the pandemic (e.g., health, tourism, airline, automobile); therefore, some tailored policies were designed for those severely affected industries.

The scope of the post-pandemic reconstruction task and the priorities differ from country to country. However, all nations are facing the common challenge of how to make the best use of investment policies in bringing their economies back onto a sustainable development path. In this regard, OIC countries should exert efforts to prepare their investment facilitation strategies for the post-pandemic era in which many norms of globalization will be challenged. For instance, there will probably be an increased shift from global supply chains to regional supply chains (e.g., reshoring), regional cooperation's importance will increase, and local suppliers will become more active and increasingly integrated into regional supply chains. For that reason, the enhanced intra-OIC collaboration will be crucial for OIC economies.

Table IV.3: Rating of OIC countries that possess online single windows (2021)

	Rating	Languages	Website and responsible institution
Benin	10	2	https://monentreprise.bj (Agence de Promotion des Investissements et des Exportations)
Iraq	10	2	https://business.mot.gov.iq (Government of Iraq)
Kazakhstan	10	3	https://egov.kz/cms/kk/services/e_084 (National Information Technologies JSC)
Oman	10	2	https://www.business.gov.om/ieasy/wp/en (Ministry of Commerce, Industry and Investment Promotion)
Togo	10	1	https://www.cfetogo.tg (Centre de Formalites de Entreprises)
Uzbekistan	10	2	https://fo.birdarcha.uz/s/uz_landing (Uzbekistan Public Services Center)
Azerbaijan	9	1	https://www.e-taxes.gov.az (Ministry of Economy, State Tax Service)
Uganda	9	1	https://www.ebiz.go.ug (Uganda Investment Authority)

Mali	8.5	2	https://monentreprise.ml/ (Agence Pour la Promotion des Investissements)
UAE	8.5	2	https://basher.gov.ae/invest/# (Ministry of Economy)
Burkina Faso	7	1	https://www.creerentreprise.me.bf (La Maison de L›Enterprise)
Côte d'Ivoire	7	1	https://www.225invest.ci; www.cepici.gouv.ci (Centre de Promotion des Investissements en Côte D'Ivoire)
Somalia	7	2	https://ebusiness.gov.so (Ministry of Commerce and Industry)
Brunei	5.5	1	https://www.ocp.mofe.gov.bn (Ministry of Finance and Economy, One-Common-Portal)
Indonesia	5.5	1	https://ahu.go.id (Ministry of Law and Human Rights, Directorate General of Legal Administration)
Saudi Arabia	5.5	1	https://business.sa (Ministry of Investment)
Maldives	5	1	https://business.egov.mv (Ministry of Economic Development)
Albania	4.5	2	https://e-albania.al/eAlbaniaServices/Packages.aspx?lvl=2&path_code=10&cat_id=10 (National Agency of the Information Society - AKSHI)
Malaysia	4	1	https://mycoid2016.ssm.com.my (Companies Commission of Malaysia)
Bangladesh	3.5	1	http://app.roc.gov.bd:7781 (Ministry of Commerce, RJSC)
Egypt	3	1	www.gafi.gov.eg/english/eServices/Pages/Services.aspx?DepartmentID=1 (General Authority of Investment and Free Zones)
Cameroon	3	2	https://cameroun.eregistrations.org (Centre de Formalités de Création d›Entreprises-CFCE)
Bahrain	1.5	2	https://www.sijilat.bh (Ministry of Industry and Commerce, Commercial Registration Portal)

Source: UNCTAD/GER.co; Note: The rating is according to a ten-point scale (0-worse, 10-best).

While trying to adapt to the global economic changes, the OIC countries shall not underestimate the information provision of investment promotion and facilitation. In this regard, OIC countries shall first deal with the basics and enhance their online business registration processes, thus helping foreign investors easier register their businesses. For that reason, establishing online single windows and enriching digital information portals is essential. As of 2021, only 23 OIC countries had established single-window portals (Table IV.3). Online registration systems are best integrated within a broader digital government approach, allowing multiple services to be provided on the same system and fostering collaboration across government entities (UNCTAD, 2022). In 2021, Benin, Iraq, Kazakhstan, Oman, Togo, and Uzbekistan were among the countries with the world's best single windows, according to the UNCTAD/Global Entrepreneurship Network ranking (Table IV.3).

The UNCTAD/Global Entrepreneurship Network ranked business registration information portals of Algeria, Benin, Burkina Faso, Cameroon, Comoros, Guinea-Bissau, Iraq, Libya, Mali, and Togo among the best in the world (Table IV.4). Digital information portals describe the steps necessary to obtain all mandatory registrations to operate a company legally. This includes incorporating at the business registry, getting tax and social security numbers, and receiving relevant sectoral and municipal clearances and licenses. The average rank value of information portals of 44 OIC countries was 6.2 (on the 10-point scale) in 2021, which was above the global average rating (5.3). Using the existing cooperation structures under the umbrella of OIC and in collaboration with UNCTAD, OIC countries can learn from best practices and establish or reinforce their existing online single windows and information portals.

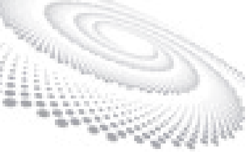


Table IV.4: Rating of OIC countries' business registration information portals (2021)

	Rating	Languages	Website
Algeria	10	1	http://www.jecreemonentreprise.dz
Benin	10	1	https://benindoingbusiness.bj/procedure/82?l=fr
Burkina Faso	10	1	https://businessprocedures.bf/procedure/1119?l=fr
Cameroon	10	1	https://douala.eregulations.org/procedure/92/85?l=fr
Comoros	10	1	https://comoros.eregulations.org
Guinea-Bissau	10	1	https://guineebissau.eregulations.org/menu/5?l=pt
Iraq	10	2	https://baghdad.eregulations.org/procedure/22?l=en
Libya	10	2	https://ejraat.org/procedure/32?l=en
Mali	10	1	https://mali.eregulations.org/menu/1?l=fr
Togo	10	1	https://investirautogo.tg
Djibouti	9	1	http://www.guichet-unique.dj/creation
Morocco	8.5	1	https://rabat.eregulations.org/procedure/2/2?l=fr
Sudan	8	1	https://sudanembassy.org/invest-in-sudan/doing-business-starting-a-business/#1551069420451-5288a0e0-6f8c
Brunei	7.5	1	https://business.mofe.gov.bn/SitePages/Home.aspx
Albania	7	1	https://invest-in-albania.org/industries/register-and-licence
Uganda	6.5	1	https://ursb.go.ug/business-registration-2
Guinea	6	2	https://apip.gov.gn/Creer-mon-entreprise
Maldives	6	1	https://trade.gov.mv/?lid=30
Senegal	6	2	http://www.creationdentreprise.sn
Gabon	4.5	1	https://www.investingabon.ga
Sierra Leone	4.5	1	https://www.cac.gov.sl/gen-incorporation.html
UAE	4.5	2	https://basher.gov.ae/invest/#/home
Lebanon	4.5	4	https://investinlebanon.gov.lb/en/doing_business/starting_a_business
Tunisia	4.5	3	http://www.investintunisia.tn/En/incorporating-your-company_11_47
Mozambique	4	1	http://www.dasp.mic.gov.mz/eventodevidadetalhes/100
Turkey	4	3	https://www.invest.gov.tr/en/investmentguide/pages/default.aspx
Côte d'Ivoire	3.5	2	https://www.cepici.gouv.ci/?tmp=single_actu&p=le-guichet-unique&artcl=143
Somalia	3.5	1	https://sominvest.gov.so
Niger	3	2	https://www.mde.ne
Gambia	2.5	1	https://www.giepa.gm/Business%20in%20The%20Gambia
Bangladesh	2.5	2	https://roc.gov.bd/site/page/855dc577-3035-4ca4-b376-49c517099a3e/Entity-Registration
Indonesia	2.5	1	https://www.pajak.go.id
Bahrain	2	2	https://www.sijilat.bh
Egypt	2	1	https://www.gafi.gov.eg/english/Pages/default.aspx
Guyana	2	1	http://goinvest.gov.gy/investment/incorporation
Mauritania	2	1	https://www.invest-mauritania.com/le-guichet-unique
Saudi Arabia	2	2	https://mci.gov.sa/ar/pages/default.aspx

Kuwait	1.5	2	https://kbc.moci.gov.kw
Malaysia	1.5	2	https://www.ssm.com.my/Pages/Home.aspx
Nigeria	1.5	1	https://pre.cac.gov.ng/home
Oman	1.5	2	https://www.business.gov.om/ieasy/wp/en
Qatar	1	2	https://www.moci.gov.qa
Jordan	1	2	https://www.startupguidejo.com/en
Suriname	1	1	https://www.discover-suriname.com/business-startup

Source: UNCTAD/GER.co.
Note: The rating is according to a ten-point scale (0-worse, 10-best). Only functional websites are listed.

IV.B.3. Mapping of IPAs from OIC countries - survey results

In preparing this report, the ICDT launched an online survey targeting the IPAs of the OIC countries and realized it in June-August 2022. Focal points responding on behalf of the related IPAs were management team members. IPAs from Burkina Faso, Cameroon, Chad, Comoros, Gabon, the Gambia, Mali, Mauritania, Nigeria, Pakistan, Somalia, Sudan, Togo, and Tunisia supported the survey by sharing their insights which helped analyze the effectiveness and challenges of the IPAs operating in a given sample of 14 OIC countries[8].

All IPAs subject to this survey described themselves as national-level investment promotion agencies. The average age of an IPA in the 14 OIC countries is about 15 years. Some IPAs are relatively young: only five IPAs reported that they are older than 20 years, and four are more than ten years old. The common feature of 14 OIC IPAs is that almost 93% report that they are public institutions. They are sometimes integrated within a ministry (two cases) or are semi-autonomous agencies reporting to a ministry (five cases). Five IPAs are established as autonomous agencies, and in the case of Mali, IPA works under the supervision of the Prime Minister's Office. Only IPA from Cameroon reports having private status (Table IV.5).

The average size of surveyed IPA staff is 55, though three IPAs have less than 30 employees (Cameroon 10, Sudan 12, Somalia 25). As shown in Table IV.5, the number of employees varies greatly among surveyed IPAs, with the most considerable differences observed in Nigerian Investment Promotion Commission (198 employees) and ANPI-Gabon (110 employees). It should be noted that except for Nigeria and Tunisia, staff number does not appear to be significantly correlated with the GDP level of a country. Further, the reported figures of employees do not inform about reel number of professional staff members and therefore should be interpreted with caution. Still, the size of IPAs does matter, and larger IPAs are expected to be more effective at attracting FDI.

The survey has shown that IPAs in Chad, Comoros, Gabon, Mali, Mauritania, Niger, Sudan, and Togo are mandated with a one-stop-shop operation (OSS) (Table IV.5). Functioning as OSS may lessen the burden faced by investors in countries with complex administrative settings, but it may also overshadow IPAs' other core investment promotion activities.

[8]Burkina Faso (The Burkinabe Investment Agency - ABI), Cameroon (National Centre for Promotion of Exchanges in Cameroon - CNPE), Chad (Chad National Agency for Investments and Exports - ANIE), Comoros (National Agency for the Promotion of Investments – ANPI), Gabon (Gabon National Investment Promotion Agency "ANPI-Gabon"), the Gambia (the Gambia Investment and Export Promotion Agency - GIEPA), Mali (Mali Investment Promotion Agency "API-Mali"), Mauritania (Mauritania Investment Promotion Agency - APIM), Nigeria (Nigerian Investment Promotion Commission), Pakistan (Board of Investment - BOI), Somalia (The Investment Promotion Office "SOMINVEST" at the Ministry of Planning, Investment and Economic Development), Sudan (Ministry of Investment), Togo (Agency for the Promotion of Investments and the Free Zone "API-ZF Togo"), and Tunisia (Foreign Investment Promotion Agency "FIPA-Tunisia").

