ACKNOWLEDGEMENTS

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Corporate Profile of the Islamic Development Bank

Establishment
The Islamic Development Bank (IsDB) is an international financial institution established pursuant to Articles of Agreement done at the city of Jeddah, Kingdom of Saudi Arabia, on 21st Rajab 1394H corresponding to 12 August 1974. The Inaugural Meeting of the Board of Governors took place in Rajab 1395H (July 1975) and the IsDB formally began operations on 15 Shawwal 1395H (20 October 1975).

Vision
By the year 1440H, the Islamic Development Bank will have become a world-class development bank, inspired by Islamic principles, that has helped significantly transform the landscape of comprehensive human development in the Muslim world and helped restore its dignity.

Mission
To promote comprehensive human development, with a focus on the priority areas of alleviating poverty, improving health, promoting education, improving governance and prospering the people.

Membership
The IsDB has 57 member countries across various regions. The prime conditions for membership are that the prospective country should be a member of the Organization of the Islamic Cooperation (OIC), that it pays the first instalment of its minimum subscription to the Capital Stock of IsDB, and that it accepts any terms and conditions that may be decided upon by the Board of Governors.

Capital
At its 38th Annual Meeting, the IsDB’s Board of Governors approved the 5th General Capital Increase whereby the Authorized Capital was increased to ID100 billion and the Subscribed Capital (available for subscription) was increased to ID50 billion. By the same Resolution, the Board of Governors agreed to the calling in of the callable (in cash) portion of the 4th General Capital Increase. As at the end of 2016, the subscribed capital of the IsDB stood at ID50.1 billion.

Islamic Development Bank Group
The IsDB Group comprises five entities: the Islamic Development Bank (IsDB), the Islamic Research and Training Institute (IRTI), the Islamic Corporation for the Development of the Private Sector (ICD), the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), and the International Islamic Trade Finance Corporation (ITFC).

Head Office, Regional and Country Offices
Headquartered in Jeddah, the Kingdom of Saudi Arabia, the IsDB has four regional offices in Rabat, Morocco; Kuala Lumpur, Malaysia; Almaty, Kazakhstan; and in Dakar, Senegal and Country Gateway offices in Turkey (Ankara and Istanbul), Indonesia, and Nigeria.

Financial Year
The IsDB’s financial year used to be the lunar Hijra Year (H). However, starting from 1 January 2016, the financial year will be Solar Hijra year starting from 11th of Capricorn (corresponding to 1 January) and ends on the 10th Capricorn (corresponding to 31 December of every year).

Accounting Unit
The accounting unit of the IsDB is the Islamic Dinar (ID), which is equivalent to one Special Drawing Right (SDR) of the International Monetary Fund.

Language
The official language of IsDB is Arabic, but English and French are also used as working languages.
Islamic Research and Training Institute (IRTI)

Islamic Research and Training Institute (IRTI) was established in 1401H (1981) as the research and training arm of IsDB. IRTI plays a key role in supporting the transformation of IsDB Group into a world-class knowledge-based organization. IRTI’s mandate is to support the development and sustenance of a dynamic and comprehensive Islamic Financial Services Industry that enhances socioeconomic development in IsDB Member Countries. The Institute undertakes cutting edge applied and policy research as well as capacity-building and advisory services in the field of Islamic economics and finance. IRTI aims to be a global knowledge center for Islamic economics and finance in line with its new vision. www.irti.org

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)

ICIEC was established in 1415H (1994) by the Islamic Development Bank (IsDB) and Member Countries of the Organization of Islamic Cooperation (OIC) as an independent entity within IsDB Group. Its mandate is to: (i) help increase the scope of trade transactions of Member Countries; (ii) facilitate flow of foreign direct investments into Member Countries; and (iii) provide reinsurance facilities to Export Credit Agencies in Member Countries. ICIEC fulfills these objectives by providing appropriate Islamic Shari’ah-compliant credit and country-risk insurance and reinsurance instruments. www.iciec.com

The Islamic Corporation for the Development of the Private Sector (ICD)

ICD was established in 1420H (1999) as an independent entity within IsDB Group and has been operational since 6 Rabi Thani 1421H (8 July 2000). The mission of ICD is to complement the role played by IsDB through development and promotion of the private sector as a vehicle for economic growth and prosperity in Member Countries. The main objectives of ICD are: (i) support economic development of its Member Countries through provision of finance aimed at promoting private sector development in accordance with the principles of Shari’ah; and (ii) provide advice to governments and private organizations to encourage the establishment, expansion and modernization of private sectors. www.icd-isdb.com

The International Islamic Trade Finance Corporation (ITFC)

The International Islamic Trade Finance Corporation is an autonomous entity within the Islamic Development Bank Group. It was created with the purpose of advancing trade, which would ultimately contribute to the overarching goal of improving socioeconomic condition of the people across the Islamic world. ITFC has since consolidated all the trade finance businesses that used to be handled by various windows within IsDB Group. It commenced operations in Muharram 1429H (January 2008G). The consolidation of IsDB Group’s trade finance activities under a single umbrella enhanced the Corporation’s efficiency in service delivery by responding swiftly to customer needs in a market-driven business environment.

