Agreement for Promotion, Protection and Guarantee of Investments among the OIC Member States

The Agreement for Promotion, Protection and Guarantee of Investments among the OIC Member States was adopted by the 12th ICFM held in Baghdad, Iraq, in June 1981. It became effective in February 1988 when 10 Member States ratified it. So far, it is signed by 33 and ratified by 25 Member States.

The Agreement spells out the basic principles governing the promotion of capital transfers among member states and the protection of investments against commercial risks while guaranteeing the transfer of capital and its proceeds abroad. In particular, the agreement stipulates that the contracting parties shall permit the transfer of capitals among them and its utilization therein in the fields permitted for investment in accordance with their laws. The invested capital shall enjoy adequate protection and security and the host state shall give the necessary facilities and incentives to the investors engaged in activities therein. The investors of any contracting party shall enjoy, within the context of economic activity in which they have employed their investments in the territories of another contracting party, a treatment not less favourable than the treatment accorded to investors belonging to another State not party to this Agreement, in the context of that activity and in respect of rights and privileges accorded to those investors.

The Agreement further stipulates that the host state shall guarantee for the investor the freedom to dispose of the ownership of the invested capital by selling it, wholly or partly, by liquidation, cession, or grant or by any other means. The capital shall continue to be treated in accordance with the provisions of the Agreement on condition that the transfer is made to an investor who is a subject of one of the contracting parties and subject to the approval of the host state. The host state shall undertake to guarantee the free transfer to any contracting party of the capitals and its net proceeds in cash without the investor being subject to any discriminatory banking, administrative or legal restrictions and without any taxes or charges on the transfer. This shall not apply to the bank service charges. The repatriation of the original capital shall be effected on the termination of the investment according to its nature or after five years from the date of its transfer to the host state, whichever is earlier. The Agreement also provides for settlement of disputes that may arise between the contracting parties.

On the basis of this Agreement and the studies and deliberations conducted under the supervision of the Standing Committee for Economic and Commercial Cooperation (COMCEC) the Islamic Corporation for Insurance of Investments and Export Credits (ICIEC) was established as an affiliated institution of the Islamic Development Bank in 1994.