Table IV.5: Basic institutional features of IPAs

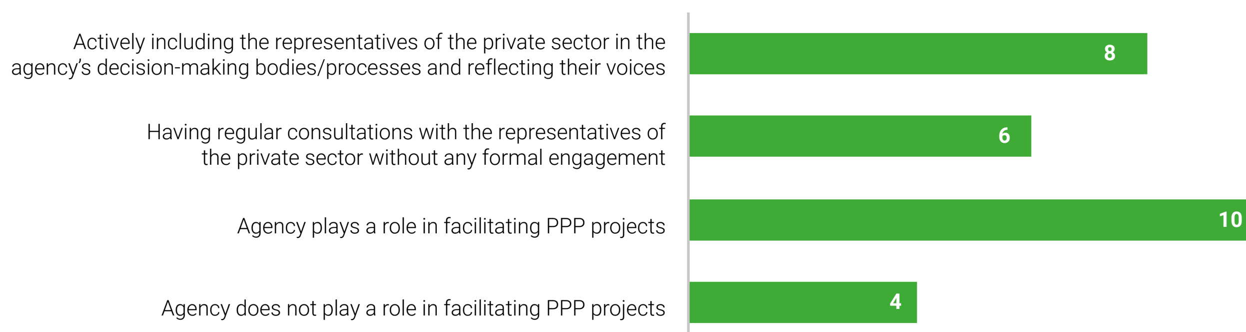
	Year of establishment	Status	Number of employees	Operating as a one-stop-shop
Burkina Faso - ABI	2013	Semi-autonomous agency reporting to a ministry	33	No
Cameroon - CNPE	1985	Private	10	No
Chad - ANIE	2010	Autonomous public body	77	Yes
Comoros - ANPI	2008	Autonomous public body	55	Yes
Gabon- ANPI	2014	Semi-autonomous agency reporting to a ministry	110	Yes
The Gambia - GIEPA	2010	Semi-autonomous agency reporting to a ministry	60	No
Mali - API	2005	Public administrative establishment reporting to the Prime Minister's Office	37	Yes
Mauritania - APIM	2021	Autonomous public body	-	Yes
Nigeria - IPC	1999	Semi-autonomous agency reporting to a ministry	198	Yes
Pakistan - BOI	2001	Autonomous public body	38	No
Somalia - SOMINVEST	2015	Sub-unit of ministry	25	No
Sudan - Ministry of Investment	2002	Sub-unit of ministry	12	Yes
Togo - API-ZF	2020	Autonomous public body	35	Yes
Tunisia - FIPA	1995	Semi-autonomous agency reporting to a ministry	74	No

Source: ICDT survey of Investment Promotion Agencies (2022).

The degree of autonomy an IPA has from the government is believed to influence how the agency does business and its ability to attract FDI, as is the case with OECD countries (OECD, 2018). Moreover, the effectiveness and visibility of IPAs are enhanced when the agency collaborates with the private sector. All surveyed IPAs benefit from the private sector when planning and deciding their activities. Eight of them actively include the representatives of the private sector in the agency's decision-making bodies/processes and reflect their voices to improve the effectiveness of the agency's operations. On the other hand, six IPAs from Cameroon, Chad, the Gambia, Mauritania, Somalia, and Tunisia are having regular consultations with the private sector representatives without any formal engagement.

Further, by their established contacts with investors and policymakers, most of the surveyed IPAs connect the public and private sectors. Ten of them have reported that their agency plays a role in facilitating public-private partnership (PPP) projects. In contrast, respondents of IPAs from Cameroon, Mali, Somalia, and Tunisia stated that they do not play a role in PPP initiatives (Figure IV.16).

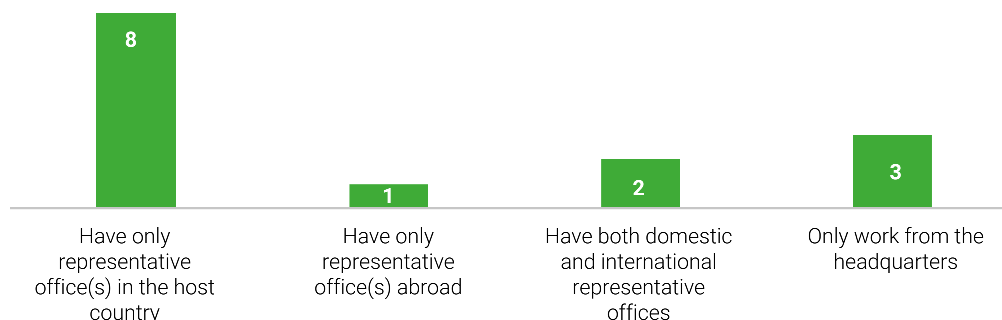
Figure IV.16: Cooperation of IPAs with the private sector



Source: ICDT survey of Investment Promotion Agencies (2022).
Note: Data labels indicate the number of responding IPAs.

The survey shows that surveyed IPAs in OIC countries rely less on a network of secondary offices abroad but have a greater presence at the local level. Only Cameroon, Somalia, and Tunisia have offices abroad. Since it is costly to have offices or staff abroad, probably the rest of the surveyed IPAs use their country's embassy channels to promote FDI overseas. Ten IPAs have domestic representative offices, whereas IPAs from Burkina Faso, the Gambia, and Mauritania only work from the headquarters.

Figure IV.17: Having representative offices other than headquarters

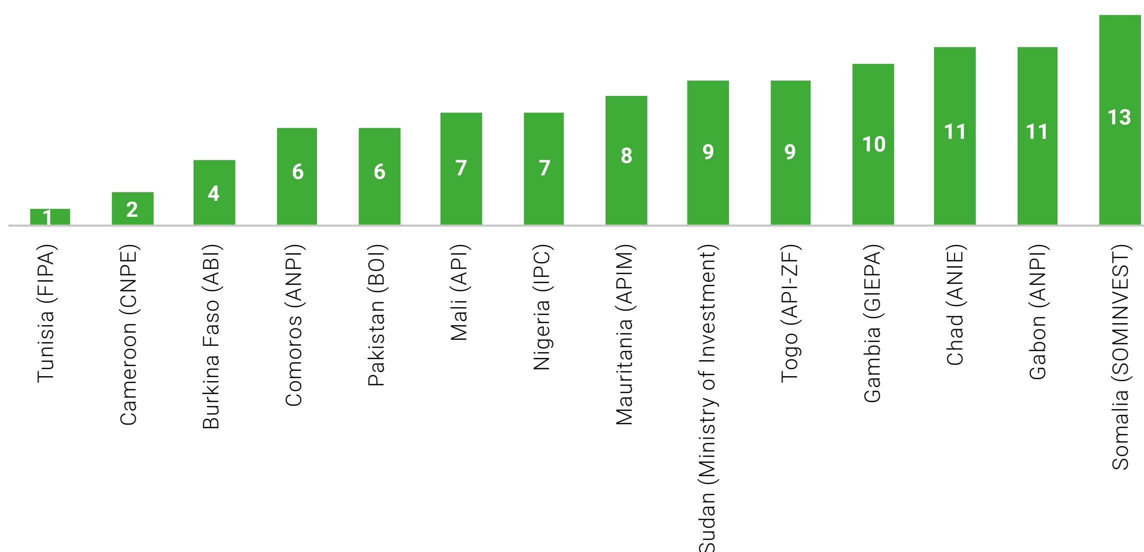


Source: ICDT survey of Investment Promotion Agencies (2022).
Note: Data labels indicate the number of responding IPAs.

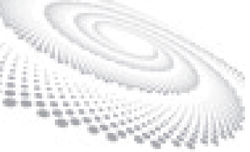
Globally, IPAs have been created with the primary mandate to promote and attract inward foreign investment. However, surveyed IPAs from OIC countries have responsibilities (mandates) that go beyond inward FDI promotion. Moreover, there is substantial heterogeneity in terms of duties among OIC IPAs. For instance, SOMINVEST-Somalia has 13 responsibilities, and ANIE-Chad and ANPI-Gabon have 11 responsibilities each. At the same time, the number of mandates of FIPA-Tunisia, CNPE-Cameroon, and ABI-Burkina Faso is reported to be below five (Figure IV.18). The heterogeneity is also visible in those IPAs with a similar number of responsibilities, because they differ in their operational scope.

The smaller number of responsibilities allows IPAs to be more specialized. Nevertheless, governments tend to combine IPAs' responsibilities when they face significant constraints on budgets or human resources. Still, increased responsibilities illustrate the growing importance of IPAs within their respective countries' institutional ecosystems. Furthermore, such comprehensive mandates mean that the responsibilities of IPAs often overlap with those of other national institutions.

Figure IV.18: Number of responsibilities (mandates) by agency



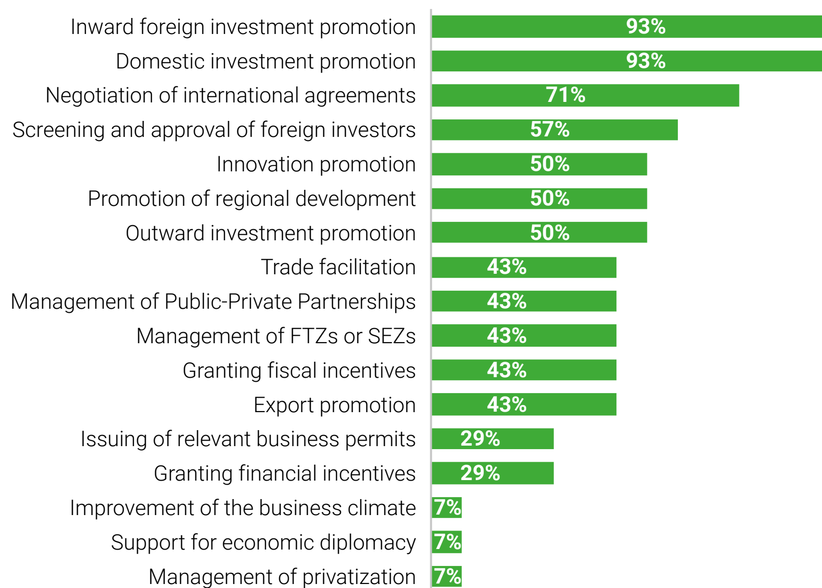
Source: ICDT survey of Investment Promotion Agencies (2022).



Besides inward foreign investment promotion, surveyed OIC IPAs often are mandated with: domestic investment promotion (93% of IPAs), negotiation of international trade and investment agreements (71%), screening and approval of foreign investors (57%), innovation promotion (50%), promotion of regional development (50%), and outward investment promotion (50%). Other functions reported by OIC IPAs as an official responsibility are shown in Figure IV.19. It should be noted that the ranking reflected in Figure IV.19 could be significantly changed if IPAs report how much financial resources (shares of budget) have been devoted to each responsibility. Such an approach would more accurately reflect which responsibilities IPAs actually carry out.

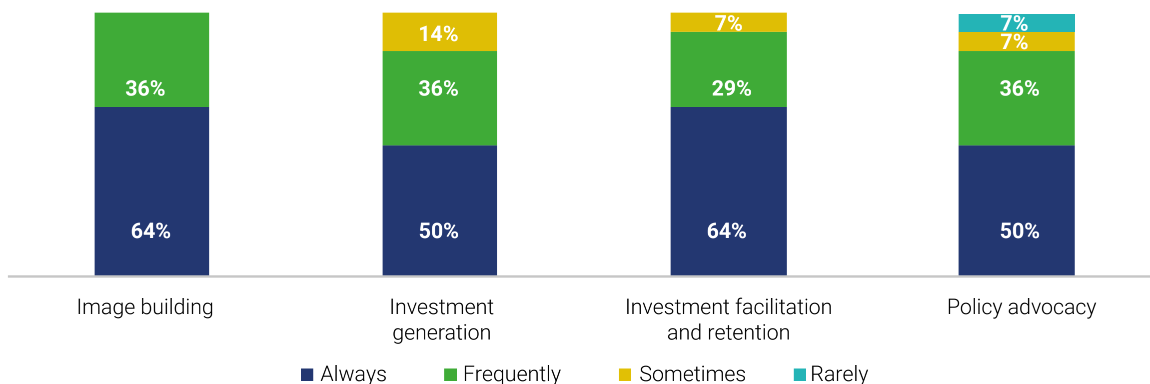
In general terms, OIC IPAs perform all four key functions of IPAs to various degrees, providing more services than OECD IPAs (OECD, 2018). The average trend among surveyed OIC IPAs is to allocate most of their activities to image building and investment facilitation and retention. Nine out of 14 agencies (65%) always perform these two key functions. On the other hand, 50% of IPAs always perform investment generation and policy advocacy functions (Figure IV.20). ABI-Burkina Faso and API-Mali are sometimes used to deal with investment generation. APIM-Mauritania sometimes performs investment facilitation and retention, whereas API-Mali sometimes and FIPA-Tunisia rarely work on policy advocacy. It would be interesting for the following survey of OIC IPAs to map how many employees were allocated among these four key functions and learn which one is receiving the most of the human resources.