As a leader in Shari’ah-compliant trade finance, ITFC deploys its expertise and funds to businesses and governments in its Member Countries. Its primary focus is to encourage more intra-trade among OIC Member Countries. As a member of IsDB Group, ITFC has unique access to Member Countries’ governments and it works as a facilitator to mobilize private and public resources towards achieving its objectives of fostering economic development through trade. The Corporation helps entities in Member Countries gain better access to trade finance and provides them with the necessary trade-related capacity-building tools in order to help them compete successfully in the global market. www.itfc-isdb.org
# List of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>AATB</td>
<td>Arab Africa Trade Bridges Program</td>
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<td>ADB</td>
<td>Asian Development Bank</td>
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<td>AFFI</td>
<td>Arab Financing Facility for Infrastructure</td>
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<td>AFIAS</td>
<td>Aid for Trade Initiative for the Arab States</td>
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<td>AMADER</td>
<td>Malian Rural Electrification Agency</td>
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<td>AMCI</td>
<td>Moroccan Agency for International Cooperation</td>
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<td>B2B</td>
<td>Business to Business</td>
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<td>BADEA</td>
<td>Arab Bank for Economic Development in Africa</td>
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<td>CAREC</td>
<td>Central Asia Regional Economic Cooperation</td>
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<td>CBI</td>
<td>Coris Bank International</td>
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<td>CDD</td>
<td>Capacity Development Dept</td>
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<td>CIS</td>
<td>Commonwealth of Independent States</td>
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<td>CRMDE</td>
<td>Cooperation &amp; Resource Mobilization Dept</td>
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<td>CSTP</td>
<td>Comprehensive Short Term Policy</td>
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<td>DCIP</td>
<td>Documentary Credit Insurance Policy</td>
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<td>DD</td>
<td>Deep Dive Initiative</td>
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<td>DFIs</td>
<td>Development Financial Institutions</td>
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<td>DMRG</td>
<td>Duly Mandated Regional Organizations</td>
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<tr>
<td>ECOSF</td>
<td>Economic Cooperation Organization Science Foundation</td>
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<td>ERPD</td>
<td>Economic Research &amp; Policy Dept</td>
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<td>FTAs</td>
<td>Free Trade Agreements</td>
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<td>FTTC</td>
<td>Foreign Trade Training Center of Egypt</td>
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<td>GCC</td>
<td>Gulf Cooperation Council</td>
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<td>GIS</td>
<td>Geographic Information System</td>
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<td>IBES</td>
<td>Industry and Business Environment Support Program</td>
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<td>ICID</td>
<td>Islamic Corporation for the Development of the Private Sector</td>
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<td>ICIEC</td>
<td>Islamic Corporation for the Insurance of the Investment and Export Credit</td>
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<td>ID</td>
<td>Islamic Dinar</td>
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<td>IsDB</td>
<td>Islamic Development Bank</td>
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<td>IFI</td>
<td>Islamic Financial Institutions</td>
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<td>ILO</td>
<td>International Labor Organization</td>
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<td>INRA</td>
<td>National Institute of Agricultural Research, Morocco</td>
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<td>ISFD</td>
<td>Islamic Solidarity Fund for Development</td>
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<td>ITAP</td>
<td>Investment Promotion Technical Assistance Program</td>
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<td>ITC</td>
<td>International Trade Center</td>
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<td>ITFC</td>
<td>International Islamic Trade Finance Corporation</td>
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<td>IZ</td>
<td>Industrial Zones</td>
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<td>LAS</td>
<td>League of Arab States</td>
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<td>LC</td>
<td>Letters of Credit</td>
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<td>LDCs</td>
<td>Least Developed Countries</td>
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<td>MDBs</td>
<td>Multilateral Development Banks</td>
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<tr>
<td>MENA</td>
<td>Middles East and North Africa</td>
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<tr>
<td>MINADER</td>
<td>Ministry of Agriculture and Rural Development, Côte D’Ivoire</td>
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<tr>
<td>MRC</td>
<td>Marmara Research Center</td>
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<td>NIPA</td>
<td>National Investment Promotion Agency</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
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<td>OFID</td>
<td>OPEC Fund for International Development</td>
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<td>OIC</td>
<td>Organization of Islamic Cooperation</td>
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<td>ONEE</td>
<td>Office National de l’Electricité et de l’Eau</td>
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<tr>
<td>PMD</td>
<td>Pakistan Metrological Department</td>
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<tr>
<td>PPP</td>
<td>Public Private Partnership</td>
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<td>REPoR</td>
<td>Renewable Energy for Poverty Reduction</td>
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<td>RL</td>
<td>Reverse Linkage</td>
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<tr>
<td>SDR</td>
<td>Special Drawing Right</td>
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<td>SEP</td>
<td>Saudi Export Program</td>
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<tr>
<td>SESRIC</td>
<td>Statistical, Economic and Social Research and Training Center of Islamic Countries</td>
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<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<tr>
<td>SNE</td>
<td>National Electricity Company of Chad</td>
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<tr>
<td>SNTL</td>
<td>The National Transport and Logistics Company, Morocco</td>
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<tr>
<td>SPF</td>
<td>Strategic Partnership Framework</td>
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<tr>
<td>SSA</td>
<td>Sub-Saharan Africa</td>
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<tr>
<td>TAF</td>
<td>Technical Assistance Facility</td>
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<tr>
<td>TAPI</td>
<td>Turkmenistan-Afghanistan-Pakistan-India</td>
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<tr>
<td>TCP</td>
<td>Technical Cooperation Program</td>
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<tr>
<td>Thiqah</td>
<td>Islamic Development Bank Group Business Forum</td>
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<tr>
<td>TPSP</td>
<td>Intra OIC-Trade Preferential Scheme</td>
</tr>
<tr>
<td>TRTA</td>
<td>Trade Related Technical Assistance</td>
</tr>
<tr>
<td>TSR</td>
<td>Trans-Saharan Road</td>
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<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<tr>
<td>UNIDO</td>
<td>United Nations Industrial Development Organization</td>
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<tr>
<td>WBG</td>
<td>World Bank Group</td>
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<tr>
<td>WCO</td>
<td>World Customs Organization</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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Chapter 1: INTRODUCTION
I wish to commend the efforts of Mr. Roberto Azevêdo, Director General WTO and Mr. Angel Gurría, Secretary General OECD for their unrelenting efforts in pursuing the Aid for Trade Initiative. It is indeed encouraging to see that these esteemed institutions have provided the required leadership to steer this important work along with the Global community and all the stakeholders.

Despite the numerous challenges and the crisis many of the Islamic Development Bank Group member countries are facing due to rise in inequality, weak inclusive growth, proliferation of conflicts and fragility, youth unemployment, terrorism and unpredictable commodity prices, the Islamic Development Bank Group continued with its development interventions, with a view to alleviate poverty, provide food security, develop infrastructure and promote regional cooperation and connectivity.

IsDB Group has increased its volume of delivery to member countries and achieved solid financial performance. The IsDB Group continued to promote the Islamic Finance industry and forge partnerships with governments, private sector, philanthropists and development organizations. The Group will continuously strive to ensure its financial stability, widen its partnerships and enhance its efforts for resource mobilization to be able to meet the expectations of the member countries and help them in achieving their development objectives.

One of the Key Strategic Thrusts of the IsDB Group’s 2020 Vision is to “Facilitate Integration of Member Country Economies among themselves and with the World”. Guided by its 2020 Vision, the Group believes that economic cooperation and integration in the global economy are essential for IsDB Member countries to prosper. The Group has played a key role in reducing economic barriers, synergizing member countries’ strengths and potentials for mutual benefit, and opens new doors for wealth creation. It also supports smaller economies to weather pressure from the global trade.

The IsDB Group adopted a 10-year Strategy (2016-2025) of which one of its objectives is “Connectivity for Growth”. This objective reflects the commitment of the Group to promote regional integration as espoused in its Articles of Agreement.

The objective of Connectivity for Growth stems from IsDB Group’s mandate in promoting cooperation among its Member countries in various forms, both in terms of private sector and public sector cooperation to enhance trade, investment, knowledge, and capacity development. It aims at strengthening economic ties (notably through trade, transport infrastructure, and cross-border investment) and promoting other forms of cooperation (including facilitating knowledge exchange) between Member countries.

The Islamic Development Bank Group wishes all the success to the Sixth Global Review on Aid for Trade, hoping that all efforts rendered towards the objectives of Aid for Trade achieved with resounding success. We, on our part, reaffirm IsDB Group’s commitment to the global community and our development partners to continue working together to facilitate trade and promote economic integration.

Dr. Bandar M.H. Hajjar
Chairman, IsDB Group
I wish to avail this opportunity to express my deep and sincere appreciation to Director General (DG), World Trade Organization (WTO) and Secretary General (SG), Organization for Economic Cooperation and Development (OECD) for their remarkable support and leadership in pursuing the objectives of the Aid for Trade Initiative, to which we all as a global community are committed.

