

# AID-FOR-TRADE: CASE STORY

## INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

**Region :** Central Asia

**Country :** SPECA Countries

**Type:** Process

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The International Islamic Trade



**ITFC TRADE FACILITATION PROGRAMME:**

**LESSONS LEARNED FROM THE  
AID FOR-TRADE (AFT) ROAD MAP FOR THE  
UNITED NATIONS SPECIAL PROGRAMME FOR THE  
ECONOMIES OF CENTRAL ASIA  
(SPECA)**



ITFC  
Member of Islamic Development Bank Group

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### **The International Islamic Trade Finance Corporation (ITFC)**

1. Since its establishment in 1975, as one of its main objectives, the Islamic Development Bank (IDB) has promoted and worked to enhance trade and trade cooperation among Member Countries (MCs) of the Organisation of the Islamic Conference (OIC) in order to support the economic development and integration of Islamic Countries. This pursuit led to the establishment of an autonomous international trade finance and promotion entity within the IDB Group in 2008 in order to effectively deal with trade and to further support the efforts of the IDB Group in this sector. This specialized entity is called : The International Islamic Trade Finance Corporation (ITFC). The ITFC delivers these objectives through two parallel lines of approach: trade finance operations and its Trade Cooperation and Promotion Program (TCPP).
2. The ITFC supports the economic development of its 56 MCs by promoting and working to enhance trade and trade cooperation among OIC MCs. **ITFC's activities are organized under five lines of business :**
  - a) **Trade finance:** finances imports, pre-exports, pre-shipment and the domestic purchase of commodities and goods whether produced or manufactured in OIC-MCs or in non-MCs when they are needed to facilitate cross-border trade.
  - b) **Trade promotion :** assists OIC-MCs to promote their products, establish new business partnerships and conclude business deals.
  - c) **Trade facilitation :** strengthens economic integration through the removal of trade barriers, harmonization and simplification of procedures and regulations and provides incentives to OIC-MCs to improve trade rules, policies and procedures.
  - d) **Capacity Building :** enhances the capacity of trade support and trade service entities in OIC-MCs as sources for sustainable national trade development and to enable private sector actors to be more competitive in international markets.
  - e) **Development of strategic commodities :** assists OIC-MCs to develop their trade capacities and competitiveness in the products where they have comparative advantages.

3. ITFC is designed to deliver trade-related technical assistance programs in cooperation with its international, regional and local trade partners. ITFC has positioned itself as a catalyst, facilitator and network builder among OIC MCs. The OIC has set a target to increase the intra-OIC trade volumes from 15% in 2005 to 20% by 2015. In order to meet this challenge, a strategy with a Road Map for enhancing Intra-OIC Trade was adopted in 2008 by ITFC and the OIC Institutions.
4. ITFC's experience in trade-related development shows that market access is a necessary but not sufficient condition for developing countries to successfully participate in and benefit from open markets and greater trade opportunities. Thus, ITFC embraces the "Aid-for-Trade" initiative in order to build supply-side capacity in OIC-MCs, and particularly in the least developed MCs.