Figure IV.19: Share of OIC IPAs reporting the function as an official responsibility *(percent)*



Source: ICDT survey of Investment Promotion Agencies (2022).
Note: N=14 IPAs from OIC countries.

Figure IV.20: Frequency of performing the four key functions of IPAs *(Estimations by OIC IPAs, percent)*

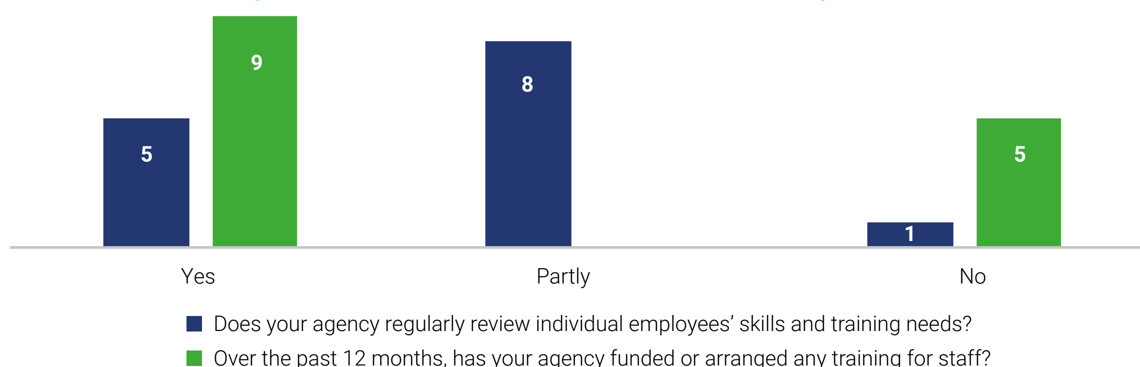


Source: ICDT survey of Investment Promotion Agencies (2022).
Note: N=14 IPAs from OIC countries.

According to the survey results, the OIC IPAs are fairly aware of the importance of developing staff skills requirements. Five IPAs regularly and eight partly review individual employees' skills and training needs. Only Pakistan-BOI reported that they do not review the employees' skills and training needs. Moreover, surveyed IPAs

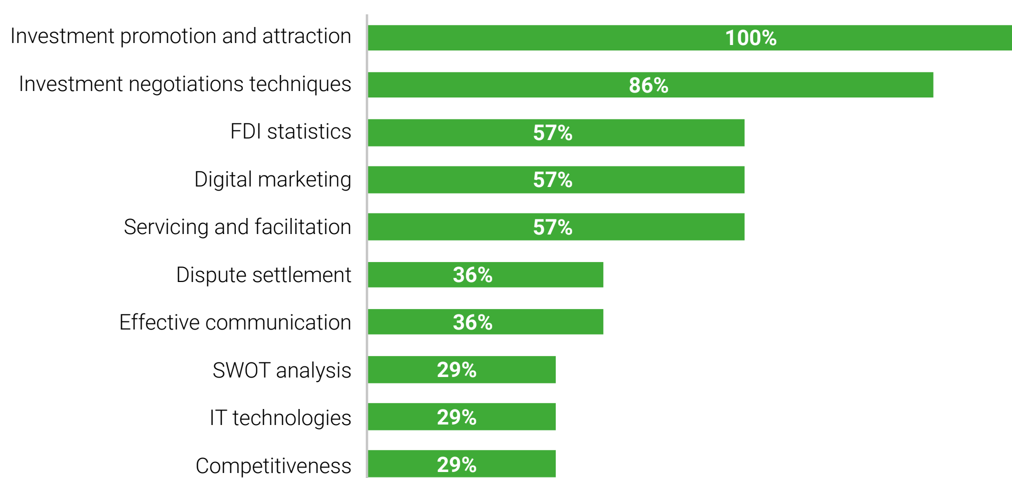
from OIC countries have undertaken training for their staff over the past 12 months in 64% of the cases (Figure IV.21). CNPE-Cameroon, APIM-Mauritania, BOI-Pakistan, SOMINVEST-Somalia, and Ministry of Investment-Sudan have reported that they did not fund or arrange any training and development for staff in the agency, including any informal on-the-job training over the past 12 months.

Figure IV.21: The situation with OIC IPAs staff skills requirements



Source: ICDT survey of Investment Promotion Agencies (2022).
Note: Data labels indicate the number of responding IPAs.

Figure IV.22: Share of OIC IPAs reporting areas in which their staff require training and reskilling *(Percent)*



Source: ICDT survey of Investment Promotion Agencies (2022).
Note: N=14 IPAs from OIC countries.

All management team members of surveyed OIC IPAs believe training on investment promotion and attraction would affect their staff effectiveness positively. Moreover, training in investment negotiation techniques is significant for 86% of respondents. FDI statistics, digital marketing, and servicing and facilitation are other vital areas for which 57% of surveyed IPAs would like to have training. However, the relative importance of training and reskilling in competitiveness, IT technologies, and SWOT analysis remain to be undervalued, as these topics got the most negligible share (29%) in the future priorities of a given sample of OIC IPAs.

The survey has tried to evaluate the impact of the Covid-19 pandemic on the OIC IPAs. The crisis caused by the outbreak and the spread of Covid-19 has been an unprecedented challenge for OIC IPAs as elsewhere. Eight of 14 IPAs reported that foreign investors' interest in their services has decreased over the past 24 months. Only IPAs from Cameroon, Chad, Gabon and Tunisia reported an increase in the foreign investors' interest in their services in the same period, while for ABI-Burkina Faso, foreign investors' interest mainly remained unchanged (Figure IV.23).

Despite the harmful effects of Covid-19, six IPAs managed to increase their activities (e.g., fairs, webinars, seminars, fam trips, and the like). However, most respondents (seven IPAs) reported a reduction in their operations over the past 24 months. In the same period, seven surveyed IPAs increased the number of their employees, and IPAs in Mauritania, Pakistan and Tunisia have predominantly maintained the same number of workers. According to respondents, the number of employees was reduced in ABI-Burkina Faso, IPC-Nigeria and Ministry of Investment-Sudan (Figure IV.23).

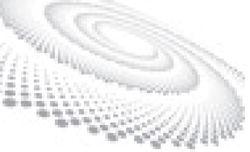
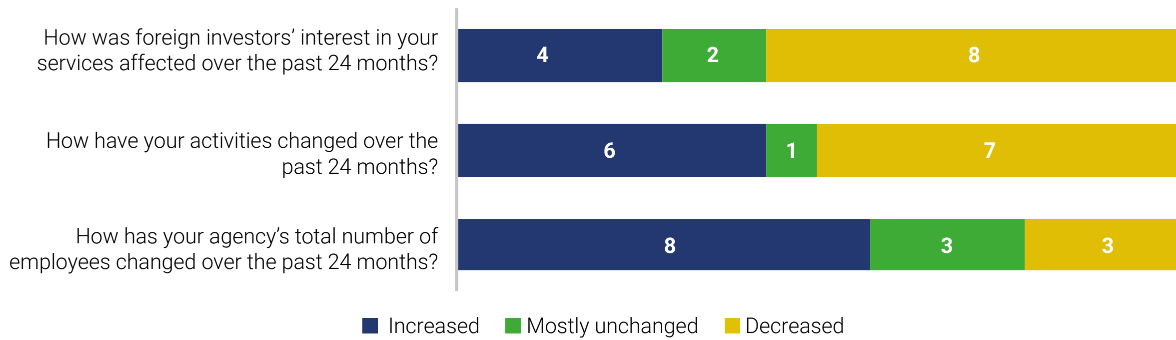


Figure IV.23: Impact of Covid-19 pandemic on OIC IPAs



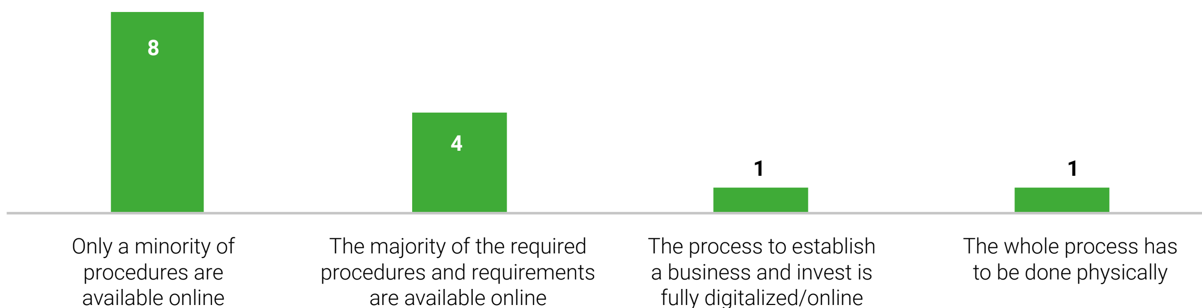
Source: ICDT survey of Investment Promotion Agencies (2022).
Note: Data labels indicate the number of responding IPAs.

Over the next twelve months, ten OIC IPAs expect an increase in foreign investors' interest in their services. IPAs from Gambia, Mali and Sudan believe that foreign investors' interest will remain mostly unchanged, and only ABI-Burkina Faso reported a negative expectation on the same issue.

Covid-19 has accelerated the digitalization process and digital technologies which societies will need to adopt. 79% of OIC IPA respondents have declared that they use social media campaigns, videoconferencing, e-meetings, webinars, and virtual fairs to promote and attract FDI. 64% of respondents use internal communications, management, and collaboration tools, and 29% use online interactive maps or platforms. Only 14% of respondents use digital customer support services in this regard.

Unfortunately, the level of digitalization of the process of investing and establishing a foreign affiliate (business) seems to be at an unsatisfactory level. Eight OIC IPAs declared that only a minority of procedures are available online in their country. In the case of Chad, the whole process has to be done physically. Among surveyed IPAs, only ANPI-Gabon reported that the process of establishing a business and investing is fully digitalized/online. According to respondents, most of the required procedures and requirements are available online in Nigeria, Pakistan, Somalia, and Sudan (Figure IV.24).

Figure IV.24: Level of digitalization of the process to invest and establish a foreign affiliate (business)



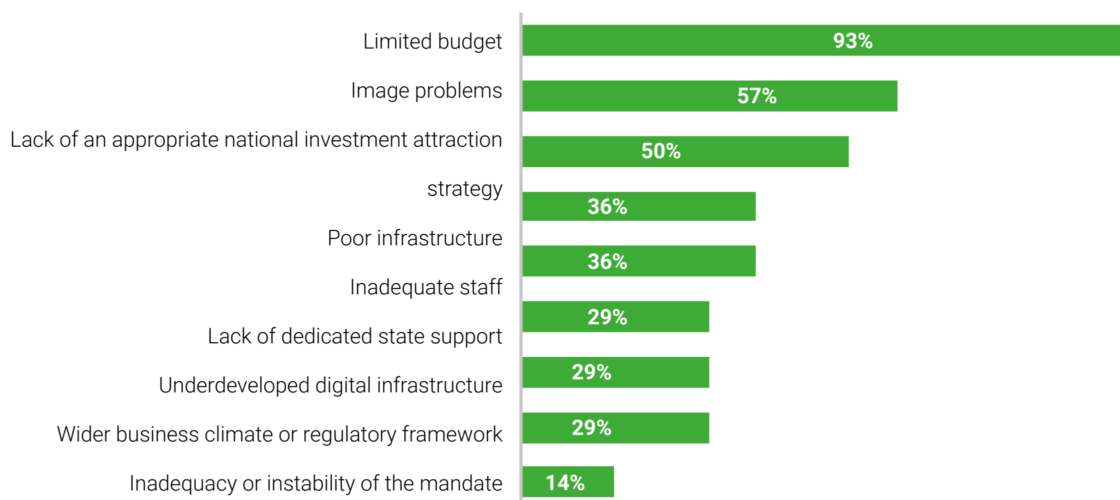
Source: ICDT survey of Investment Promotion Agencies (2022).
Note: Data labels indicate the number of responding IPAs.