This Report on “IsDB Group Promoting Connectivity for Sustainable Development” has been prepared for the Sixth Aid for Trade Global Review to provide an in-depth analysis of IsDB Group strategic objectives in financing infrastructure investment for enhancing connectivity, regional integration and trade development. It highlights IsDB Group support for development of productive capacities in member countries and its assistance to them to overcome supply side constraints. The Report also highlights main achievements of Aid for Trade activities in our member countries.

We believe that over the last three decades, growing involvement in global trade has played a critical role in the economic transformation of several developing and emerging market economies, translating into fast industrialization, creating more job opportunities and reducing significant poverty. However, the global socio-economic challenges faced today calls upon us to collectively once again reflect and address them, with a view to find practical and sustainable solutions for promoting connectivity for development.

I believe that trade is not only an engine of development but it is the cornerstone of future prosperity and livelihood across our member countries. The United Nations having realized this fact has incorporated trade and trade finance into the global development agenda as embodied in the Sustainable Development Goals (SDGs).

With a view to addressing issues in the market, ITFC is targeting to address providing access to affordable trade finance, and supporting our member countries in their transformation path towards poverty alleviation, food security and sustainable development and growth. ITFC’s ten-year strategy provides a comprehensive framework for a proactive role towards attaining development impact in our member countries.

ITFC wishes all the success to the Sixth Global Review on Aid for Trade and hopes that the efforts underway to redress the challenges bear fruitful results. As for ITFC, we remain committed to the sublime objectives of the AFTI Initiative for the betterment of our member countries.

Eng. Hani Salem Sonbol
Chief Executive Officer
Trade: The Engine of Growth

Trade is considered an engine of inclusive growth and sustainable economic development, through productivity and efficiency gains, and welfare increase. Over the last three decades, growing involvement in global trade has played a critical role in the economic transformation of several developing and emerging market economies, translating into fast industrialization, creating more job opportunities and reducing significant poverty. This remarkable progress, which has contributed to changing the international development landscape, was spurred by policy reforms at the national level and stronger international economic cooperation. However, despite sustained efforts to dismantle trade barriers, especially through the reduction of applied tariffs, the removal of quotas and the proliferation of free trade agreements (FTAs), obstacles to trade remain significant. This is particularly true for low-income countries, due to their weak technical capacity and human resources, overregulation and logistical constraints.

Against this backdrop, the World Trade Organization (WTO) launched in 2005 the Aid for Trade initiative aiming at supporting developing countries in building their trade capacities and improving their infrastructures to better benefit from trade. The Aid for Trade Global Review is part of the monitoring framework to ensure effectiveness and accountability in the implementation of the initiative.

Since 2007, the Global Aid for Trade Review has been undertaken every two years and has shown a significant progress in terms of awareness and ownership, ensuring that trade-related issues are prioritized in development strategies with a strong support from the donor community. Empirical studies have also displayed encouraging results, suggesting that one dollar extra invested in aid for trade generates nearly eight additional dollars of exports from all developing countries – and twenty dollars for the poorest countries¹.

In 2017, the Sixth Aid for Trade Global Review will be dedicated to the theme of “Promoting Trade, Inclusiveness and Connectivity for Sustainable Development”. This topic is particularly in line with the global development trends and challenges. Since 2012, global trade growth has slowed, with the volume of world trade in goods and services increasing by just over 3 percent a year, less than half its long-term average growth rate². The risk of inward looking policies, amid sluggish global recovery and low commodity prices, heightens the risks of further slowdown in trade growth. In this context, reviving a strong momentum for trade promotion is critical to safeguard its instrumental role as an engine for inclusive growth, poverty reduction and sustainable development.

Improving the connectivity of the Least Developed Countries (LDCs) and their integration into the global value chains, strong infrastructure and capacity development will play a determinant role in reducing asymmetry in trade gains among nations. At the national level, investments to increase productivity and market access, especially for the rural poor are likely to promote greater inclusiveness. In addition, economic policies can play an important role in reducing inequality of opportunities and mitigating the social costs associated with trade liberalization, for instance by improving access to quality education and developing social safety net programs.

¹ OECD Development Policy Papers No. 1, November 2015,
² IMF: World Economic Outlook, October 2016,
Promoting trade, inclusiveness and connectivity, as embodied in the sustainable development goals (SDGs), are also at the heart of IsDB Group’s 10-Year Strategic Framework. This framework, which was introduced in 2014 as a match between the growing aspirations of the global community and the desire of the 57 IsDB member countries to achieve inclusive, equitable and more sustainable development, has three overarching goals: Inclusiveness, Connectivity and Development of the Islamic Financial Sector (Figure 1). Furthermore, the Framework is built on six strategic pillars, including cooperation and capacity development, which are directly related to the Aid for Trade initiative.

Facilitating cooperation and integration among member countries is deeply rooted in the IsDB Group’s mission. Moreover, promoting south-south cooperation is a key differentiator for the Bank, which is a pure south-south organization, and is unique among multilateral development banks (MDBs) for its special emphasis on trade finance.

Traditionally, the IsDB Group has focused on promoting cooperation through providing development assistance, supporting regional integration projects and enhancing reverse linkages (i.e. supporting exchange of knowledge, experience, and know-how among member countries). The Bank intends to enhance the cooperation focus through consolidating its traditional interventions as financier, and promoting innovative approaches based on knowledge sharing and business networking within and across borders. Accordingly, more resources will be devoted to providing non-financial support to member countries, including capacity development and partnership promotion.

Figure 1. IsDB Group 10-Year Strategic Framework

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1 IsDB Group 10 Year Strategy, Managing for Development Results [IsDB Group, 2014].
As part of the Aid for Trade monitoring exercise, this Report self-assesses the progress of the IsDB Group in fostering trade, connectivity and regional integration in its member countries through infrastructure and capacity development, financing facilities, and providing support to regional integration process and WTO accession. Some key achievements are summarized below.

(i) IsDB Group has financed a total of US$15.784 million in Aid for Trade activities in the years between 2014 and 2016. The largest share of it went to the MENA region.

(ii) IsDB’s infrastructure interventions in the Energy, Transport and ICT Sectors have contributed immensely to supporting industrialization, providing access to information and communications services, and enabling the smooth movement of goods and people within and across the national borders of its member countries.

(iii) To strengthening regional knowledge-sharing networks and reverse linkage, the Bank initiated and piloted several new projects connecting member countries. The results of these projects have been convincing enough for the Bank to expand its contribution to reverse linkage initiatives in the future.

(iv) The IsDB Group has significantly increased its investments that directly or indirectly facilitate cross-border trading among OIC member countries and with the rest of the globe. Indirectly financing SMEs through local financial institutions has proven to be very effective in providing access to finance.

(v) The IsDB Group within the framework of its mandate has provided support to member countries in the areas of regional integration processes and WTO accession. The Bank is providing important support in the areas of simplification and harmonization of customs documentation and procedures and technical assistance and training of officials.

