



Islamic Organization
for Food Security

Mangilik Yel ave.
55/21 AIFC, unit C4.2
Nur-Sultan, 010000
Republic of Kazakhstan

l'Organisation Islamique pour
la Sécurité Alimentaire

Mangilik Yel ave.
55/21 AIFC, unité C4.2
Nur-Sultan, 010000
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المنظمة الإسلامية للأمن الغذائي

AIFC, unit C4.2
21/55 Mangilik Yel
010000
بنائة
نور سلطان
جمهورية كازاخستان



info@iofs.org.kz tel: +7 (7172) 99-99-00 fax: +7 (7172) 99-99-75 www.iofs.org.kz

AGRI-FOOD TRADE AND INVESTMENT PROMOTION.

NATIONAL FOOD SECTORS DEVELOPMENT IN COOPERATION WITH STATE INVESTMENT AGENCIES

DRAFT CONCEPT NOTE

Introduction

The state of the agro-industrial complex, the availability of a sufficient amount of food, food safety, the affordability of prices for agricultural products for the population are the main factors of food security. According to the UN forecast, by 2050 the world's population will grow to 9.7 billion people. To provide food for all this population, agriculture must become environmentally friendly and technically equipped.

The key problems of the agro-industrial complex in OIC countries can be considered low investment activity and attractiveness, technical equipment, the financial instability of agricultural producers, the impact of climatic conditions.

Agriculture is part of the agro-industrial complex and includes many industries. Each industry has its own problems and complex measures are needed to address these problems. For example, crop production problems are unfavorable climatic conditions and weight loss from mold and rot during storage. The problems of animal husbandry include the lack and shortage of feed. In 2020, the poultry industry in many countries is faced with the global problem of bird flu. Based on this, we can conclude that the agro-industrial sector needs support, including by attracting investments. Solving the problems of the agro-industrial complex is the basis for ensuring food security.

2. With the advent of the Islamic Organisation for Food Security (IOFS), which Statute was adopted by OIC Council of Foreign Ministers (CFM) on 11 December 2013, the task of intra-OIC trade relations in the agri-food sector has now devolved upon this OIC specialised institution. Trade and investment always goes tandemly. Accordingly, all the multilateral instruments would now be applicable for the purposes of promoting trade and investment cooperation among its member states in the domain of agriculture, rural development and food security.

3. This Concept Note would guide the activities of IOFS on investment promotion within the realm of agri-food, using the basic tools already agreed upon by OIC, while also drawing from global best investment practices and facilitate joint work with state investment agencies.