Underdeveloped digital infrastructure does not appear to be among the biggest concerns of OIC IPAs since only 29% of respondents reported this issue among the challenges of their agency. It is also interesting to note that although among the top problems, most OIC IPAs do not consider wider business climate or regulatory framework among their significant barriers to work. The most often-cited answers to the question asking the OIC IPAs to name the main challenges that limit the ability of the agency to attract investment were limited budget (93%), image problems (57%), and lack of an appropriate national investment attraction strategy (50%) (see Figure IV.25).

Because the government primarily funds a sample of surveyed OIC IPAs, high citation of the limited budget allows for the assumption that the IPA budgets have not significantly changed in recent years. However, IPA effectiveness is heavily influenced by the size of annual budgets. The IPA budget needs to be big enough to carry on basic FDI promotion activities.

The challenges surveyed OIC IPAs face in attracting FDI also draw attention to image issues: political instability, security, lifestyle, and the like, in their respective countries. Investors could also disseminate a negative image of the country within their own business community. Under such circumstances, policymakers might focus better on improving the country's overall business climate and image rather than engaging in expensive promotion campaigns.

Figure IV.25: Most significant challenges that limit the ability of OIC IPAs to attract investment *(Percent)*



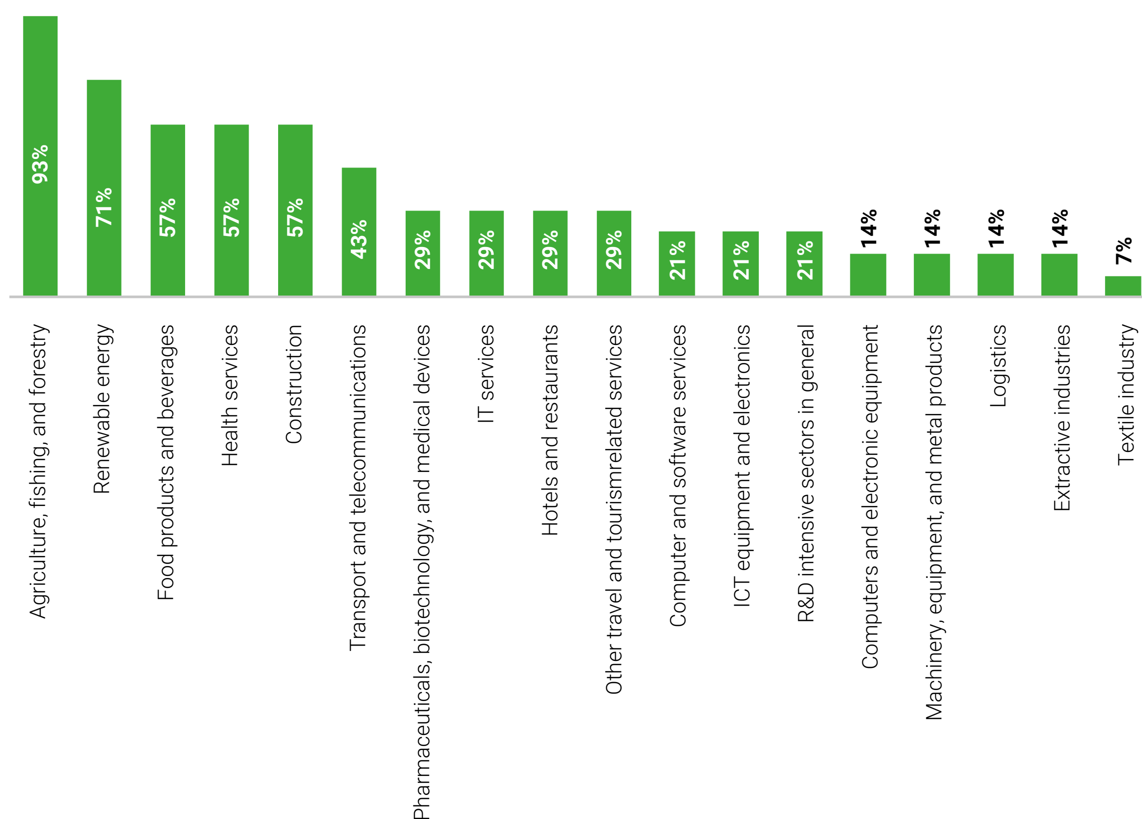
Source: ICDT survey of Investment Promotion Agencies (2022).
Note: N=14 IPAs from OIC countries.

Although 50% of respondents point out the lack of an appropriate national investment attraction strategy, 11 of surveyed OIC IPAs (79%) reported that their agency actively participates in the government's FDI strategy design. Another two IPAs have declared that their agency is occasionally consulted in the government's FDI strategy design. Only CNPE-Cameroon reports that their agency is not involved in the government's FDI strategy design. On the other hand, 11 IPAs (79%) declared that their agency works with other public entities through an established mechanism like an investment coordination mechanism or investment steering committee. Only IPAs from Cameroon, Mali, and Tunisia have not reported their experience of involving in similar established cooperation and coordination structures.

The diversity of responsibilities observed in OIC IPAs (Figure IV.19) may lead to duplicating tasks with other public entities, meaning that other national agencies or ministries may also carry out functions performed by IPAs. For that reason, OIC countries should design effective institutional coordination mechanisms. Moreover, having in mind that IPAs operate in a dense and complex network of stakeholders – public and private, domestic and international, ideal institutional coordination mechanisms would be the ones that operate at three different levels: international, national, and sub-national.

Ten or 71% of surveyed OIC IPAs have a multiyear FDI promotion strategy. Only surveyed IPAs from Burkina Faso, Cameroon, Sudan, and Tunisia did not report possessing such a strategy. Still, all surveyed IPAs have reported sectors their agencies prioritize (most probably in line with national development objectives. 93% of surveyed IPAs prioritize agriculture, fishing, and forestry, 71% renewable energy, and more than half (57%) prioritize food products and beverages, health services, and construction. Other prioritized sectors are reflected in Figure IV.26. These are also sectors that offer a potential for an increase in intra-OIC investments in the context of surveyed OIC countries. In this regard, more intensive cooperation among different IPAs of OIC countries could bring value-added. Five surveyed IPAs reported that they frequently collaborate and exchange information about investment opportunities with IPAs located in the other OIC. Another five IPAs sometimes do the same, and four of them rarely.

Figure IV.26: Sectors that IPAs from OIC countries prioritize (Percent)



Source: ICDT survey of Investment Promotion Agencies (2022).
Note: N=14 IPAs from OIC countries.

Respondents from surveyed agencies are generally observant of the benefits associated with higher cooperation among OIC IPAs. Yet, there is one issue where all respondents agree: Coordination of investment policies and investment promotion among the OIC countries would improve the investment ecosystem in the agency's country and boost national competitiveness. Although based on a small sample, the survey messages are clear. The OIC and its related institutions can invest more efforts in IPAs and issues highlighted by the respondents to keep the intra-OIC investments growing.

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UNCTAD/Global Entrepreneurship Network, https://ger.co

World Bank, Ease of Doing Business Scores, https://archive.doingbusiness.org/en/data/doing-business-score?topic=

PART V:

INVESTMENT OPPORTUNITIES BETWEEN OIC COUNTRIES

V.A Investment opportunities in OIC countries

This chapter looks at the investment opportunities in OIC countries by analyzing data and information collected from national IPAs of the member states, national strategy documents, and several international reports. In particular, the section first presents a discussion on investment opportunities by sectors and investment types. Then, it focuses on the cooperation areas on FDI in the OIC to provide practical guidance on enhancing intra-OIC cooperation.

OIC countries, as a group, constitute the second largest intergovernmental organization in terms of the number of member states located on four continents and in different climatic zones. These features, amongst others, provide member countries a unique opportunity to produce various agricultural products, manufactured products, and extractive minerals that offer trade and investment opportunities.

OIC countries, on average, host a relatively young population. They are home to more than 340 million young people (SESRIC, 2020). Young people have more tendency to spend and can follow global spending trends. In this regard, the young population is a significant positive factor for MNEs willing to expand their global market share. Furthermore, from a human capital perspective, many OIC countries do not yet suffer from the unavailability of an adequate workforce, which is seen in many developed countries. Moreover, OIC countries, as a group, host more than 25% of the world's total population (i.e., the world's consumers), which makes their geography an attractive destination for MNEs and new FDI projects.

On average, OIC countries have increased per capita income levels over the past two decades, which has positively affected the purchasing power in the member states. According to the UNCTAD data, OIC countries' average per capita income went up from $1325 in 2000 to $3815 in 2020 at current prices. An increased purchasing power is a positive sign for MNEs that are looking for investment and profit opportunities around the globe. In addition, OIC countries also have abundant natural and mineral resources (see Chapter II, Tables II.5 and II.6), bringing international trade and investment opportunities for MNEs. Further, the share of intra-OIC exports in goods in the total merchandise exports of OIC countries went up from 12.3% in 1995 to 23.3% in 2020, according to UNCTAD data. Similarly, total exports of goods of OIC countries as a percentage of the total world have increased from 7% in 1995 to 10.4% in 2021.

Given such enormous opportunities for trade and investment, there is no reason that OIC countries could attract more FDI projects and become preferred destinations for MNEs.

Information on countries' investment opportunities could be tracked online from the websites of national, regional, and municipal investment promotion agencies. But even some macroeconomic data can provide clues on which sectors matter for economies. For example, in 2020, Somalia, Sierra Leone, Chad, and Syria were economically most dependent on agriculture globally. Above 40% of their GDP was produced from agriculture, forestry, and fishing. Globally, another eight OIC countries (Niger, Comoros, Mali, Guinea-Bissau, Benin, Afghanistan, Mozambique, and Uzbekistan) were among the top-20 countries most economically dependent on agriculture (Figure V.1). Despite efforts to diversify and modernize economies, agriculture shall remain among the prioritized sectors for attracting FDI in these economies. Moreover, even if landlocked, countries that are economically dependent on agriculture tend to have diverse natural attractions, which, combined with cultural and historical heritage, create enormous tourism potential.

In 2020 Djibouti, the United Arab Emirates, Suriname, and Malaysia were among the top-20 most trade-dependent countries in the world in terms of the sum of exports and imports of goods measured as a share of GDP. In such economies, investment incentives may not ignore the FDI's trade aspects (including transport and logistics). Again, in many OIC countries, above 50% of GDP is generated from service sectors. Therefore, investors could expect the promotion of FDI in the service sector as a natural outcome of the economic structure of these countries.

A detailed analysis of the information collected from the 55 IPAs and responsible public agencies for investments in the OIC countries (through examination of their websites and online strategy documents) has revealed the existence of some common patterns by sectors and investment types, which is broadly consistent with the Figure V.1-related assessments.