However, further promoting trade, inclusiveness and connectivity in the OIC region will entail major policy reforms to enhance the institutions for peace and political stability, strengthen macroeconomic and regulation frameworks. Structural reforms are also needed to promote a sound and predictable business environment. Besides, the specialization of many OIC member countries in commodity exports is a major source of their economic strengthen. Therefore, promoting economic diversification is critical to unlock the potential for trade development and stronger growth and job creation in the OIC region.

Particular efforts in terms of advocacy and business networking are needed to connect the private sectors of member countries, especially in the Upper Middle and High Income countries, where the potential to increase intra-OIC trade is higher. For the least developed member countries (many of them being also landlocked), the development of regional infrastructures, transports and support services is critical to create better logistical conditions that are necessary for trade. Scaling up the Aid for Trade resources will be critical in this regard.
CHAPTER II:

PROMOTING CONNECTIVITY & REGIONAL INTEGRATION IN MEMBER COUNTRIES
Key Drivers of IsDB Infrastructure Development Initiatives

The energy and transport connectivity between member countries is one of the major objectives of the IsDB Group initiatives as countries look towards regional markets as a mean of global economic integration and as an impetus for trade-led economic growth.

Besides, access to efficient infrastructure facilities is considered one of the critical determinants of a country’s economic competitiveness. This is more so in the case of transport and energy infrastructure and physical connection. Infrastructure development contributes to trade facilitation and socio-economic growth by improving supply and demand channels, which reduce transaction cost and information asymmetry, promote productivity, enhance market efficiency, improve access to regional and global markets, particularly for land lock countries and enhance regional integration.

Infrastructure development has very important meaning for IsDB Group. Its importance comes from being a key instrument for IsDB Group to alleviate poverty in its member countries. The IsDB Group’s Vision is to support the poor, particularly, in least developed member countries, and improve their living standards and economic competencies through having accesses to basic infrastructure and services, such as transportation, electricity, water, sanitation, information and communication technology that are economically, environmentally and socially sustainable.

Therefore, since its inception, the Bank has accorded priority to the financing of infrastructure sector in its member countries. The Bank contributed US$31.6 billion, 80% of which (US$25.2 billion) has been provided during the last ten years for infrastructure development. This counts a significant increase in the direct response to the increasing infrastructure needs of member countries. The active infrastructure portfolio of the Bank reached 203 projects totaling US$15.6 billion, of which 35% have been already disbursed.

During the 2014-2016 period, IsDB invested up to US$9.4 billion in infrastructure development mainly covering energy, transport and ICT sectors. Only in 2016 the Bank approved 54 infrastructure operations totaling US$3.9 billion, which financed electricity generation and transmission, transportation, and water and sanitation infrastructure. In the same year, it disbursed US$1.1 billion for ongoing active infrastructure projects, demonstrating its continued and strong commitment to help create an enabling environment in its member countries.

In the following sections, brief information about selected regional infrastructure development initiatives are provided to highlight how IsDB Group contributes economic development, regional integration, physical connectivity of its member countries and improving peoples living standards.
Development of Transport Infrastructure for Enhanced Regional Connectivity

The IsDB Group member countries are geographically spread across Asia, the Middle East and North Africa, and Sub-Saharan Africa Regions; extending from Albania (Europe) in the North to Mozambique (Africa) in the South, and from Surinam (Latin America) in the West to Indonesia (Asia) in the East. They account for more than one fifth of the world’s population and are well endowed with potential economic resources in different fields and sectors, such as agriculture, energy and mining, tourism, and human capital.

However, the utilization of these inherent potentials requires, among others, the existence of an efficient, integrated multimodal transport system at the national, sub-regional, regional and global levels. Presently, IsDB Group member countries are facing several challenges in developing integrated transport systems for both inland roads and railway networks and integrating them into regional hubs. Some of these challenges are mainly due to diverse topology, geography and wide geographical distance, which make it challenging to develop an integrated transport system. On top of all, twelve member countries are landlocked and consequently disadvantaged due to the high cost of accessing the open sea.

For this reason, most of the Bank’s financed projects entail the internal or regional connectivity aspects within their project design. The financing provided by IsDB Group has helped member countries in the development of Multimodal Transport Systems including Road, Railway, Sea and Air transport. These efforts aim at facilitating the integration of national transport systems, and the development of regional transport network and cross-border links.

Other important outcomes of IsDB Group financing for transport infrastructure development are improvement of traffic flow and safety, cost and time reduction in the delivery of goods and services, reduction of greenhouse gas emissions and improvement in overall quality of life of the people along with the trade and transport corridors.

In addition to these, since pre-conditions for high value added trade and production have been met by the IsDB infrastructure financing support, member countries have targeted high value investments in the sectors, through which they will increase their respective export revenues as result of better physical connections to regional and global markets. The Bank continues to support the efforts of member countries in developing key infrastructure links to expand trade, promote regional integration, and bolster economic cooperation.

Enhanced Connectivity in Sub-Saharan Africa (SSA) Region

The transport infrastructure in SSA region is limited and in poor condition. Out of the 22 Sub-Saharan African member countries of IsDB, 17 have direct access to the sea and five Western African countries are landlocked. Greater efforts are required for the development of efficient transport infrastructure in the SSA region in order to increase regional integration. These five landlocked countries need better access to the seaports of neighboring countries to have greater trading opportunities.
The Trans Saharan Highway

The Trans-Saharan Road (TSR) Corridor is a network of about 8,860 km, consisting of a main axis from Algiers to Lagos (4,500 km) and three connection branches towards Gabes in Tunisia (810 km), Bamako in Mali (2,250 km) and N’Djamena in Chad (1,300 km). The Trans-Saharan Road is one of the African inter-connecting highways, which aims to open up the vast Sahara Desert regions and contribute to the economic integration between North Africa (Maghreb region) and sub-Saharan Africa.

The TSR project launched in the early 70s has had tangible results, it is completely paved in Nigeria and more than half of the 1,200 km in this country are dual carriageway. In Algeria and Tunisia, TSR is also fully paved. The main axis of the TSR Algiers-Lagos 4,500 km is almost fully paved except for the Assamaka-Arlit 233 km section in Niger. Similar efforts are being made in the three other landlocked member countries namely Mali, Niger and Chad. Despite the importance of remaining sections in Mali (650 km), Niger (233 km) and Chad (500 km), the corridor has been a source for catalyzing commercial activities.

The IsDB has contributed more than US$600 million since the project began. The Sevare-Gao road and the Gao Bridge in Mali, the Agades-Zinder road, the Guiguimi-Diffa road and Assamaka-Arlit road in Niger and the Massaguet-Massakory Road, Massakory-N’gouri road and Bol-Liwa Road in Chad sections have benefited from IsDB financing. Moreover, IsDB has also facilitated the investment of the Arab Funds to help finance the project and the completion of various studies in Mali, Niger and Chad. The Bank also seeks to help construct the remaining sections of the highend in collaboration with its development partners, particularly members of the Coordination Group. This is another example showcasing IsDB’s effort in resource mobilization from private sectors and other development partners to support trade-related infrastructure development in the least developed countries.

