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TRADE
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**INTERNATIONAL ISLAMIC TRADE FINANCE
CORPORATION (ITFC)
MEMBER OF ISLAMIC DEVELOPMENT BANK GROUP
“IDB”**

Director General, Pascal Lamy

Excellencies

Development Partners, Distinguished Guests, Ladies and Gentlemen

I am honoured, on behalf of the Islamic Development Bank Group (IDB), to be here at this important forum, and for this opportunity to speak on a subject that is at the heart of our mission and vision: *Aid for Trade*.

First of all, let me join previous speakers in thanking Director-General, Pascal Lamy, for taking the initiative to organize this event, and applauding his team for the excellent arrangements and for the warm hospitality extended to us since we arrived here.

Let me also thank H.E. Pascal Lamy for his kind cooperation with the IDB and for facilitating IDB's membership in the WTO Advisory Group on Aid for Trade.

Almost two years ago, we gathered here to review this important global initiative on Aid for Trade. The first Global Review was a big success, thanks to the active participation of all partners and stakeholders - where we discussed the issues, identified priorities and made commitments. Today, we are meeting here again to review the progress made since then, but at a very challenging time. The Global Economy is in deep recession; food, fuel and financial crises and their spillovers have hit the world hard, especially the poor countries – for faults not of their own making. For the first time in over 25 years, World Trade is being projected to contract by 9%. The adverse impacts of this loss can be large.

The Distinguished Speakers, who preceded me, have already spelt out the issues much more eloquently and rightly emphasized that we must intensify our efforts in mitigating the downturn and better prepare ourselves to seize the opportunities of the inevitable up-cycle to follow. This Global Review meeting is so timely to address, particularly the twin risks of rising protectionism and dwindling trade finance. We need to keep the flow of goods and services moving within and across regions, increase cross-border trade and keep building trade related infrastructure and productive capacity for the future.

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No country or region in the world has grown successfully without large expansion of its trade. Trade has very special importance for the Islamic Development Bank Group and its 56 member countries due to its critical role in poverty reduction, growth and development.

In 2007, overall trade of the IDB member countries stood at US\$ 2.6 trillion, representing over 9 % of the world trade. During the pre-crisis period, our member countries had been experiencing significant expansion in trade, both across themselves and with other countries.

The Organization of the Islamic Conference (or 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, the IDB Group has taken a number of strategic initiatives, in addition to establishing the **International Islamic Trade Finance Corporation (ITFC) in 2006, for which I have the privilege to lead.**

Some of these strategic initiatives include the establishment of a Task force on raising trade, initiation of an investment promotion technical assistance program (ITAP), launching of a technical assistance program for extending continuous support to the work of the Trade Negotiations Committee (TNC) and the development of Trade Preferential System for the member countries (TPS–OIC). In addition, the IDB Group is actively developing new trade financing products and mobilizing trade financing resources from the market.

A strategy with a road map for enhancing Intra-OIC Trade was also adopted in 2008. It has five major business lines:

- Trade financing,
- Trade promotion,
- Trade facilitation,
- Trade capacity development, and
- Promoting and developing strategic commodities originating from the member countries.

This strategy will help achieve or even exceed the 20 % target.

We note with satisfaction that in the course of recent years, Intra-OIC trade has risen from around 14 % in 2004 to around 17% in 2007(In US\$ from 333 billion in 2004 to around 421 billion in 2007)

Despite this increase, the share of OIC trade to the trade of the world remains low compared to their population which is about 20% of the world population , also remember that OIC member countries have abundant of natural resources and wealth, such as energy, agriculture and industrial products

This is because, most of the member countries, especially the least developed ones, continue to face enormous trade-related challenges, obstacles, and constrains mostly on the supply side.

These include lack of needed investments; poor infrastructure for transport, electricity and communication; weak infrastructure management; weak institutional capacities;

limited credit availability; costly regulation; tariff and para-tariff obstacles; complex administrative procedures for custom and banking; and other related support services. The resulting higher costs and non competitiveness impedes regional integration, which is critical to improving trade performance of the poor and particularly land-locked countries. Under such conditions, trade liberalization and opening-up of global markets unequally benefit the countries, leaving many low income countries behind. Creating favorable conditions by removing constraints through Aid for Trade Initiative offers enormous potential and vast opportunities that remain to be realized to the benefit of especially the least developed countries

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IDB has been a pioneer among the Multilateral Development Banks for initiating Trade Financing since its inception over three decades ago. The Bank has made tremendous contributions and innovations in Islamic Financing and has offered a viable model in this area. Various Islamic financial products such as Murabaha an Ijara, are all asset-backed and are well suited for many markets.

In fact, the Bank Group initiated Trade financing since its establishment in 1975, initially through two major schemes : Export Financing Scheme and Import trade Financing Operations. Over the years, several initiatives and entities in the Bank were engaged in trade financing such as the Islamic Bank's Portfolio for Investment and Development, the Unit Investment Fund, the Awqaf (endowment) Properties Investment Fund, and the Islamic Corporation for the Development of the Private Sector (ICD).

Indeed, it is the success of these initiatives that provided foundations for the ITFC which takes forward the IDB Group's mandate on trade through two major programs: first, the Trade Finance Operations Program, and, second, the Trade Cooperation and Promotion Program (TCPP).

To date, the Group's trade financing has amounted to US\$ 34 billion or close to 60% of the Group's lending volume. Last year alone, ITFC trade financing amounted to US\$ 2.5 billion of which 44% was allocated to the least developed member countries.