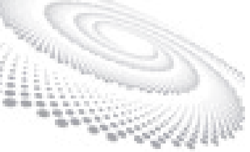
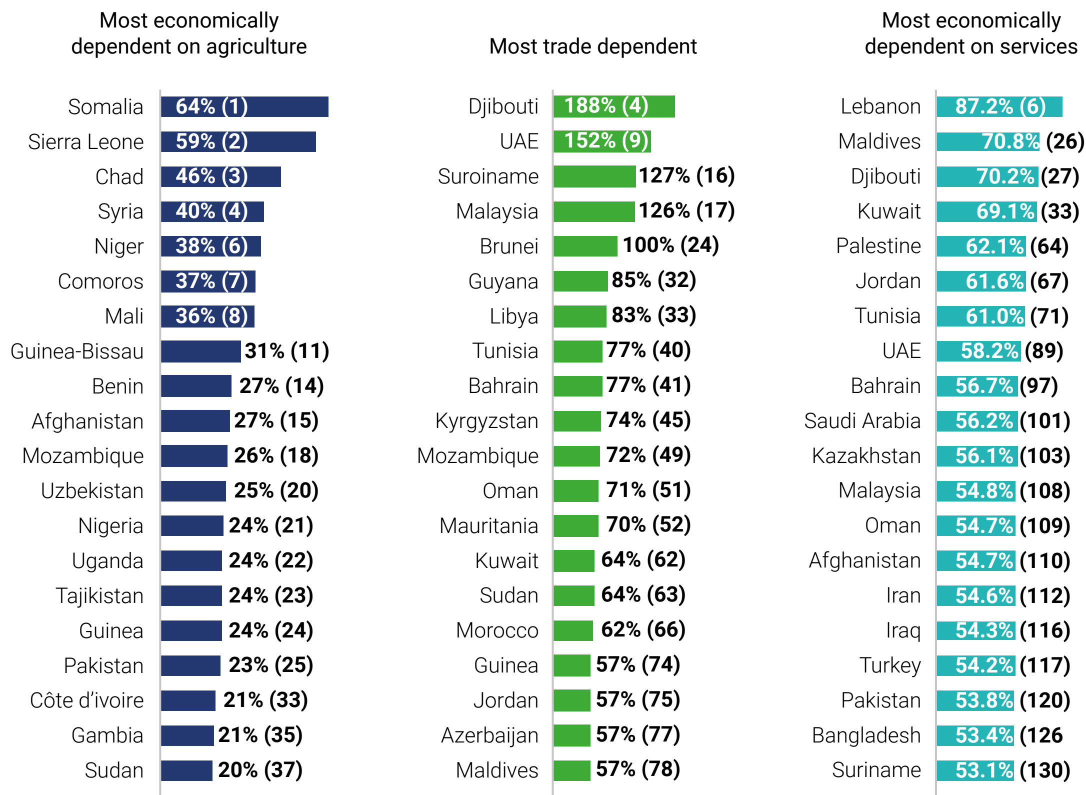


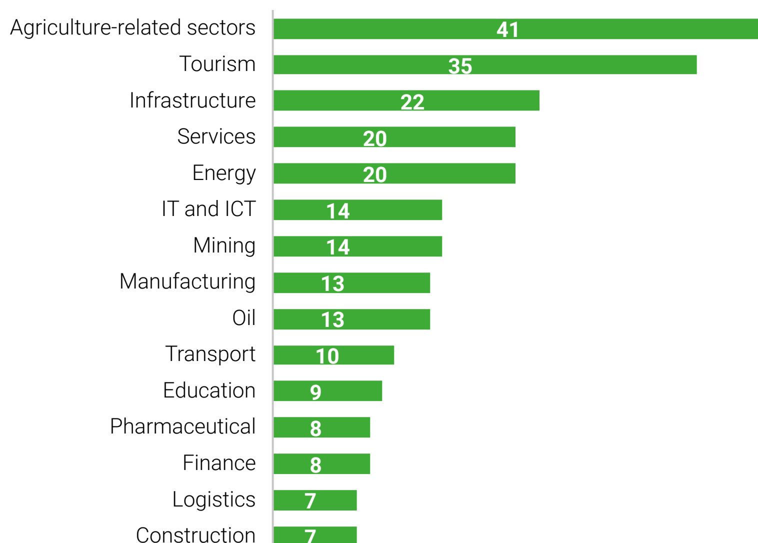
Figure V.1: Economic dependency on agriculture, trade and services ***(2020, OIC top-20, percent and global ranks)***



Source: World Bank WDI.
Note: Global ranks are shown in brackets. Agriculture data for Libya is not available. 2017 agriculture data for Somalia. Agriculture, forestry, and fishing, value added (% of GDP) is used to indicate economic dependency on agriculture. The sum of exports and imports of goods measured as a share of GDP is used as an indicator for most trade-dependent countries. Services, value added (% of GDP) used as an indicator for economic dependency on services.

At the sectoral level of investment opportunities, the agriculture-related activities (e.g., agricultural production, agribusiness, agri-tech, etc.) are the most frequently (41 times) mentioned sector by the IPAs of the OIC countries. Tourism was mentioned 35 times, followed by infrastructure (22 times), services (20 times), and energy (20 times) (Figure 5.2). IT and ICT, mining, manufacturing, and oil sectors were also mentioned more than ten times by the IPAs as sectors with high investment opportunities in the OIC region.

Figure V.2: The most prioritized sectors for FDI by OIC Countries in 2022
(Number of IPAs that mention related sectors as priority)



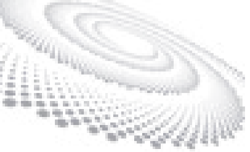
Source: Analysis based on the information collected from the websites/strategies of national IPAs.

A more regional analysis of critical sectoral investment opportunities by considering OIC sub-regions could provide additional insights. Table V.1 reveals that in the OIC Asian group, the top three sectors promoted by the IPAs are as follows: agriculture-related sectors (10 IPAs), energy (10 IPAs), and tourism (9 IPAs). The IPAs of the OIC-Arab group promoted more often tourism (14 times), services (11 times), and infrastructure (7 times) as sectors with high investment opportunities. In the OIC African group, given the common characteristics and regional opportunities, 16 IPAs promoted the agriculture sector as an opportunity sector to attract more FDI. 13 IPAs from this group also prioritized the tourism sector. At the same time, IPAs from the OIC African group mentioned infrastructure eight times and the energy sector seven times.

Overall, the analysis reveals some regional disparities in the targeted and prioritized FDI sectors at the OIC sub-regional level, stemming from the development level, natural resources, and income levels of countries in those regions.

Table V.1: Sectors with investment opportunities in OIC countries (Mentioned priority sectors/areas by IPAs, as of May 2022)

OIC Asian group	
Afghanistan	Infrastructure and export-oriented production.
Albania	Energy, tourism, agriculture, and transport.
Azerbaijan	The non-oil sector, advanced technologies, export-oriented goods and services.
Bangladesh	manufacturing, IT, healthcare
Brunei	Tourism, food, ICT, downstream oil and gas, and services.
Guyana	Agriculture, energy, forestry, infrastructure, mining, oil, gas, services, and manufacturing.
Indonesia	Tourism, batter cell, higher education, biodiesel, fish processing, renewable energy, infrastructure, and electric vehicle.
Iran	Oil, export, mining, and gas.
Kazakhstan	Petrochemical, agribusiness, mining, engineering, infrastructure, and trade.
Kyrgyzstan	Manufacturing, agriculture, banking, energy, education, medicine, construction, and IT.
Malaysia	Manufacturing, services, and green technology.
Maldives	Transport, skills development, tourism, renewable energy, fisheries, real estate, logistics, health and wellness, agriculture, and infrastructure.
Pakistan	Automobile, food processing, logistics, textile, IT, housing, and tourism.
Suriname	Agriculture, agribusiness, logistics, infrastructure, ecotourism, and renewable energy.
Tajikistan	Finance, hydropower, transport, agriculture, chemicals, light industry, tourism, and mining.
Turkey	Agro-food, automobile, chemicals, defense and aerospace, infrastructure, ICT, financial investments and startups, business services, machinery, energy, real estate, tourism, mining, and minerals.
Turkmenistan	Textile, gas, oil, construction, agriculture, health, and energy.
Uzbekistan	Chemical, machine manufacturing, agriculture and water management, construction, food, pharmaceutical, fuel energy complex, leather and footwear, textile, electronics, education, tourism, and ICT.
OIC Arab group	
Algeria	Agriculture, renewable energy, tourism, and pharmaceutical.
Bahrain	Tourism, infrastructure, industry, and sports.
Comoros	Tourism, trade, agriculture/livestock/fisheries, building and public works, transport, telecommunication, and financial services.
Djibouti	Export
Egypt	Tourism, textile, agriculture, mining, oil and gas, pharma and medical industries, real estate, food processing, and healthcare.
Iraq	Construction, manufacturing, agriculture, tourism, housing, healthcare, and telecommunications.



Jordan	Tourism, industry, services, healthcare, and agro-industry.
Kuwait	Infrastructure, education, training, oil and gas, tourism, transport, financial services, storage and logistics, culture, media, marketing, healthcare, urban development, and environmental services.
Lebanon	Technology, industry, ICT, manufacturing, media, telecommunication, tourism, and agribusiness.
Libya	agricultural projects, industrial services, oil refining and petrochemicals, electricity generation, communications services, real estate and infrastructure, tourism
Mauritania	Mining, hydrocarbon, agriculture, tourism, and fisheries.
Morocco	Automobile, aeronautics, textile, agro-food, outsourcing, and pharmaceutical.
Oman	Oil, gas, tourism, health, education, agriculture, fisheries, and logistics.
Palestine	ICT, food and beverage, renewable energy, textiles and garment, agriculture, education, drugs and pharmaceuticals, financial securities, construction, and real estate.
Qatar	Agriculture, education, financial services, healthcare and life sciences, logistics, transport, manufacturing, media, oil, gas, real estate, professional services, sports, tourism, and technology.
Saudi Arabia	Industry, manufacturing, tourism, mining and metal, aerospace and defense, pharma and biotech, tourism, agriculture, food processing, chemicals, real estate, ICT, financial services, real estate, healthcare, and life services.
Somalia	Livestock, fisheries, farming, energy, transport, ICT, infrastructure, human capital, manufacturing, and services.
Sudan	Agriculture, industry, infrastructure, and mining.
Tunisia	Automobile, aeronautics, ICT, pharmaceutical, offshoring, agribusiness, plastics, apparel, and textile.
UAE	Fintech, housing and care, healthcare facilities, therapeutics and devices, agri-tech, transport infrastructure, renewable energy, water supply, e-healthcare, e-pharma, cyber security, artificial intelligence, digital content, e-commerce, artificial reality, blockchain, smart buildings, 3D printing, 5G infrastructure, robotics, consumer companies, Internet of things, sensors, sustainable transport, sustainability in food consumption, and education technologies
OIC African group	
Benin	Infrastructure and PPP projects.
Burkina Faso	Agriculture, breeding, industry, tourism, construction, mining, education, health, and IT.
Cameroon	Agriculture, hydrocarbons, fishery, industry, tourism, handicraft, forestry, mining, and IT.
Chad	Tourism, breeding, industry, and handicraft.
Côte d'Ivoire	Agribusiness, cotton, machinery assembly, building and public works, energy, health, tourism, and logistics.
Gabon	Ceramics, agri-industry, and agri-business.
The Gambia	Agriculture, air services, fisheries, ICT, manufacturing, river transport, and tourism.
Guinea	Agriculture, mining, ICT, energy, and infrastructure.
Guinea-Bissau	Tourism, import-export, telecom, construction, manufacturing, agribusiness and agro-processing, and fisheries.
Mali	Agriculture, breeding, energy, and infrastructure.
Mozambique	Agriculture, tourism, infrastructure, oil and gas, manufacturing, and energy.
Niger	Energy, agriculture, mining, infrastructure, oil, and tourism.
Nigeria	Agriculture, services, and industry.
Senegal	Mining, rice, health, seafood and aquaculture, tourism, health, agriculture, and agribusiness.
Sierra Leone	Agribusiness, energy, oil, gas, infrastructure, mineral resources, fisheries, and tourism.
Togo	Infrastructure, mining, energy, agriculture, ICT, and tourism.
Uganda	Tourism, agriculture, infrastructure, services, human capital development, extractives, and minerals.

