Speech of DG of SESRIC at the High-Level International Investment Agreements Conference

19 July 2016, Nairobi, Kenya

Distinguished Delegates,

Ladies and Gentlemen,

At the outset, I would like to thank the UNCTAD for extending SESRIC an invitation to attend and deliver a speech on International Investment Agreements (IIAs) Reform during the High-Level International Investment Agreements Conference here in Nairobi, Kenya on the margins of the World Investment Forum 2016.

The positive role of foreign capital investment has long been acknowledged, both theoretically and empirically, in the voluminous literature on economic growth and countless development experiences. In addition to domestic savings as a major source of financing massive investments, access to foreign sources of capital also plays an increasingly important role.

Long-term foreign investment, in particular foreign direct investment (FDI) flows, became an instrumental complementary element in the national development efforts of many developing countries, including the OIC members. FDI flows have the potential for creating employment, increasing productivity, attracting new technologies and expanding trade capacity.

OIC member countries benefited from the worldwide positive trends seen in FDI flows directed to developing countries over the last decades. According to latest figures, total FDI inward stocks in OIC member countries reached US$ 1.8 trillion in 2014, represented 7.3 % of the world total FDI stocks, where it was only 3.7 % in 2002.

Despite having this positive outlook, the performance of OIC member countries in attracting FDI flows is below their potential as hosting about one-fourth of the total world population endowed with rich and diverse energy sources. The modest performance of OIC member countries in attracting FDI requires a new IIA setting and improved investment climate.

Distinguished Delegates, Ladies and Gentlemen,

In the wake of the global economic crisis, decisive structural reforms are essential to boost potential output and productivity across OIC member countries. Structural reforms can help to increase domestic demand, allow for attracting more foreign capital, improve national competitiveness and support sustainable development. To this end, one of the structural reform areas that OIC member countries need to concentrate is ‘international investment setting’.

At the individual OIC member country level, according to the International Investment Agreements Navigator Database, OIC member countries in total signed 1736 Bilateral Investment Treaties (BITs) and 524 other International Investment Agreements (IIAs). As one of the pioneering regional investment agreement that was adopted in 1981 ‘Agreement for Promotion, Protection and Guarantee of Investments among OIC Member States’ came into force in 1988. To date, this agreement has been signed by 30 OIC member countries and ratified by 24.

In the light of ‘structural reform needs’ both at the national and OIC levels, it is timely for OIC member countries to review this agreement with a view to align it with the new IIAs reform understanding as well as Sustainable Development Goals (SDGs). In this context, I truly believe that maintaining the cooperation between the UNCTAD and OIC institutions are important where the UNCTAD’s previous studies on ‘IIA reform’ and ‘investment policy framework’ would enlighten discussions in the review process of the OIC Investments Agreement.

As you may know that, since 2012, at least 110 countries have reviewed their national and/or international investment policies worldwide. Concerns of countries/organizations for updating their IIA models is to include provisions safeguarding the right to regulate, including for sustainable development objectives, and provisions aimed at minimizing exposure to investment arbitration. Several OIC member countries also have undergone this IIA review process. The OIC member countries which have recently reviewed their IIAs regimes include Azerbaijan, Egypt, and Indonesia. The experience of such OIC member countries in the review process of their IIAs regimes may be useful for other OIC member countries as well. In this regard, I would like to express here that as SESRIC, one of our mandates is to provide training and capacity building programmes for the benefit of OIC member countries. In this context, we stand ready to cooperate with UNCTAD in developing such programmes for the benefit of OIC member countries.

Distinguished Delegates, Ladies and Gentlemen,

At this point, I would like to highlight that while reviewing the IIA setting one of the major concerns of countries/organizations should be making the new IIA setting supportive of SDGs. As of 2016, millions of people across the globe still could not enjoy the potential benefits of 'international investments'. On the contrary, hundreds of thousands of people lost their local jobs and faced with some environmental challenges such as decrease in the water quality and increase in emission gas levels stemming from foreign direct investment that took place in their cities and towns.

As 21 members of the OIC are listed in the group of the least developed countries, alignment of the IIA reform and SDGs is very critical. In this regard, the new IIA setting should support sustainable development goals by facilitating SDG investments through investment insurance and guarantees, and shifting the mindset of governments' on location based investment incentives to SDG-based incentives where the development impact of investment is to be considered. As almost all developing countries suffer from underinvestment into infrastructure to reach SDGs, the new IIA setting should also be supportive of regional infrastructure development projects where more than two countries need to work together in the same project. Therefore the new IIA setting should foresee major potential dispute areas in multilateral or regional projects and should offer measures and mechanisms to prevent them.

Distinguished Delegates, Ladies and Gentlemen,

I would like to mention briefly some of the recent initiatives of SESRIC in the area of investment related to our mandate mainly on improving national statistical systems, undertaking research on socio-economic issues and organizing necessary training and technical cooperation programmes to enhance national development plans of member countries.

SESRIC is glad to share that a Memorandum of Understanding (MoU) was signed with the Islamic Centre for Development of Trade (ICDT) this year for the purpose of establishing a framework for cooperation on trade and investment. On the other hand, during the OIC-UN cooperation meeting held in May 2016 in Geneva, SESRIC agreed to partner with UNCTAD together with ICDT to support the investment activities including the World Investment Forum and especially this conference.

In this context, SESRIC is pleased to announce that it will partner with the UNCTAD, the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) a member of the Islamic Development (IDB) Group and the ICDT for the 2017 Annual training course on IIA Reform for OIC member countries that will be held in Marrakesh, Morocco.

SESRIC will be glad to support the UNCTAD's Work Programme on IIAs which promotes international investment rules that effectively foster sustainable development and inclusive growth.

On the other hand, in line with the recommendations of the first Forum of Investment Promotion Agencies (IPAs) of the OIC Member States held in Riyadh, Saudi Arabia, in May 2016, SESRIC is ready to contribute developing capacity building, research and development, knowledge economy, technology and innovation and experience-sharing programmes to be implemented through and effective networking among the national Investment Promotion Agencies in the OIC Member States in collaboration with the relevant stakeholders.

Such programmes will enable IPAs and relevant stakeholders to learn trends, identify key emerging issues and gain insight into IIAs from a sustainable development perspective. These may include trainings, seminars and workshops to strengthen the capacity of national IPAs in managing the different aspects and issues of the IIA regime. Furthermore, SESRIC would work to facilitate sharing of best practices and experiences with a view to enhancing the negotiating skills and investment governance of OIC member countries' negotiators.

In agreement with the abovementioned partnerships, SESRIC is also one of the key stakeholders of developing featured databases on investment in the OIC countries, including information on foreign direct investment flows in OIC Member States again in collaboration with ICDT and ICIEC. Additionally, SESRIC is ready to organize joint statistical capacity building activities on the impact of IIAs on FDI flows.

Given this state of affairs, this Conference is timely, and addressing a very important issue for OIC member countries. I am confident that the deliberations and discussions in this Conference will contribute positively the reform process of IIAs and will help to increase their alignment with SDGs significantly. As we all look forward to the successful outcome of this Conference, I wish you all the success.

Thank you for your kind attention.