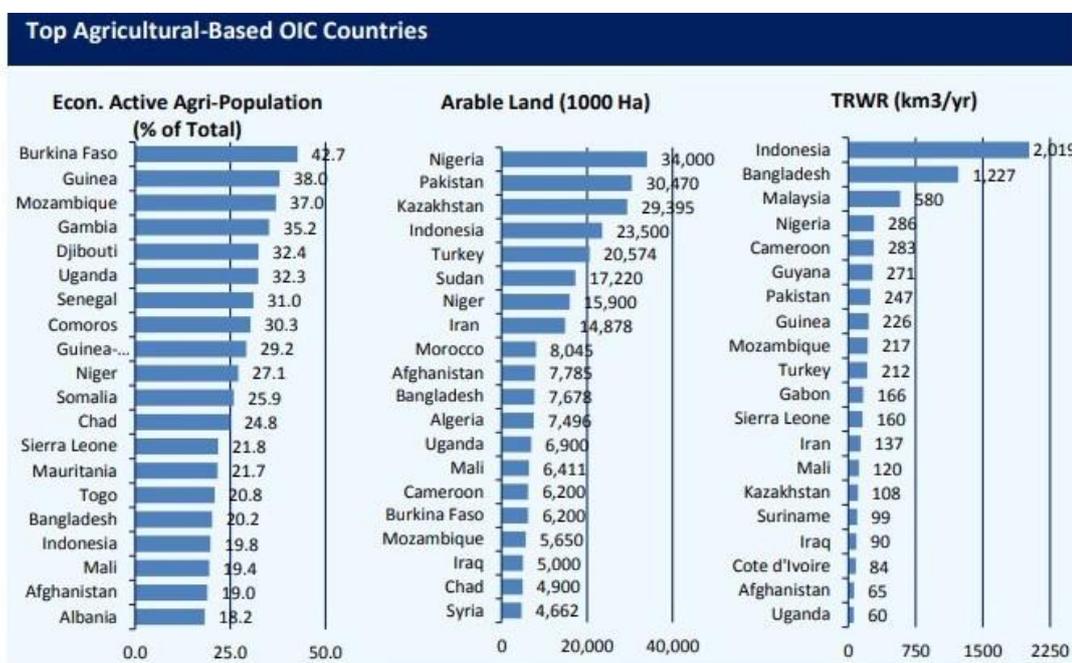
Agriculture and Investment

4. Investments in agriculture have their own characteristics, as they have a long payback period. However, at the same time they lead to ensuring sustainable economic growth of the state as a whole. In this connection, investment support for agriculture is necessary both to support agricultural producers and for food security in OIC countries. Investing in agribusiness will improve food security by increasing their production, reducing losses and increasing income.

As we all know, the many OIC least-developed and low-income agricultural-based countries where, due to limited financial resources, both domestically and in terms of Foreign Direct Investment (FDI), the inherent agricultural potential of these countries does not manifest itself in the form of reasonable levels of agricultural development and food security, where most of them are still classified as least developed countries with high levels of undernourished people. Therefore, intra-OIC investment in agricultural projects should be encouraged, particularly in the agricultural-based member countries to increase agricultural productivity and/or extension of arable land through the supply of improved seeds, fertilizers, agricultural machinery and modern irrigation systems as well as through the development of agriculture-related infrastructures and processing of agricultural raw commodities, particularly food products with the aim of establishing agro-based industries to improve the state of food security at the OIC regional level.

OIC MCs with Higher Agriculture Potential

5. Some OIC countries, particularly the GCC member countries, have been seeking investment opportunities in the agriculture sector in some OIC least-developed agricultural-based countries. In order to promote and encourage such intra OIC investment, OIC countries with high potential in agriculture sector, particularly in terms of agricultural labor force, arable land and water resources are needed to be identified to ascertain their potential for encouraging intra-OIC investment in agriculture sector. For this purpose, the following Figure attempts to highlight and evaluate the OIC countries with most potential to attract intra-OIC investment into the agricultural sector.



Source: Food and Agriculture Organization (FAO) FAOSTAT and AQUASTAT Online Databases, SESRIC Staff analysis

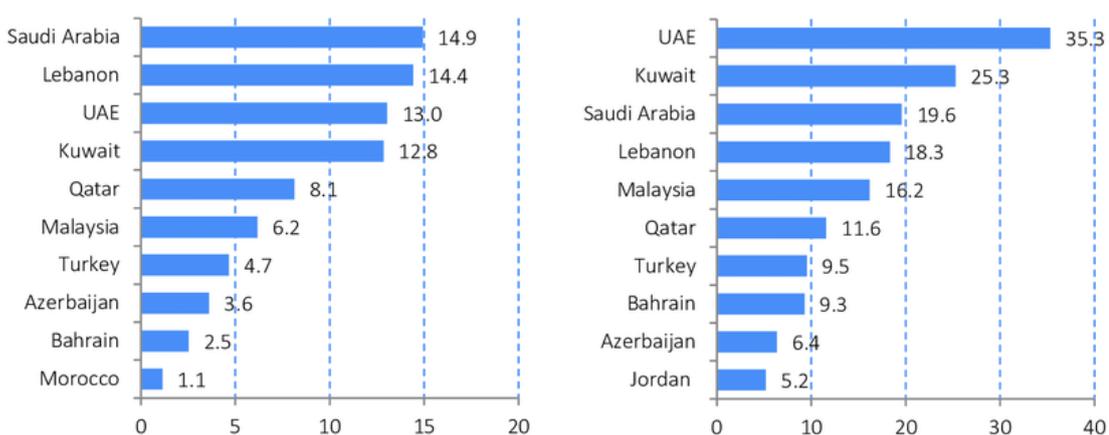
It is clear that 36 OIC countries (19 of them are least-developed countries) enjoy high potential at least in terms of one of the three-mentioned agricultural resources. These countries could in general be considered as the OIC agricultural-based member countries. This information highlights the