Source: Research based on the information collected from the websites of national IPAs.

Almost all OIC countries offer various incentives to foreign investors. These may include exemptions from import duties, income tax, VAT, sales tax, and fewer required permits and licenses. Particularly in special economic zones and industrial zones, countries tend to provide further incentives for foreign investors. Other than that, some existing investment opportunities and related policies provide the potential for an increase in intra-OIC FDI. A brief snapshot of the investment opportunities in several OIC countries is presented below.

Bahrain: The authorities of Bahrain are attempting to position the country as a re-export and financial services hub. In this regard, Bahrain has recently undertaken several reforms such as import tariff cuts and allowing foreigners to own land. In addition, the three fundamental pillars of the ongoing Economic Vision 2030 for Bahrain are sustainability, fairness, and competitiveness (Economic Vision 2030, 2008). This document targets to attract investors in high-value-added industries by offering fair treatment for foreign investors. In line with the Economic Vision 2030, Bahrain initiated an institutional economic reform program, which was translated into the National Economic Strategy. Following these reforms, Bahrain became high ranking regionally and globally in attracting FDI.

Bahrain's development projects led to investments worth billions of dollars in transportation networks and real estate, focusing on medical services and the education sector. Therefore, Bahrain has won two global awards for its FDI strategy at the fDi Intelligence Awards 2021 (Gulf Industry, 2022). Furthermore, in the context of economic recovery from the Covid-19 pandemic, Bahrain authorities work on enhancing the business-friendly environment to attract FDI, creating new investment opportunities, and launching over $30 billion in strategic projects. These projects are available on the website of the Economic Development Board, Bahrain's national investment promotion agency (EDB, 2022).

Cote d'Ivoire: This OIC country actively encourages FDI and is committed to doubling it over the next several years. Reforms realized so far are promising in improving the country's reputation as an expanding investment destination. In most sectors, there are no laws that limit foreign investment. The 2018 Investment Code offers a mix of fiscal incentives, combining tax amnesty and tax credits to encourage investment. The government also provides incentives to promote small businesses and entrepreneurship, low-cost housing construction, factories, infrastructure development, and transportation upgrades, which the government considers key to the country's economic growth (IHS Markit, 2022). An ongoing privatization program of state-owned enterprises and parastatal firms has also promoted FDI.

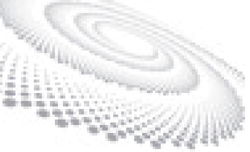
Cote d'Ivoire's National Development Plan (NDP) for 2021-2025 invests in the quality of institutions and governance, developing human capital, producing a structural transformation of the economy, improving infrastructure, and strengthening regional integration. Key investment projects scheduled to proceed under NDP 2021-2025 include a $450 million expansion of port facilities at Abidjan, upgrades in cross-border transportation routes, and the construction of venues related to Côte d'Ivoire's role as host of the African Cup tournament in 2023 (Meyer, 2022).

The Center for Investment Promotion in Côte d'Ivoire (CEPICI) is the central organization that promotes and attracts national and foreign investment. CEPICI provides information about sector policies and business opportunities in publicly available reports (CEPICI, 2022).

Kazakhstan: The authorities of Kazakhstan are keen to attract FDI, which is vital for their ambitious economic development plans. The Kazakhstan 2050 strategy aims to bring this country among the 30 most developed economies by 2050 (Kazakhstan2050). Abundant natural resources, the immense agricultural potential for grain and livestock production, and projects that run under Belt and Road Initiative make Kazakhstan attractive to foreign investors.

Kazakhstan has set up 13 Special Economic Zones with a particular legal regime and every necessary infrastructure. In 2017, JSC KAZ INVEST was established to promote the country's sustainable socio-economic development by attracting foreign investment in priority sectors. In addition, the government has established Astana International Financing Center (AIFC) with a special tax, visa, and employment regimes for the investing companies. The special arbitration court staffed by foreign judges has been functioning since 2019 as part of the Astana International Financial Centre. In April 2019, the government launched the Coordination Council for Attracting Foreign Investment, chaired by the Prime Minister.

Moreover, in June 2017, Kazakhstan signed the OECD Declaration on International Investment and Multinational Enterprises to improve the investment climate. Kazakhstan has also lifted the restriction on opening local



branches of foreign banks and insurance companies since December 2020. (Rafıq, 2021). Besides the government's economic diversification efforts, Kazakhstan's untapped hydrocarbon reserves also ensure this country's attractiveness as an investment destination.

Kuwait: The ongoing Kuwait Vision 2035-New Kuwait aims to transform Kuwait into a regional and international financial and trade hub, becoming more attractive to investors. Implementation of this vision continues with large-scale infrastructure and industrial projects, especially in Kuwait's underdeveloped north, and presents opportunities for foreign investors (MOFA, 2022). Moreover, despite opposition to FDIs, there has been a renewed push toward privatizing state assets in Kuwait in recent years, which is expected to accelerate in the upcoming period and is likely to attract foreign buyers. The government's refining and petrochemical expansion plans in the oil and gas sector also offer opportunities for foreign investors.

Malaysia: Malaysia is among the most attractive countries in the OIC Asian group as a location for investment and a base of operations. Malaysia needs a steady stream of inward investment to maintain its competitive edge, enhance the production value chains, shift from labor-intensive to more capital-intensive industries, and achieve high-income country status. The country's liberal trade regime and supportive investment policies, including reduced administrative obstacles associated with opening, operating, and closing a business, have attracted FDI into industries such as financial services, tourism, electronics, and the automotive sector.

The 12th Malaysia Plan for 2021–2025 (RMK12, 2021) focuses on attracting FDI from foreign companies that will facilitate market access as well as technology and knowledge transfer for domestic firms. The macroeconomic strategies of the Plan promote quality investment in producing high-value manufactured products and services, higher participation in the global value chains, and long-term fiscal sustainability. Malaysia has various national, regional, and municipal investment promotion agencies, including the Malaysian Investment Development Authority (MIDA) and InvestKL. Beyond attracting investment, Malaysia had made measurable progress on reforms to facilitate increased commercial activity.

Saudi Arabia: Saudi Arabia has decided to increase FDI inflows in recent years as part of Vision 2030, aiming at ending reliance on fossil fuels. Accordingly, in October 2021, Saudi Arabia launched the National Investment Strategy (NIS), aiming to increase the FDI inflows to $103.5 billion annually by 2030. The NIS target key sectors such as manufacturing, renewable energy, transport and logistics, tourism, digital infrastructure, and health care (Alfaiz and Abuljadayel, 2021).

NIS comes in addition to large-scale projects announced in 2018, including Neom ($500 billion), Red Sea, Amala, Qaddiya, and other projects. These projects constitute another strong base for the shift of the economy of Saudi Arabia from dependence on oil to reliance on tourism projects and new cities that rely on clean energy and new technology (Prideaux, 2021). As part of a campaign for economic diversification, in March 2021, Saudi Arabia launched a $1.3 billion private sector stimulus program Shareek, which aims to increase domestic investments of private sector companies. This program is also expected to attract more FDI (Escalonilla, 2021).

United Arab Emirates: As the most significant investor among the OIC countries, the United Arab Emirates also has aspirations to be a hub for foreign capital. The government prioritizes attracting foreign investment to promote non-oil sectors, generate employment for its citizens, and boost the country's global competitiveness. The new Commercial Companies Law took effect in January 2022, intending to boost FDI into the country by allowing foreigners to fully manage and operate their businesses in the United Arab Emirates. Previously foreigners required 51% local ownership to do business outside of free zones. The 100% ownership rule changes have also been accompanied by other reforms in the United Arab Emirates in recent years, aimed at making the country more attractive to foreigners, including legal and residency rights (Elliott et al., 2022).

The United Arab Emirates has pledged to become carbon-neutral by 2050. Already $163 billion worth of massive investments has been announced in green and renewable energy technologies, offering significant opportunities for foreign investors.

There are many opportunities and untapped potential to increase intra-OIC investments. However, many OIC countries shall perform better in establishing free and open investment regimes by removing investment barriers, facilitating the free flow of factors of production, and pursuing policies and actions that support the attraction and inflow of FDI from other OIC countries. Further, as proposed in policy recommendations, introducing new cooperation mechanisms under the umbrella of existing OIC institutions may enable much desired higher volumes of intra-OIC investments.

V.B Some potential cooperation areas

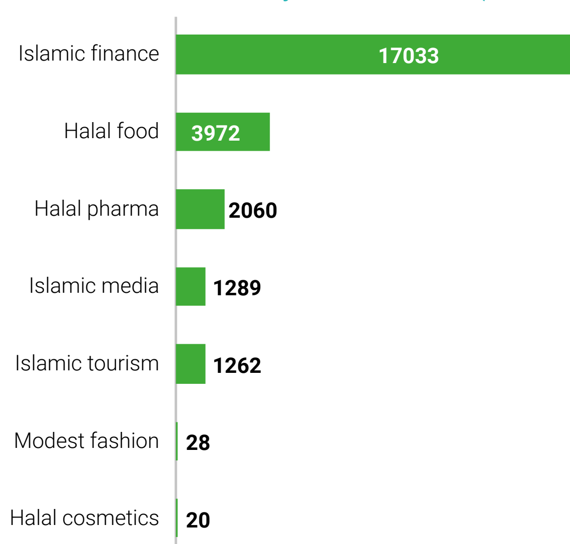
Foreign direct investments have the potential to play a productive role in the efforts of OIC countries to achieve sustainable development. However, attracting FDI is becoming increasingly difficult due to fluctuations in the world economy, the emergence of new technologies, types of investment, and increasing global competition for investment. Besides, as discussed in Chapter IV, the average investment climate in some OIC countries is not competitive enough and needs substantial improvements.

Therefore, OIC countries shall act together and scale up their efforts to coordinate efforts related to the investment reforms, improve conditions for investment, contribute to boosting member states' competitiveness, and agree on joint investment promotion instruments and activities. This subtitle will provide only a few ideas on possible cooperation areas between OIC countries, as detailed policy recommendations will follow in the next Chapter.

According to recent estimates, Muslims worldwide spent $2 trillion in 2021 across the food, pharmaceutical, cosmetics, fashion, travel, and media/recreation sector (Dinar Standard, 2022). Therefore, the rise of the Islamic economy or Halal industry could offer significant intra-OIC investment opportunities such as in Islamic finance, Halal tourism, modest fashion, and Halal cosmetics.

Figures from 2020 to 2021 provide a better understanding of the potential of this niche industry and its importance for the FDI landscape in the OIC countries. The Islamic economy has gradually seen a recovery since the pandemic began. As a result, investments in the Halal industry increased by 118% in 2020/2021 to $25.7 billion from $11.8 billion in 2019/2020. Islamic finance ($17 billion) was followed by Halal food ($3.9 billion) and Halal pharma ($2 billion) (Figure 5.2). The United Arab Emirates, Malaysia, Indonesia, Egypt, and Saudi Arabia were the top 5 countries in terms of the total value invested in the Halal industry.

Figure V.3: Investments in the Halal industry in OIC countries *(2020-2021, million $US)*

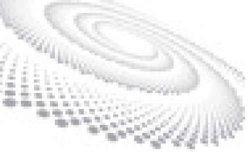


Source: State of the Global Islamic 20 Economy (2022).

Another alternative cooperation area could be related to mega FDI projects, which can play a pivotal role in transforming the FDI landscape of OIC countries. The mega projects substantially impact local economies, create significant job opportunities and generate added value for host economies (e.g., tax revenues). According to Site Selectors Guild (2022), mega projects typically share the following characteristics:

- An investment of more than $1 billion;
- The creation of hundreds to thousands of direct, indirect, and induced jobs;
- The considerable site and/or building requirements - for example, more than a million square feet of facility and/or hundreds of acres of land; and
- Large-scale utility and infrastructure requirements.