Under its trade cooperation and promotion program (TCPP) , ITFC supported last year only more than 72 projects for trade promotion, capacity building and trade facilitation in 36 member countries.

The IDB Group has enhanced the scope of trade transactions among the member countries through its entity called the Islamic Corporation for the Insurance of

Investment and Export Credit or ICIEC, that provides the Shari'ah compliant export credit and re-insurance facilities to exporters, Banks, Trade Financiers and Export Credit Agencies. Moreover, ICIEC supports investment flows in the member countries by providing investors and financiers of investments the Shari'ah- based political risk insurance policies.

As a reflection of its robust commitment to the private sector development in the member countries, ICIEC's total insurance commitments over the years have increased to \$7.1 billion, with total businesses insured reaching \$5.2 billion.

The IDB Group plays special role in the development of private Sector through ordinary operations and through the Islamic Corporation for the Development of Private Sector (ICD) which provides a variety of financial products such as direct financing through equity participation, lines of financing to commercial banks and National Development Financing Institutions, short term corporate finance, asset management, structured financing, and advisory services to public and private companies. In 2008, ICD has approved US\$347 million for 33 private sector operations. Overall, ICD has financed 132 projects in 28 member countries with assistance of over one billion dollar.

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Development of trade-related infrastructure, particularly for transport, communication and energy, is at the heart of the Bank's assistance to the members countries. Over the years, the Bank has financed more than 2000 infrastructure and related operations with a contribution of US\$17.5 billion. For example, the Bank has financed Road projects in Sub-saharan Africa for developing East West (Trans-Sahelien) and North South (Trans Saharan) Corridors primarily to promote trade between member countries.

Other examples are regional roads between Mauritania and Mali; and Djibouti and Somalia. Silk road in Central Asia is yet another example. We have co-financed such large projects with our partners in the "Arab Coordination Group" – a group that includes Gulf based bilateral and multi-lateral donors.

The Bank gives special importance and attention to the productive capacity development through South-South Cooperation. Over the past years, the Bank has created many success stories in capacity development.

Last year, ITFC was selected as the winner of the prestigious **Euromoney Trade Finance Deal of the Year Award 2008** for its financing operations in the cotton sector in Cote d'Ivoire. ITFC deal was selected for the award as it offered a number of innovations compared to standard pre-export finance, as well as being Shariah-compliant and of great social and economic importance. In 2008, ITFC has supported the cotton sector with US\$121 million for operations mostly in Sub-Saharan Africa.

Not only the fiber sector, IDB is actively supporting the food sector. For example, in response to food crisis, the IDB Group has pledged a 5-year assistance package of US\$1.5 billion through its Jeddah Declaration Initiative on food security adopted in 2008. The initiative supports the member countries, particularly the least developed ones, strengthen their food security and revitalize their agriculture sector. The initiative covers immediate, short term and longer term measures including enhancing access to production inputs, improving infrastructure and strengthening institutions. The assistance under the initiative includes US\$250 million for financing trade of agricultural inputs including fertilizers and improving seeds, and US\$ 200 million for trade and private sector development. Under the Initiative, the Bank has approved, since last June (2008), US\$442 million including US\$52 million by the ITFC, representing over 29 % of the total pledged amount. Over the coming years, the Bank Group will boost its assistance in this area.

The IDB Group's new Vision 2020, called *A Vision for Human Dignity*, and the Group's new thematic strategy for 2009-2011 prioritizes five key areas for poverty reduction, with business and trade development as core elements:

- First**, Comprehensive Human Development;
- Second**, Infrastructure development with emphasis on Transport, Energy and Information & Communication Technology;
- Third**, Regional economic cooperation and integration;
- Fourth**, Productive capacity development, and
- Fifth**, Private sector development.

This year, as part of its response to assist member countries address the challenges of the global financial crisis; the IDB Group is scaling-up its operations by increasing its annual growth rate from 15% to 30%, resulting in additional US\$2.5 billion over the period 2009-2011. I take this opportunity to invite you to be partner with IDB Group for promoting trade and related operations.

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Let me highlight that ITFC has offered its full support to the preparation of Aid for Trade Road Map for the United Nations Special Program for the Economies of Central Asia and Afghanistan Region (or SPECA Region). The preparatory meeting was held in Bishkek, Kyrgyz Republic in March 2009 with the participation of 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 Kyrgyz Republic and the Kyrgyz private sector. The meeting agreed to articulate regional and national priorities on Aid for Trade with special reference to the challenges and prospects during and after the global financial crisis.

I am very pleased to announce the ITFC's readiness and willingness to organize the Expert Meeting in Bishkek, Kyrgyz Republic, and Ministerial Meeting in Baku, Azerbaijan, in 2010, as a support for Aid for Trade Road Map for the SPECA Region (Special Program for the Economies of Central Asia).

ITFC is also planning to launch an initiative on *Aid for Trade Road Map* for the Economic and Social Commission for West Asia Region (or ESCWA in short) and will be pleased to work in partnership with all stakeholders.

We will be pleased to be partner for similar initiatives for Africa.

To conclude, I would like to reiterate the overriding importance the IDB Group attaches to trade promotion, and at the same time express our readiness to cooperate with other international financial institutions and partners on Aid for Trade; with the objective of scaling up trade related infrastructure financing and capacity development in common member countries.

Thank you,