OIC countries that could be targeted for intra-OIC investments in the agriculture sector. In the light of such information, it could be possible to suggest to which member countries intra-OIC investments should be directed and promoted¹.

Paucity of Intra-OIC and Foreign Direct Investments

6. The role of FDI in fostering economic growth, industrialization, employment generation and wealth creation in OIC member states cannot be over-emphasized. This is given the need to complement available local resources within the OIC, which has twenty-two of its 57 member states belonging to the least developed countries. However, efforts must be intensified at both local, national and regional levels to attract foreign direct investments to OIC member states, which accounted for only 13.9% of the world figure in 2018. This unfavorable situation is also compounded by the steady dwindling of Official Development Assistance flows to OIC member states from developed countries.

7. Attracting FDI to OIC member states requires the provision of enabling policy, legislative, institutional and financial environments at all levels, including local, national and regional levels. To this end, the OIC Agreement on Promotion, Protection and Guarantee of Investment was approved in 1981 and has continued to address the various issues bearing on investment promotion and protection, in line with global standards. This includes the existing ad hoc mechanism for settlement of investment disputes, which is vested in the OIC Secretary-General and the on-going efforts at establishing a permanent dispute settlement mechanism.



Source: UNCTAD STAT.

Top OIC Countries in terms of Intra-OIC FDI Outflows (left) and Outstocks (right) (US\$ Billion), 2010-2014²

8. In addition to the foregoing, the role of the Private Sector is very crucial to fostering investment and access to credits. The public-private partnership can be greatly developed, given a transparent investment climate with clear regulatory framework on the national front. The various companies offering advisory services can generate the confidence required for investment flows. The introduction of Sukuk and other Sharia-compliant financial instruments would stimulate growth

¹SESRIC Agriculture and Food Security in OIC Member Countries, 2016, pg.82 and 83

²UNCTAD, 2017.

in the financial sector, even as private resources, new crowd-funding mechanism, and rural credit funds are channeled into the productive sector. One of the important institutions for attracting investment to OIC member countries are state investment promotion agencies.

State investment promotion agencies and empowerment in OIC countries

9. Investments crossing international state borders are essential for the advancement of economic and social integration all over the world. Investment Promotion Agencies (IPAs) play an important role in attracting these investments, as they are often the public face of governments seeking to promote economic and social development. IPAs are generally instrumental in negotiating investment treaties and concluding investment contracts. Consequently, they also manage investment relationships through after care services. In recent years, The World Association of Investment Promotion Agencies (WAIPA) has witnessed an ever-growing flow of FDI from developed into developing countries, although slightly declining in the last year.

In addition, FDI from developing economies to other developing economies, the so-called South-South investments, also gained in importance, creating beneficial spillovers globally, thus contributing directly to welfare and prosperity³.

10. A closer look at examples of IPAs from OIC countries. On the one hand, we will look at an IPA that changed both structure and name after the initial IPA was not efficient enough. In the second example, we will describe the strategy and methodology of a fully functioning IPA.