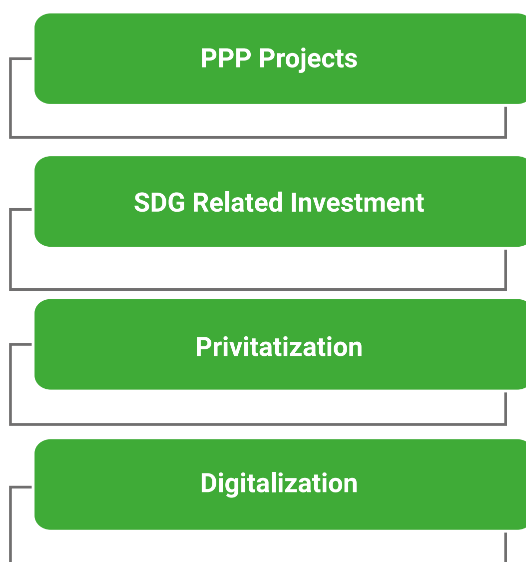
According to a survey conducted by Site Selectors Guild (2022), the respondents mentioned that the following sectors could most likely see mega FDI projects in the next few years: automotive and EV batteries industry (98%), followed by chemicals and petrochemicals (55%), data centers (45%), computer hardware manufacturing (43%), life sciences (36%) and aerospace and defense (33%).



The same survey also revealed that the availability of a skilled workforce (69%), sufficient land facility (67%), and utility infrastructure (40%) are the three top factors for foreign investors when selecting the host countries for their mega FDI projects. In this respect, mega FDI projects could help many OIC countries narrow down existing investment gaps rapidly and help them transform local economies if adequately planned. Yet, as proposed by the survey Site Selectors Guild (2022), OIC countries should level their field for mega FDI projects such as by allocating lands for some special economic development zones in logistically competitive regions of their countries (e.g., proximity to regional rail networks or ports) and upskilling labor force in specific sectors.

FDI could play an essential role also in supporting economies after the Covid-19 pandemic through financial support to their affiliates, assisting governments in addressing the pandemic, and through linkages with local firms (OECD, 2020). Moreover, Covid-19 triggered a wave of transformation in the globalization process. It is expected that there will be stronger regional value chains in the post-pandemic period rather than global value chains (UNCTAD, 2021). This will result in the offshoring and re-shoring of MNEs and FDI projects. OIC countries are expected to be affected by such changes. In particular, a set of trending factors at the global level will influence the pace and scope of changes in the FDI landscape like PPP projects, SDG-related investments, privatization projects, and digitalization (Figure V.4). Such emerging trends are expected to shape OIC countries' investment opportunities in recovery from the pandemic and post-pandemic periods. Some OIC countries have already started promoting concrete PPP and/or privatization projects through their IPAs to attract more foreign investors. In this respect, it is clear that identifying and promoting investment opportunities require a proactive policy stance. Nevertheless, global, regional, and national developments could influence this policy design and implementation process. Therefore, regular reviews of national investment policies in light of such global, regional, and national level socio-economic developments are a must for delivering successful investment attraction and promotion strategies.

Figure V.4: Trending investment opportunities in the post-pandemic era



Source: Author's visualization.

The OIC has several institutions and bodies that exert efforts to enhance intra-OIC cooperation. In training and capacity building related to FDI, in particular, IsDB Group, SESRIC, and ICDT play a pivotal role by organizing programs to upscale national agencies' capacities. In particular, IsDB's Investment Promotion Technical Assistance Program (ITAP) and ICDT's newly launched 'Investment Development Programme' are essential. The report is fully aligned with the second pillar of the IsDB's Regional Cooperation and Integration (RCI) Policy which is "Improving Investment Climate and Competitiveness to Promote Export-Oriented and Cross-Border Investment". The policy clearly states that IsDB will continue its efforts to mobilize and attract FDI, Foreign Portfolio Investment (FPI) as well as domestic resources and investments in its member states as means to promote RCI through its flagship programs, notably the ITAP. This program is also meant to build necessary technical capabilities and ensure that regulatory conditions are geared toward promoting investment amongst IsDB member states' IPAs and intermediaries to improve their investment climate while safeguarding national interests that contribute to their sustainable development (IsDB, 2020).

The IsDB Group offers additional solutions to support investment, including three specialized private sector institutions mandated to support investments and trade in member states:

1. The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), which is an embodiment of IsDB's support for investment in its member states through its investment insurance services offered to local and international investors to mitigate their political risks when investing in ICIEC's members. A piece of brief information on the importance and functions of ICIEC is summarized in Box V.1.
2. The Islamic Corporation for the Development of the Private Sector (ICD) is the IsDB's private sector development arm. ICD has been established to support the economic development of its member states through the provision of finance for private sector projects, promoting competition and entrepreneurship, providing advisory services to the governments and private companies, and encouraging cross-border investments. Private sector lines of the financing supplied by ICD ensure that the financial inclusion of M/SMEs is also addressed.
3. The International Islamic Trade Finance Corporation (ITFC) IsDB Group's trade finance arm plays a crucial role in the provision of Islamic trade finance to facilitate the integration of domestic markets with global trade.

Moreover, the IsDB Group Business Forum (THIQAH) was established as a unique and innovative platform for effective dialogue, cooperation, and partnerships for IsDB Group and business leaders committed to joining in promising investment and trade opportunities. Through THIQAH, the IsDB Group seeks to reinforce the effectiveness and success of the partnerships that have been forged between the Group and business leaders and establishments in the member states (THIQAH, 2021).

The Islamic Chamber of Commerce, Industry and Agriculture (ICCIA) also plays an essential role in mobilizing the private sector, which is crucial in increasing intra-OIC investment. ICCIA offers networking events among chambers of commerce of OIC countries and promotes various trade and investment opportunities by undertaking many research studies.

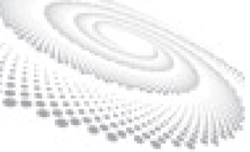
In a nutshell, OIC and its institutions have a lot to offer in the promotion/facilitation of investment. In this regard, OIC countries need to exert more efforts to benefit from the available programs and services that could help them attract more FDI from OIC countries and improve their capacities, such as the collection of FDI statistics, FDI promotion, and facilitation techniques.

Box V.1: ICEC and investment insurance & strategies in OIC countries

ICIEC, an entity of IsDB Group, provides support to OIC countries and offers several products that suit their needs. The key beneficiaries of these services are exporters, financial institutions that support exporters, and companies that want to attract foreign investment for new projects or the expansion of old projects. ICIEC's Shariah-compliant risk mitigation products address the needs of exporters and investors to shelter them from a wide range of non-payment risks related to cross-border transactions. It is not easy to predict where risks will come from. Insurance coverage, therefore, gives companies peace of mind, allowing them to maximize their export business volumes and invest in unknown markets. In addition, coverage is crucial for access to financing. ICIEC has a full product suite, including short-term whole turnover insurance (up to one year) and specific risk insurance.

Foreign investment insurance is key to the economies of OIC countries. Whether by perception or reality, overseas investors have a bulk of concerns. To address these fundamental issues, ICIEC has the necessary tools to insure standard political risks, non-honoring of sovereign guarantees, and breach of contract in these markets. Here, it is not only ICIEC's insurance capacity that benefits the client but the implicit support of its parent bank, IsDB, and the support of first-class global reinsurers in Europe. In the same vein, ICIEC can provide reinsurance to national ECAs of member states through an inward quota share treaty, thus leveraging the insurance capacity of the national institution. Lastly, as a founding member of the Aman Union, ICIEC fosters international cooperation among OIC ECAs, which is vital given their relatively brief history such as in the domains of technical training for staff, pooling and sharing credit information, cooperation on transactions and business opportunities, development of automated tools for management and processing of credit and investment insurance.

Source: ICIEC et al. (2017)



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CONCLUSIONS AND POLICY RECOMMENDATIONS

Conclusions and Policy Recommendations

FDI fosters sustainable development and triggers economic growth. It is an essential enabler of globalization. However, not all OIC countries could attract a significant amount of FDI and benefit from its potential positive effects on host economies. OIC countries have common challenges regarding the investment climate that affect foreign investors' decisions like trade barriers, human capital shortages, quality of institutions, and infrastructure. Yet, they have unique advantages like natural resources, the high share of the young population, growing purchasing power, and geostrategic importance that make them attractive for new FDI projects.

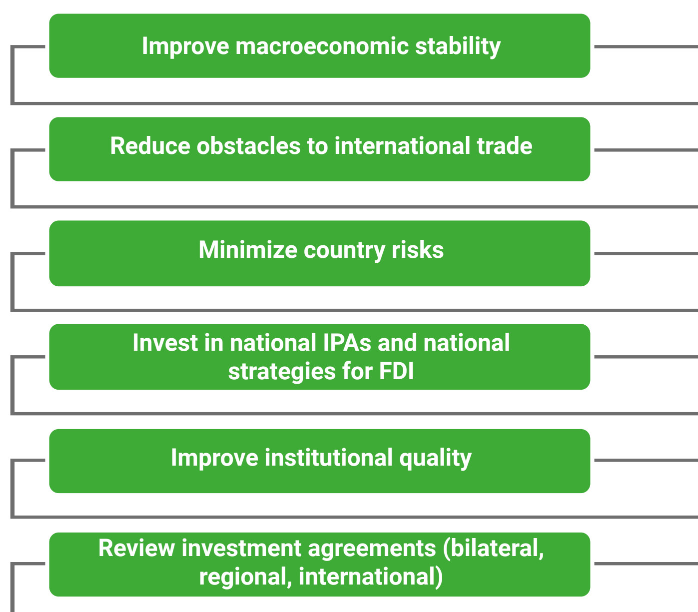
There are wide disparities among OIC countries in attracting and retaining FDI, including across sectors. In addition, only a few OIC countries have attracted significant investments beyond the extractive industry that bring new technologies and potentially move up host economies on the global production ladder. Therefore, the recommendations on FDI policies for OIC countries can be grouped under the following four broad dimensions:

- Policies to attract more FDI
- Policies to maximize the impact of FDI on sustainable development
- Policies to guide outward FDI
- Policies to enhance Intra-OIC FDI

Policies to attract more FDI

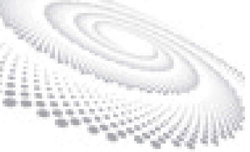
The analysis in this report reveals that many OIC countries' investment policies and climate have shortcomings that include some inconsistencies and weaknesses. Addressing these challenges is essential to put the OIC economies on a sustainable and inclusive growth path. Policies to attract more FDI has several dimensions summarized in Figure VI.1.

Figure VI.1: Policies to attract more FDI



Source: Author's visualization.

First and foremost, improving macroeconomic stability is essential to attract more FDI. Investors look for stable environments where predictability is high. Reducing obstacles to international trade is vital for foreign investors as they export and import significantly, given their linkages with regional and global supply chains. Further, expecting more FDI in economies where country risks are high is unrealistic. Countries that minimize country risks by improving institutional quality and political stability tend to see a surge in FDI inward flows. In the FDI policies landscape, IPAs play a vital role. However, IPAs of many OIC countries still do not have a robust institutional setup and operate with a minimal budget and staff. These challenges reduce their investment promotion and



facilitation efforts. In many cases, they cannot provide multilingual support and participate in international fairs, investment roadshows, and conferences due to budgetary limitations and cumbersome bureaucracy (within various public agencies). Their legal and operational status also needs regulatory improvements in many OIC countries, such as giving them more authority in investment promotion or negotiations with potential investors.

A better institutional quality enables more FDI entries. Yet, many OIC countries struggle to provide a high-quality institutional setup conducive to doing business and investment reflected by various global indices like the World Bank's Ease of Doing Business Index. Despite some progress, OIC countries still need to exert more effort to address challenges that deteriorate institutional quality.

Reforms to increase the quality of institutions require a holistic approach and interagency coordination at the national level. Some OIC countries have shown considerable progress in a short time, like the United Arab Emirates and Nigeria, in terms of improving the institutional quality given their top-level political will. These examples highlight that with proper policies, overall institutional quality can be significantly enhanced, which leads to a more attractive investment climate. More detailed policy steps on ways of creating a more favorable investment climate to facilitate FDI are listed by UNCTAD (2016) (see box VI.1).