North-South Railway Corridor joining Kazakhstan-Turkmenistan and Iran

The railway constitutes a major transportation mode, especially for freight transportation representing about 70 to 80% of total commercial freight transportation in the en-route countries. The major railway infrastructure of Kazakhstan and Turkmenistan was developed largely based on the economic structure of the former Soviet Union. The existing railway network was far from meeting the current needs arising from the economic developments in the countries and in its region around them.

Besides, it was not capable to meet with growing transportation demands and expected future trade potential of the region. This result in unfulfilled overall transportation capacity as well as bottlenecks in some regions, dependence on neighboring countries and higher transportation costs jointly shadowing overall economic competitiveness of the country and the hampering of its growth potential.

The design and implementation of this project aimed to provide high quality railway infrastructure, modern operational facilities, improved operational safety and technical support for delivering the outputs in a timely manner. The project addressed all priorities including
provision of high capacity railway infrastructure, modern operational facilities and efficient interconnectivity ensuring compatibility with local and regional networks, high operational efficiency and long-term sustainability.

The total length of the North-South railway corridor, running from the Kazakh steppes across the Karakum desert to the mountainous province of Golestan in northern Iran is 900 km. The corridor consists of a 130 Km railway line in Kazakhstan, 698 km in Turkmenistan and 82 km in Iran. The railway corridor provides improved accessibility of en-route countries to Persian Gulf countries, Russia and the Southern and South-East Asia, which facilitates the movement of goods and the ability handle the increased transit growth. This has resulted in the development of an integrated and efficient railway system in the region.

The project lies within the boundaries of Turkmenistan and consists of two sections. The section from the Kazakhstan border to Bereket is 441.5km long and is 256.5 km from Bereket to the Iranian border. The construction of 256.5 km of new railway line and 69.1 km of auxiliary lines, nine stations, two maintenance depots along the route and necessary operational infrastructure was completed with the partnership of IsDB’s financing of US$371.2 million.

The direct output of the project includes increased transit trade volume from 8 million-tons to 128 million-tons, reduction of 30% travel time and a 30% reduction of freight and passenger tariff by project completion.

Strengthening Collaboration with World Bank Under Deep Dive Initiative

The Deep Dive (DD) Initiative was a historic strategic partnership framework (SPF) agreement signed between the IsDB Group and the World Bank Group (WBG) in October 2015. The DD aims to significantly scale-up joint development assistance across all common member countries in Africa, Asia, Middle East, Europe and Latin America. Over 2016-2018, the SPF aims to support infrastructure development, regional integration and cross-border trade facilitation, water and food security, education and employment, and Islamic finance. Both institutions are also agreed to join forces to support private sector development and entrepreneurship and expand joint operations in fragile and conflict-affected member countries.

In 2016, IsDB Group-WBG combined financing reached US$2,398 million with US$910 million from IsDB Group and US$1,488 million from WBG. Under DD, both the institutions had approved 8 projects in Cameroon (agriculture), Indonesia (agriculture and infrastructure), Palestine (energy), Kyrgyz Republic and Mali (water), Pakistan (energy/PPP) and Sahel (agriculture). Further, over 20 non-lending activities were undertaken covering analytical work, advocacy, knowledge-sharing, project preparation and advisory services in several areas, including Infrastructure (PPP), Agriculture, Education, Fragility, Trade Facilitation, Innovative Financing and Islamic Finance. In 2017 and 2018, over 10 new projects are planned for co-financing with an amount of US$2 billion. Joint financing of activities could potentially reach US$9 billion over the period 2016-2018.
The active infrastructure portfolio of the Bank reached **203 Projects** totaling of **US$ 15.6 billion**.

**US$ 31.6 billion** has been provided during the last ten years for infrastructure development.

During the 2014-2016 period, IsDB invested up to **US$ 9.4 billion** in infrastructure development.

The Trans-Saharan Road (TSR) Corridor is a network of about **8,860 km**.

<table>
<thead>
<tr>
<th>Location</th>
<th>Distance (km)</th>
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<tbody>
<tr>
<td>Algiers to Lagos</td>
<td>4,500</td>
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<tr>
<td>Gabes in Tunisia</td>
<td>810</td>
</tr>
<tr>
<td>Bamako in Mali</td>
<td>2,250</td>
</tr>
<tr>
<td>N’Djamena in Chad</td>
<td>1,300</td>
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</tbody>
</table>
Lessons learnt from IsDB Financing Regional Transport Networks

As stated earlier, “Aid for Trade” are collective efforts of donors, beneficiaries, multinational trade and financial institutions, public and private sectors, which share a common objective of connecting and integrating developing world to the global and regional economies for an inclusive and sustainable economic development. This approach is very much needed and applicable for regional infrastructure initiatives due to their high capital costs with benefits accruing over the longer term. Yet the benefits of regional infrastructure networks extending over and beyond national borders point to the need to reconsider these networks as a type of “regional public good”.

It is therefore more practical for countries to explore regional mechanisms to pool the region’s financial resources while planning development initiatives. There is also a scope for coordinated planning of conventional IFI financing and a greater private involvement in financing infrastructure projects. In this regard, IsDB Group encourages governments to learn from each other’s experiences in such partnerships, as well as to manage and maintain their infrastructure networks more effectively through effective collaboration.

In the same vein, the IsDB Group is committed to enhancing its efforts in collaborating with the private sector for the development of key infrastructure in member countries. It has enhanced its efforts to assist member countries in creating an enabling environment for private sector participation in infrastructure through flexible and innovative Public Private Partnership (PPP) schemes. A few examples of the main infrastructure projects implemented under the PPP structure are the new Dakar Airport in Senegal, Queen Alia Airport in Jordan and the Kuala Lumpur to Selangor Expressway.

The IsDB Group is also working closely with other national, regional and international donors and other sister institutions to make available resources for building much-needed infrastructure in common member countries. The Asian Development Bank (ADB) and IsDB have jointly established an Islamic Infrastructure Fund with the objective of facilitating the mobilization of public and private sector equity funds and attracting foreign investment in twelve common member countries.

The total Fund size at final closing is expected to reach US$500 million and will support investments to the tune of approximately US$6 billion through its multiplier effect. The IsDB and the World Bank jointly launched the Arab Financing Facility for Infrastructure (AFFI), where IsDB may provide up to US$150 million, in addition to the US$1 million grant for AFFI’s Technical Assistance Facility (TAF) is another cooperation and partnership example of two MDBs working together to enhance the transport connectivity in the Arab Region.

Energy Connectivity and Expansion of Regional Energy Trade

Access to modern energy services remains a major challenge in IsDB Group member countries. Almost half of IsDB Group’s constituency is classified as under developed countries, which makes IsDB Group’s enhanced support to poverty alleviation a vital need. Therefore, the Bank has identified “Access to Sustainable Energy for the Poor” as a priority by intensifying its efforts to expand access to reliable, affordable and sustainable sources of energy that will reduce poverty, promote economic growth and mitigate climate change.
With the aim of scaling up its support for promoting access to sustainable energy, the Bank has been engaged in developing innovative approaches and financing schemes. This includes the development of multiyear programs dedicated to rural electrification, the elaboration of innovative financial and business models, the implementation of enabling policy and institutional frameworks (including, that for community and PPP based solutions), together with the identification and dissemination of best practices (through reverse linkages initiative).