- Therefore, following the suggestion of the OECD, a plan was established to create a clear strategy and coordination: First, the development of a national strategy for investment attraction; second an upgrading of the status of the IPA to the national company for investments “KAZAKH INVEST”; third the preparation of investments projects in accordance with international standards; and fourth the development of industrial infrastructure that included special economic zones and industrial zones. The careful consideration of all factors resulted in assigning a powerful mandate to KAZAKH INVEST, which became the single negotiator with high rank decision authority to provide services and coordinate projects in the field of national investment promotion. KAZAKH INVEST also underwent restructuring in terms its reporting line and was placed under the direct authority of the Prime Ministry of Kazakhstan⁴.
- An example of how a well-functioning and efficient IPA should be structured is the Investment Support and Promotion Agency of Turkey (ISPAT). ISPAT mainly built its strategy on three pillars: a) assessing Turkey’s investment needs, b) targeting sectors that will meet Turkey’s investment needs and c) promotion strategy. The vision is to be a first-class IPA as a knowledge-center on all stages of investment, a bridge between the private sector and the Turkish government, and a solution partner to investors and the leading business advisory body of Turkey. Additionally, medium and long-term strategic objectives were defined, e.g. building a positive image; becoming a reliable partner; proactive promotion of strategic priorities; proactive engagement with business expansions and retention of foreign investors in Turkey and lastly adopting an aggressive stance of policy advocacy to improve investment climate and promote FDI in Turkey³.

³Joint Publication between ICIEC, SESRIC and WAIPA, pg.62, 64, 66

⁴OECD, 2017.

- General Authority for Investment & Free Zones (GAFI), this is IPA of Egypt. Agriculture is the mainstay of the economy. The sector employs about 21.4% of Egypt's employees in 2018, which is the highest economic sector share in employment. A high priority is to make Egypt 75% self-sufficient in wheat within the next ten years. The 1.5 million acres project aims to increase the cultivated area. Important to note, Investors Services Center (ISC) of GAFI eases the way for global investors looking to harness opportunities presented by Egypt's fast-growing domestic economy and the nation's robust competitive advantages as

an export hub for Europe, the Arab world and Africa. It also helps FDI to obtain all necessary National and Local approvals to facilitate a fast start-up of operation in Egypt. Gathering representatives from 47 ministries and government agencies authorized to provide all necessary licenses and approvals required for the establishment of businesses. In this regard, the mission of GAFI is crucial⁵.

IOFS agricultural development and food security via investment promotion

11. In line with WAIPA report and its above suggestions regarding an important role of IPAs in attracting investment, there are needs closely to work with IOFS enabling the creation of these additional linkages as well as steering and assisting IPAs to reach their full capacity and be the global reference point for FDI.

In this regard, on 16 September 2020, a Memorandum of Understanding was signed between IOFS and KAZAKH INVEST, where special attention was paid to the optimal use of investment operations to support sustainable agricultural development with an emphasis on the agroindustry and agricultural technologies through International Islamic Food Processing Association (IFPA). The IOFS considers Kazakhstan (KAZAKH INVEST), Turkey (ISPAT) and Egypt (GAFI) as pilot countries to promote investments and the phased implementation of the rest of the OIC member countries.

IOFS truly believes, that agricultural development and food security in OIC countries can be improved by increasing agricultural output, particularly food products, through either increasing agricultural productivity or extension of the arable land area (i.e. bringing more land under cultivation). This, of course, necessitates the availability of appropriate investments in the agriculture sector at the national level and/or in terms of FDI. However, while investment in agriculture is a well-established economic activity in the developed countries, it is still lagging behind in many developing countries, particularly in the least-developed and low-income agricultural-based countries. In this regard, the role of the IOFS will be to promote investment in its member countries for agricultural development projects, as well as, via its strategic program IFPA.

- a) Main focus must be on investment support into national food sectors and establishing food supply chains. Key projects in this regard would be in food processing with high value added and respective logistics and transportation.
- b) IOFS starts with pilot countries and then would delegate this program to IFPA because of private nature of FDI.

⁵ <https://gafi.gov.eg/English/Howcanwehelp/OneStopShop/Pages/default.aspx>

**The Secretariat,
Islamic Organisation for Food Security,
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