In the FDI landscape, investment agreements are essential to convince foreign investors. In addition to bilateral investment agreements, regional and international agreements have become more critical given the nature of FDI projects. Reviewing these investment agreements is a must for OIC countries to find out problems and outdated provisions, align them with international developments and make them more effective and pro-development. In this context, OIC's Agreement on Promotion, Protection and Guarantee of Investments amongst the Member States of the OIC (1981) needs to be revisited and updated to cover new developments in the global and regional contexts.

Box VI.1: How to facilitate FDI?

UNCTAD's Global Action Menu for Investment Facilitation - Action Line 3 includes the following points aimed at creating a more favorable business and investment environment to facilitate investment:

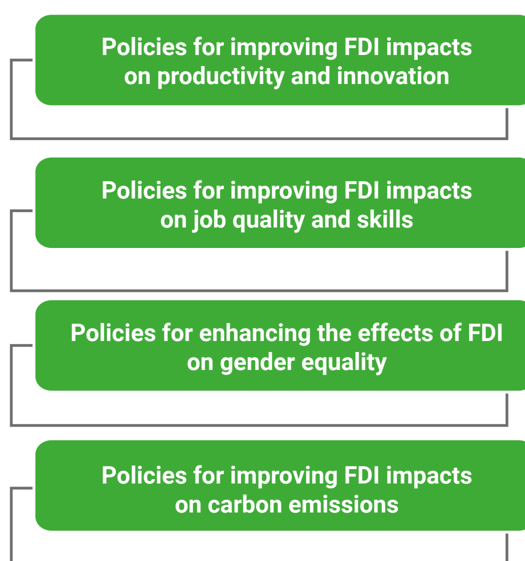
- Shorten the processing time and, where appropriate, simplify procedures for investment and license applications, investor registration, and tax-related procedures.
- Promote the use of time-bound approval processes or a "no objections within defined time limits" approach to speed up processing times, where appropriate.
- Provide timely and relevant administrative advice; keep applicants informed about the status of their applications.
- Encourage and foster institutional cooperation and coordination. Where appropriate, establish an online one-stop approval authority; clarify roles and accountabilities between national and local government or where more than one agency screens or authorizes investment proposals.
- Create "client charters" in investment agencies that define service delivery standards and good practices.
- Keep the costs to the investor in the investment approval process to a minimum.
- Facilitate, within the framework of relevant legislation, the entry and sojourn of investment project personnel (facilitating visas, dismantling bureaucratic obstacles).
- Simplify the process for connecting to essential public services infrastructure.
- Conduct periodic reviews of investment procedures, ensuring they are simple, transparent, and low-cost.
- Establish mechanisms to expand good administrative practices applied or piloted in special economic zones to the broader economy.

Source: UNCTAD (2016).

Policies to maximize the impact of FDI on sustainable development

More investment is not enough. It must also be beneficial to host economies and societies as a whole by supporting their sustainable development. Tapping the sustainable development potential of FDI requires a set of policies that could allow foreign investors and FDI to generate more benefits for stakeholders (Figure VI.2). These policies should be related to improving FDI impacts on productivity and innovation, improving FDI influence on job quality and skills, improving the effects of FDI on gender equality, and improving FDI impacts on carbon emissions, as summarized in OECD (2022) on FDI Qualities Policy Toolkit. A set of detailed action points are listed within each policy direction by OECD. Most of these policy directions are relevant for OIC countries. Yet, policymakers need to consider the local context and status of development in OIC countries in shaping these policies.

Figure VI.2: Maximizing the impact of FDI on sustainable development



Source: Author’s visualization.

Policies to guide outward FDI

Several OIC countries have started to seek and explore investment opportunities worldwide. Still, many policies are required to align outward FDI with national development priorities. This is essential to ensure that outward FDI does not harm home economies and generates benefits such as increasing tax revenue or volume of international trade. To this end, OIC countries should carefully examine and identify priority sectors for outward FDI that best serve the nation’s broader interests. Following this, policies should provide some strategic direction and guidance on outward FDI by extending some types of incentives. In this process, policymakers should be open to dialogue with companies and commit to regional and international agreements to better guide investors for their outward FDI projects.

Policies to Enhance Intra-OIC FDI

FDI policies in OIC countries should be supportive of existing mechanisms for boosting intra-OIC investments. Adopting this perspective to national FDI policies could bring a set of benefits to member states. Increased collaboration and coordination in investment policies at the OIC level could not only facilitate and reinforce domestic actions to develop an enabling environment for investment but also facilitate the development and re-enforcement of best practices across OIC countries.

Member states should enhance intra-OIC FDI cooperation by mutually promoting and marketing investment opportunities. For example, intra-OIC infrastructure investment can benefit from an OIC-level policy approach. In this way, outward FDI investments from OIC countries could be directed more towards other host OIC countries.

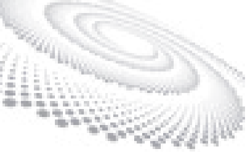
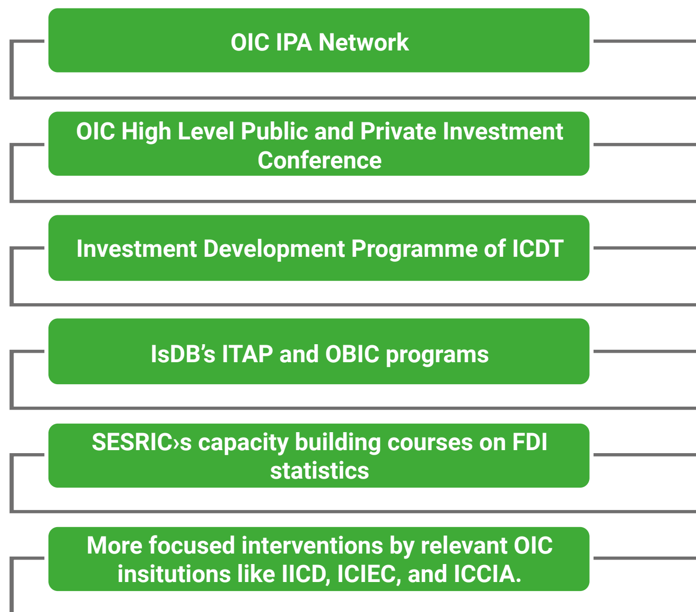


Figure VI.3: Policies to enhance intra-OIC FDI



Source: Author's visualization.

OIC countries should benefit from the activities and programs of all relevant OIC institutions like ICDT, ICD, ICCIA, SESRIC, and ICIEC (Figure VI.3). Having a permanent mechanism to foster dialogue and network among OIC IPAs could bring in benefits such as identifying common problems and exchanging good practices among them. The OIC's High Level Public and Private Investment Conference could serve as a high-level platform to address common challenges and develop joint responses on emerging trends in FDI. Nevertheless, some promising programs and initiatives of the OIC institutions need to be scaled up. For instance, the Investment Promotion Technical Assistance Program (ITAP) of the IsDB played a pivotal role in training hundreds of investment professionals from the IPAs of OIC countries. The IsDB could enhance the program's scope to give it a more regional perspective by regularly organizing activities on all OIC sub-regions on selected topics.

ICDT and IsDB Programs for OIC IPAs will contribute to enhancing and attracting intra-OIC investment flows (IPAs Forums and capacity building, OIC Investment Forum at the national and regional levels of ICDT on the sidelines of fairs and expos). Moreover, the edition of the Annual report on investment climate and opportunities will further facilitate delivering the strategic products and services of ICDT.

The OIC Business Intelligence Center (OBIC) could benefit potential investors and policymakers once it starts its operations by providing business intelligence services for OIC countries in collaboration with ICDT and SESRIC. Further, SESRIC's training courses could help OIC countries better collect and report FDI statistics at international standards. Moreover, high-quality FDI statistics could enable policymakers to make evidence-based decisions.

As the global FDI landscape is dynamic, new needs and expectations arise over time. For example, with the outbreak of the Covid-19 pandemic, many IPAs could not utilize traditional tools for FDI promotion. Instead, they have started to use digital tools. In this respect, OIC institutions should be more proactive by developing new programs and undertaking more focused interventions to address new challenges and emerging trends in FDI.

Besides the measures recommended above, the following initiatives and activities could be supportive in boosting intra-OIC investments:

Establishing the OIC investment sub-committee under the auspices of the Standing Committee for Economic and Commercial Cooperation (COMCEC): The overall role of the investment sub-committee shall be to improve conditions for investment and boost OIC countries' competitiveness. The sub-committee shall provide a platform for the OIC countries to coordinate efforts related to the investment reforms and agree on a set of joint investment promotion instruments and activities. In this regard, OIC countries could exchange information about their laws and regulations regarding foreign investments and any investment opportunities.

Collecting investment-related data and launching a dedicated web page: Promoting intra-OIC investment data collection by adopting a template for a preferred set of information to be collected. Accordingly, establishing a dedicated web page on OIC investment data and investment projects.

Enhance training programs for investment promotion agencies: Separate training programs shall be designed for experienced investment promotion professionals and those new to the profession. The objective is to improve the capacities of investment promotion agencies to perform their duties better by getting insight into best practices and successful approaches and enhancing professional competencies and practical techniques.

Initiating development of the joint regional brands/products in the priority sectors: Promotion of joint investments among the OIC countries' business community in different sectors by strengthening their brand awareness. The agri-food industry, automotive industry, textile industry, tourism, and ICT are areas in which business people are expected to be inspired to act together, given the potential of these sectors for developing value chains.

Identifying the most successful SMEs in OIC countries and creating a platform for them to network with each other: Identifying the ten fastest-growing companies from each OIC country and bringing them together to network and become more internationalized.

Providing training support to SMEs with the interest and potential to access international markets: Organizing training for SMEs to address gaps in international business strategy, e-marketing, global supply chain management, and creativity and innovation. Improving SMEs' managerial skills, ensuring their compliance with international standards, and accelerating higher-quality production.

Organizing networking events, start-up weekends, and joint incubation centers: Undertake actions for building and strengthening connections among the young entrepreneurs of OIC countries by organizing networking events, start-up weekends, and joint incubation centers. Establishing cooperation in business development and partnerships during commercialization stages.

Fostering the public and the private sectors to work together in identifying the existing obstacles to investment: Promoting a partnership between the public and private sector in identifying investment obstacles, thus providing the business community with a voice in communicating investment barriers to the public sector. The final objective shall be to detect the existing obstacles with the direct contribution of the private sector and develop appropriate measures to eliminate the barriers to investment.

Promoting multilateral business schemes between OIC countries and third parties. Identifying the priority sectors, third countries, and value chains that are conductive for multilateral business cooperation. Holding matchmaking events to bring together OIC companies and those from selected third countries.

Ensuring pro-innovation regulations and governance adaptive to the digital age: Initiating meetings between innovators and regulators to enable (1) innovators and regulators to reach a mutual understanding of how new technologies and innovations can be progressed in existing regulatory frameworks, (2) determine ways on how to help innovators who currently face a regulatory barrier, and (3) exchange of views and seeking common ground before international activities.

Promoting investment in agriculture as a prerequisite for long-lasting food security: Promoting policies that enhance investment in agriculture. Directing more intra-OIC investments in the agriculture sector.

Stimulating energy infrastructure development: Developing investment plans based on robust estimates of future demand and consistent with obligations under international treaties and agreements. Implementing joint projects, including on-grid modernization, renewables, and new technologies.

Making the tourism sector more resilient: Reinforcing ties among tourism training institutions to facilitate the exchange of experts and best practices on increasing the quality and safety of services in the tourism sector.

Developing programs supportive of diaspora members willing to start a business in their countries of origin: Providing support to develop a strategic framework for diaspora engagement and investment in the homeland. Sharing good practices in providing technical assistance and business consulting services to potential diaspora investors. Promoting joint business development with the engagement of investors from the diaspora.

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