While the energy sector accounts for most of IsDB Group’s interventions in member countries around US$8.4 billion, or 25% share in the overall infrastructure project approvals since inception. On average annual energy financing exceeded US$1 billion in recent years as sustainable energy and energy poverty have been receiving growing attention recently. During the period of 2014-2016, total of energy investment project financing portfolio was around US$4.8 billion of which over 32% are linked to renewables, energy efficiency and rural electrification. These trade-related infrastructure projects are the IsDB’s responses to the needs and challenges of its least developed members to overcome energy-related bottleneck of the economic growth.

Cooperation in the Energy Sector Across the Borders: Turkmenistan-Afghanistan-Pakistan-India (TAPI) Gas Pipeline Project

This regional cooperation project will foster economic growth through increased investments and trade, and align the parties’ interests, which will help bring regional stability and security. The key objective of the project is to contribute towards meeting the growing energy demand in Afghanistan, Pakistan and India, through the construction of a cross-border gas pipeline originating in Turkmenistan as part of a regional economic integration. The pipeline is to provide a reliable and sustainable source of gas. The total cost of the TAPI gas pipeline project is estimated at US$10 billion. The IsDB is providing US$700 million for the project.

The project presents an opportunity for regional cooperation on an unprecedented scale, linking the economies of the four countries. The Strategy for Regional Cooperation in the Energy Sector identifies the TAPI gas pipeline project as one link in the inter-energy relationship among the Central Asia Regional Economic Cooperation (CAREC) countries. The TAPI gas pipeline is a perfect example of regional energy integration. The project unites the resources-rich Central Asia region with energy demanding centers in Pakistan and India. The TAPI gas pipeline is also likely to spur investment in further rail and road connectivity, encourage employment migration, enhance regional trade and economic partnerships in the region, and permanently alter the pattern of Central Asian connectivity with South Asia.
A Reverse Linkage (RL) Program Assisting Mali develop its Energy Infrastructure

Office National de l’Electricité et de l’Eau (ONÉE) is the main electricity public operator in Morocco and was identified as a provider of expertise under the reverse linkage pillar of the MCPS-Morocco and is already collaborating with IsDB.

Based on the foregoing, IsDB is piloting an experience in rural electrification in Mali where the Bank facilitated the collaboration between ONÉE and the Malian Rural Electrification Agency (AMADER) to jointly assess, design an innovative solar energy project in the rural areas of Mali. The process enabled over a short period of time to stabilize a suitable concept, carry out the feasibility study and develop a US$ 17 million rural electrification project which was financed by the Bank group with US$ 15 million loan and ONÉE contributed with US$ 460,000.

The transfer of knowledge and expertise so far acquired by the Malian counterpart during the preparation will be enhanced during the implementation as the reverse linkage is imbedded in the project. In this framework, a similar experience was also piloted in Chad through the development of a rural electrification project with an amount of US$ 22.9 million which will capitalize on the experience of the ONEE to build the capacity of the local operator SNE (the National Electricity Company of Chad) through reverse linkage.

This successful experience will be gradually replicated in other sub-Saharan African member countries in the same sector (renewable energy in rural areas) since in most in these member countries, the rural electrification rate is below 20% and using the Reverse Linkage (RL) modality.

Expanding the cooperation model above would (i) enhance the contribution of the Bank to climate change agenda, (ii) enable improving the quality at entry by building in this sub-sector a robust portfolio (iii) develop the rural electrification projects in sub Saharan African member countries based on a sustainable approach and (iv) expedite the current implementation of the rural electrification programs by building the capacity of the executing agencies.

It is worth mentioning that this approach will complement the Bank’s intervention in the “Renewable Energy for Poverty Reduction” (REPoR) Program, a US$180 million initiative that IsFD and IsDB had developed and launched in June 2014 in Dakar.

Therefore, by capitalizing on the experience of the ONEE, Morocco, IsDB signed during COP22 a Framework Agreement to establish an IsDB-ONEE Facility for Capacity Development & Preparation of Projects in renewable rural energy under the RL Modality.
CHAPTER III

ITFC CONNECTING MEMBER COUNTRIES THROUGH TRADE
Since its establishment in July 2008, ITFC had provided over US$35 billion trade financing out of which US$15.7 billion approved in last three years, between 2014 and 2016. ITFC, has defined its mission as the catalyst for trade development among OIC member countries and beyond.

In an effort to scale up its developmental impact, ITFC is moving away from transaction-based model of trade support to a program-based approach, combining trade finance with trade development & capacity building in order to multiply the impact. The Corporation has maintained its solidarity with Member Countries since its inception by focusing on sectors that are key to economic development, namely Energy, Agriculture, and the support of Private Sector and SMEs.

Building Capacity for SMEs Oriented Trade Development whilst Creating Connectivity

Despite the recurring global and economic financial crisis encountering OIC member countries, ITFC continued its efforts to make trade finance credits available for SMEs dominated economies of OIC Countries.

It also uses innovative solutions such as Structured Trade Finance (STF) and Lines of Finance to corporates and banks respectively to boost private sector development including SMEs, which has a direct impact on the socio-economic condition of people in Member Countries.

Moreover, the focus was and will continue to enhance intra-OIC trade exchange and support economic diversification of its member countries. Out of the total approvals, approximately a quarter of the total is being extended for Least Developed Member Countries, and around 60% goes for facilitating trade between member countries.

In order to reach a larger number of SMEs in member countries, ITFC provides Murabaha Financing to local financial institutions and commercial banks, which, in turn, extend the financing to SMEs and private sector clients. This not only contributes to creating badly needed access to finance, but it also helps promote Islamic Banking as partner banks are introduced to Islamic financing instruments.

In addition, it enables SMEs to overcome supply side constraints and develop their productive capacities for more favorable trade in the global markets.

**Partnering with Coris Bank International (CBI) in Burkina Faso**

In 2016, ITFC signed a US$ 9 Million 2-Step-Murabaha-Financing Agreement with Coris Bank International (CBI), a growing bank in West Africa, with headquarters in Burkina Faso. This financing supported CBI during the Bank’s newly launched Shari’ah compliant financial products and services to the local market. This financing also increased the knowledge of Islamic Finance and supported its growth, making CBI the sole provider of Shari’ah compliant products in Burkina Faso.

“Knowing the country’s huge potential for the development of Shari’ah compliant financial services, our collaboration with ITFC also boosted the funding of the Burkinaeb private sector, a crucial sector of the economy while contributing to job creation and income generation. The facility had facilitated us to reach SMEs in the region, and substantially eased the trade finance terms and conditions applicable to SME customers with unparticular deferred payments with longer maturities.”