### **ITFC role in SPECA Aid-for-Trade Road Map Implementation**

5. As a catalyst and development partner, ITFC's approach is to coordinate with the efforts of the Islamic Community around the world and to build partnerships with international organizations and governmental and private institutions in order to support the efforts of OIC Member countries to increase their trade with the world in general, and, in particular; to increase and consolidate intraregional trade among themselves.
6. Given the fact that all members of the United Nations Special Programme for the Economies of Central Asia, Azerbaijan and Afghanistan (SPECA) <sup>1</sup>are also members of the OIC, ITFC has given its full technical and financial support to the launching and implementation of the Aid- for-Trade Road Map for SPECA process that was initiated by the Azerbaijani Government in 2008.
7. As the next step, the ITFC initiated and organized, in collaboration with the Kyrgyz Government, a preparatory and consultative Meeting on the Aid-for-Trade Road Map for the SPECA region. This event took place at the Ministry of Economic Development and Trade of the Kyrgyz Republic on 25-26 March 2009. Representatives of the Governments of Kyrgyzstan, Azerbaijan and Finland, the United Nations Development Programme (UNDP), the United Nations Economic Commission for Europe (UNECE), the International Trade Centre (ITC), the European Bank for Reconstruction and Development (EBRD), the Asian Development Bank (ADB), USAID, GTZ, the European Commission Mission to Kyrgyzstan, and the Kyrgyz private sector.
8. The Meeting participants discussed the draft national Aid for Trade background studies and agreed to establish national and regional priorities for the SPECA countries (Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) with special reference to the challenges and prospects during and after the global economic crisis. The meeting participants agreed also on the **Road Map Process** designed to consolidate the ownership of the SPECA countries of this initiative.

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<sup>1</sup> SPECA is supported jointly by the United Nations Economic Commission for Europe (UNECE) and the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP). SPECA Member states are: Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

9. The agreed Road Map phases are :

- a) Identification of country and regional needs, capacity gaps and technical assistance requirements in relation to trade and productive capacity;
- b) Assistance to SPECA countries in establishing national and regional priorities in relation to trade and productive capacity;
- c) Support to SPECA countries to mainstream these priorities in their development strategies;
- d) Support for the mobilization of resources to address these priority needs (projects).

10. Following this preparatory, consultative meeting in Bishkek a coalition of International Organizations interested in supporting this initiative was formed, consisting of the International Islamic Trade Finance Corporation (ITFC), the International Trade Centre (ITC), the United Nations Development Programme (UNDP), the United Nations Economic Commission for Europe (UNECE) and the United Nations Industrial Development Organization (UNIDO).<sup>2</sup>

11. During 2009 and early 2010 this coalition met several times and consulted informally between one another and also with SPECA member governments; in particular through a briefing in Geneva that was organized by the UNECE on 4 September 2009. As a result of these discussions and consultations it was agreed that, in addition to the planned ITFC funded 2010 expert meeting and Ministerial Conference, which were key to obtaining the necessary political support and national ownership; background studies were needed. UNDP undertook to obtain funding for these, which they were able to do through the Finnish government while the ITFC, as well as the other International Organizations, also undertook to provide their technical input to the national and regional consultants preparing these reports.

12. The Expert Meeting was jointly organised by the Government of Kyrgyzstan, ITFC, UNDP and UNECE on 10-11 March 2010 in Bishkek (Kyrgyzstan). The objective of the meeting was to examine the trade development needs of the SPECA countries identified through national assessment processes. The national needs assessments highlighted the close relationship between human development and trade, and the importance of properly linking the two. Also highlighted was the need for strengthening and diversifying the productive capacity of SPECA economies, promoting exports, enhancing trade facilitation, and supporting a more globally competitive trade environment in the SPECA region with a focus on poverty reduction.

13. Immediately after the Expert meeting, the members of the Coalition mentioned above also met and decided that much closer cooperation and coordination was needed leading up to the Ministerial Conference in December 2010. As a result, together with representatives from the Azerbaijani Government they organized a Steering Group, serviced and supported by the UNECE, which met every two weeks by teleconference and several times in person leading up to the Ministerial Conference. This Multi-Agency Steering Group was fully supported by the ITFC as an innovative way to effectively pool resources across a range of organizations and thus deliver more and better results for OIC-SPECA countries.

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<sup>2</sup> With the exception of the ITFC, these organizations participated as part of the United Nations Trade and Productive Capacity Cluster.