**Mr. Idrissa Nassa, President Director General**
ITFC’s Aid for Trade Interventions under its African Cotton Sector Development Program

Recognizing the significance and strategic nature of cotton for many Member Countries, particularly in West Africa, ITFC has been expanding its financing package to cover many of the cotton-producing countries. Currently, ITFC is the main financier of cotton in Burkina Faso and Cameroon, where ITFC extended significant financing package in 2016 amounting to US$ 106 million and USD107 million, respectively. In addition, ITFC extended financing to the tune of US$ 100 million to Cote d’Ivoire to secure fertilizer for the cotton sector. In Asia, ITFC provided a Structured Trade Finance facility to Calik Cotton (a Turkish Cotton trader) for an amount of US$30 million.

Given the robust portfolio of cotton operations financed by ITFC, and its new direction of moving towards program approach, an initiative was undertaken to link traders (buyers) of cotton to the producers (exporters) in Member Countries. In this regard, ITFC linked one of its clients, Calik Cotton, a trader based in Turkey, to major cotton exporters in West Africa. As a result of this linkage, Calik Cotton was able to expand its source for cotton buying and successfully concluded purchase contracts in Burkina, Cameroon, and Mali. On the other hand, the producers expanded their off-taker list, making the initiative a win-win for both parties, while at the same time, contributing to the strategic goal of enhancing intra-OIC trade.

In the same vein, ITFC organized recently, in April 2017, its first edition of African Asian Cotton B2B meetings between African Cotton Exporters and Cotton Importers/Spinners from Bangladesh and Indonesia to develop direct trade linkages between these countries. Furthermore, within the same initiatives, ITFC will continue providing technical assistance & capacity building support to cotton producing countries to resolve quality related challenges and to improve cotton yield by promoting enhanced farming practices in cotton production. This is ITFC’s unique approach in Aid for Trade solutions for its member countries.

The Arab-Africa Trade Bridges (AATB) Program:

The Arab-Africa Trade Bridges Program has been designed and developed by ITFC in consultation with its regional and international trade partners as per the request of its financial partners among the Arab Coordination Group. It is one of the latest examples of ITFC’s Aid for Trade approach showing how private sector and multinational development banks can be an integral part of Aid for Trade Initiatives by designing, funding and implementing such regional economic cooperation and development programs.

The AATB Program is a 3-year regional trade promotion program that builds on trade connectivity as a tool to support sustainable growth across Arab and SSA countries. The program will focus on key sectors such as manufacturing, agricultural inputs and processing industries, health & pharmaceutical. Under the program, along with the program-implementing partners, ITFC will focus on enhancing the existing trade capacity by providing technical assistance supports to trade support institutions as well as SMEs.

The program will be a platform for business matching activities to develop direct trade links among companies from both regions. In this regard, various trade promotion activities will be supported and held to establish new business partnerships.

Besides ITFC, other program partners, including Arab Bank for Economic Development in Africa (BADEA), OPEC Fund for International Development (OFID), Saudi Export Programme (SEP), Islamic Corporation for the Insurance of the Investment and Export Credit (ICIEC) will offer trade finance and export credit insurance to finance trade transactions concluded under the program support.
Currently, ITFC is the main financier of cotton in Burkina Faso and Cameroon, in 2016 amounting to US$106 million and US$107 million. In addition, ITFC extended financing to the tune of US$100 million to Côte d’Ivoire to secure fertilizer for the cotton sector.
The Program will also address trade related infrastructure challenges faced by the countries and companies to reduce trade & transport transaction cost and complement missing transport links amongst the targeted countries that is one of the biggest challenges refraining countries benefit from regional trade.

i) enhancing regional competitiveness through trade reforms,
ii) strengthening trade supply side capacities and value chain integration,
iii) improving regional and sub-regional trade cooperation organizations’ capacity to foster trade integration.

As a technical assistance vehicle for enhancing trade connectivity between Arab countries, through the AFTIAS program, ITFC has been able to extend various technical assistance and capacity building support to many beneficiary countries with its program partners and donors. Brief information about the important projects that benefited from the AFTIAS resources is provided in the Annex-I

Through these technical assistance projects, trade related institutional and human capacities are being improved, skills are being developed, management and administrative capacities of regional and government institutions are being enhanced. Program beneficiaries do not only include government offices, public institutions such as customs administrations, trade ministries, standardization agencies, special economic zone administrations but also include youths and SMEs that are benefiting training programs offered by the program partners such as ITC, ILO, and Foreign Trade Training Center of Egypt. For the detail information about the project, visit: www.aftias.org

“The Aid for Trade Initiative for the Arab States (AFTIAS), launched by ITFC on behalf of the IsDB Group in December 2013, is an exceptional opportunity for the Arab region not only to increase their intra-trade, but also to increase their participation in the world trade in pursuance of the resolutions of the Arab Economic Summit. AFTIAS is a “unique partnership” composed of the League of Arab States (LAS) Member Countries, five UN Agencies and seven donors working together to assist the Arab States to improve their trade capacity and to benefit from the expansion of the global markets”.

Dr. Mohammed bin Ibrahim Al-Tuwajiri
Assistant Secretary General for Economic Affairs, 
The league of Arab States
Special Program for Central Asia (SPCA)

Landlocked countries in Central Asia face trade development challenges like many other OIC Member countries. These challenges include low level of economic diversity; dependency on oil and agricultural products; low-intra trade; access to better market intelligence; lack of advisory services for SMEs; limited capacities of TSIs in providing such services; enabling business and investment regulatory environment; high transport and production costs due to geographical location; and poor infrastructure. As part of its complementary roles in supporting IsDB Group efforts to enhance regional integration among the Member countries, ITFC has closely worked with Country Programming Department of IsDB to prepare a Special Program for Central Asia (SPCA), where trade development and promotion of regional trade integration is one of the main focus areas of the program.

The trade component of the initiative has two sub-focus areas. The first area aims at improving regional economic integration among Central Asian Member countries of OIC by implementing various trade facilitation measures at national and regional level. The second area aims at improving trade competitiveness of agri-food industries in SPECCA Countries and their possible integration to the Global Value Chain. Trade interventions under the SPCA would include:

- Trade policy development and integration to global value chains (towards creation of quality jobs, poverty reduction, and achievement of social & environmental sustainability);
- Capacity development for export promotion both in the public and private sectors (primarily focusing on TSIs and SMEs);
- These capabilities would help to increase production potential especially in higher value-added manufacturing, and enhance Central Asian entrepreneurs’ access to markets (compliance with technical requirements of foreign markets, dissemination of market information, etc.);
- Support to SMEs in the development of export-oriented products through appropriate financial and institutional mechanisms (special economic zones/industrial parks, entrepreneurship development, Public Private Partnership (PPP) arrangements, providing medium and long term trade finance, etc.);
- Implementation of international trade facilitation agreements/conventions and development and implementation of trade facilitation programs based on strategic priorities (in close cooperation with relevant regional and international organizations);
- Conducting commodity analysis and business forums/trade fairs to identify niches for exports, and bringing together buyers and sellers of strategic tradable commodities from Central Asia to other IsDB Member Countries;
- Implementation of regional and international transport trade facilitation agreements in the region. Introduction of simplified visa or visa-free regimes for business travellers and truck drivers and tourists.
CHAPTER IV:

ICD’S SUPPORT OF PRODUCTIVE CAPACITY AND CONNECTIVITY
In the developing world, the private sector is responsible for almost 90% of employment. The private sector provides critical goods & services that improve people’s lives, generates domestic tax revenues, technology diffusion and income, and is a key to stimulating economic growth. Therefore, private sector investment and private sector-led productivity increases are the transformational forces in the development of economies.