14. The Ministerial Meeting on the Aid-for-Trade (AfT) Road Map for SPECA was organised by the Government of Azerbaijan and ITFC, together with the Steering Group in Baku, Azerbaijan on 1-2 December 2010. The Meeting objective was to :
- Declare Aid for Trade as a priority for the national and regional development agendas of SPECA Countries;
  - Present to the World Community the national and regional priorities for Aid for Trade, as well as supporting projects based on the Initiative's Regional Aid-for-Trade Review and National Assessments.
  - Encourage donors to develop a response and scale-up trade-related development assistance
  - Have Governments agree on follow-up actions, including at a regional level.
15. One of the key outcomes of the ministerial meeting (<http://www.unece.org/trade/SPECA-AfTBaku2010/> ) was the signing of a “Ministerial Declaration” that calls for creating dynamic synergies between national and regional trade-related development initiatives and policy measures as well as ensuring a greater contribution of trade to equitable growth among the different regions within each country. The Conference also launched the SPECA Regional Aid-for-Trade Implementation and Monitoring Council (SPECA AfT Council), to provide a follow-up mechanism for monitoring and supporting AfT initiatives in SPECA countries.
16. At the Ministerial Meeting, SPECA Countries also agreed the following regional priorities for trade development in the region :
- a) Within-border supply-side measures
  - b) Cross-border cooperation
  - c) Matters relating to the multi-lateral trading system

**Factors for Success and Lessons learned :**

17. In view of the successful role of the ITFC in the implementation of the SPECA Aid-for-Trade Road Map Initiative and in its role as a facilitator, catalyst and network-builder among OIC MCs, ITFC is studying the possibility of launching an Aid-for-Trade Road Map for the Arab Countries (22 in total). The purpose of the Aid-for-Trade Road Map for the Arab States project is to design and realize a successful engagement by Arab States with the Aid-for-Trade (AfT) initiative. To ensure the success of this new initiative, the ITFC believes that the process should benefit from the experience and lessons learned from SPECA initiative.

**Preparatory phase to launch the *Aid-for-Trade Road Map for the Arab States Initiative*:**

18. The Aid for Trade Road Map process should be participatory and inclusive, encompassing all the key stakeholders involved in trade-related issues. The private sector's perspective and priorities will be specifically considered. A preparatory phase has to ensure the conditions to launch the initiative by :

- a) Disseminating information and increasing key people's awareness of Aid for Trade
- b) Ensuring ownership by the beneficiary countries which is an indispensable element in the success of an AfT process.
- c) Organising a high level regional meeting to launch the AfT initiative in the beneficiary region with the aim to raise awareness among stakeholders;
- d) Identifying an AfT focal point in each beneficiary country;
- e) Involving national consultants in the initiative implementation (the preparation of needs assessments)

## 19. Ownership

- a) Beneficiary countries should express a strong commitment to analyse and present their country-level priorities for trade-related development with a strong commitment to then also reflect these needs in their national development strategies.
- b) Beneficiary countries should also commit themselves to agree on sub-regional priorities for trade development and suggest frameworks for undertaking sub-regional initiatives in order to ensure their funding and implementation.

## 20. The intermediate initiative steps/outputs

- a) The national and regional needs analyses would be organised in two steps:
  - **1<sup>st</sup> Step** : The OECD/WTO AfT questionnaire could form the preliminary stage to analyse the needs.
  - **2<sup>nd</sup> Step** : Based on the results of the questionnaires, the studies will be launched for the needs assessments.
- b) Needs assessments for the beneficiary countries should include discussions at a national-level with private sector representatives through workshops.

## 21. Initiative Support

To support the Aid-for-Trade initiative, it is recommended to establish a "Regional Aid-for-Trade Implementing Entity". This Entity should include beneficiary countries' representatives, potential donors and implementing agencies. This Entity, in consultation, coordination and cooperation with beneficiary countries would :

- Provide advisory services and quality assurance;
- Propose strategic directions in the process;
- Review management risks and most relevant issues;
- Assist in identifying and obtaining funding for projects identified as priorities.
- Encourage the exchange of information as well coordination among donors and implementing agencies in the region in order to best support priority actions.