The private sector also plays a critical vehicle for producing goods & services for trade, which augment the production frontiers of national businesses, generates foreign exchange reserves, and facilitates entry in global value chains. Both the establishment as well as enlargement activities of the private sector aid the trade opportunities of any nation.

To promote private-sector led growth and foreign trade, various stakeholders such as governments, DFIs and donors must conduct a broad number of support activities. While governments in developing countries are mainly responsible for creating, and promoting favorable business climate, DFIs and donors can help these governments steer ‘pro-private sector growth’ activities as well as support businesses directly through their financing and technical assistance platforms.

The IsDB Group recognizes that sustainable development solutions for any member country requires a significant role to be played by the private sector actors. Thus, finding the ways and means of leveraging business sector knowledge, productive capacity and financial resources for development is high on the IsDB Group’s agenda.

The Islamic Corporation for the Development of the Private Sector (ICD) is the private sector development arm of the IsDB Group, established in 1999. Since its establishment and until the end of 2016, ICD has managed to invest a record amount – nearly US$5 billion – for the private sector development in its member countries.

The development of small and medium-size enterprises (SMEs) is a cornerstone of ICD’s activities with regard to private sector support. Through its investment and advisory activities, ICD is able to help SMEs expand their production frontiers, achieve economies of scale and enhance the competitiveness. In general, ICD’s support to building the productive capacity of the private sector includes the following:

i) **Providing finance**: investment resources targeted at agriculture, infrastructure, industry and other productive sectors.

ii) **Offering advice**: improving business capacities through the provision of advisory services and technical assistance.

iii) **Promoting integration**: stimulating regional connectivity through establishing funds and organizing trade & investment events.
ICD financing facility to support productive capacity of export-oriented company in Malaysia

Established in 2002, Serba Dinamik International Ltd. (SDIL) is a private limited company that is a leading integrated engineering, maintenance and contracting service provider to the oil and gas, petrochemicals and power utility sectors. The Company commenced its operations by acting as a sub-contractor to major manufacturers and suppliers of equipment to install, operate and maintain equipment for oil and gas companies, as well as other service providers.

As of now, the company operations span across a number of countries such as Indonesia, Bahrain, Qatar, Oman, Saudi Arabia, Kuwait, United Arab Emirates, Turkmenistan, Lebanon, the UK and India. The decision to provide a financing facility to the SDIL aimed primarily to contribute towards the local and international market expansion of the company operations, particularly in the MENA region, Indonesia and Turkmenistan. Additional key reasons for extending the facility were job creation for the population and support to a strong local-grown Malaysian company.
ICD approvals targeted at building productive capacities in sectors such as agriculture, energy, trading & industry and finance constitute more than 84% of ICD’s approvals in the period between 2014 and 2016. In this time, ICD has approved around US$2 billion, with many of these investments going to small- and medium-size enterprises (through intermediary banks and non-bank financial institutions), the largest segment of the private sector in the member countries.

Over the last 3 year (2014-2016), ICD has approved around US$ 1.7 billion in investment that directly or indirectly facilitates cross-border trading in OIC members, either among themselves or with the rest of the globe. Indirectly financing SMEs through local financial institutions has proven to be very effective in providing access to finance. Therefore, since the emergence of the ICD strategy on Islamic finance channels, the share of the financial sector and intermediaries in ICD’s investment increased until reaching 81% of Aid for Trade approvals and 68% of total ICD’s approvals over the period between 2014-2016.

ICD advisory services for the improvement of the capacity of local businesses

ICD is working with governments, investment promotion agencies, regulators and other stakeholders to create a rich business and investment environment, and strong institutional capacity for private sector actors in member countries. For this, ICD extends a number of schemes, including the Industry and Business Environment Support IBES (IBES) Program, Sukuk and Capital Markets Program, and Islamic Financial Institutions (IFI) Development Programs.

Since 2011, when the Advisory services function was established in the corporation, the ICD managed to sign around 50 mandates to improve the capacity of governments and businesses to integrate into domestic and international markets through increases in productivity & efficiency, improvement in corporate governance, and the development of new tools and mechanisms for access to finance. All these advisory projects help businesses develop capacities and ensure pre-conditions that somehow improve their ability to respond to international market opportunities.

The Islamic Development Bank Group Business Forum (THIQAH) facilitates contact and coordination between various entities within the IsDB Group, private sector firms and related institutions in member countries. Its primary focus is to maximize cross-border investments among member countries to be supported by IsDB Group’s financial products and services. In addition, one of THIQAH’s core services is helping in trade finance promotion and assist in the matching the exporters and importers among IsDB Group member countries.

During 2014-2016, THIQAH has successfully organized, co-organized and promoted a total of 67 international and regional conferences, and has conducted more than 100 business meetings and events at the THIQAH Office. THIQAH has also continued the search across member countries to identify appealing investment and trade opportunities (total of 30,000 +) and secure necessary information to be uploaded on the Forum’s portal. Many of the events organized by THIQAH promoted investments across borders, fostered, innovation and entrepreneurship, and brought private sector players together within high impact sectors.
In 2013, the Government of Djibouti requested ICD to assist in the regulation of its industrial zone program development and to strengthen the National Investment Agency in institutional, regulatory and capacity aspects. ICD’s mandate was to assist the country in finding the ways and means to increase the manufacturing capacity of Djibouti from 3% to 16% GDP by 2035, while maintaining a harmonious regional balance using Industrial Zones (IZ) within the framework of the country’s Vision 2035.

The project consists of two phases. As initially recommended by ICD in a preceding engagement, the first phase constitutes the building blocks for developing 219 hectares of industrial space that will contribute to investments of US$ 51 million in the most dynamic areas of Djibouti. Project activities included support to the National Investment Promotion Agency (NIPA) in the conception, elaboration and commercial management of an industrial zone program, while simultaneously strengthening NIPA staff capacity in industrial land management and investment promotion.

The second phase, signed in 2016, targeted to implement key activities leading to the development of the zones. They include capacity building for the National Investment Promotion Agency (NIPA) in the conception, elaboration and commercial management of the industrial zone program. The program is being successfully deployed as a south-south cooperation arrangement and is a model of IsDB’s Group synergy. Technical partners include the Tunisian Agency for Technical Cooperation, Tunisian Land Development Agency and Tunisian Foreign Investment Promotion Agency.
CHAPTER V:

ICI EC: FACILITATING TRADE AND INVESTMENT CONNECTIONS BY MITIGATING RISKS
The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) was established in 1994, as an autonomous multilateral export credit insurance entity, and a member of the Islamic Development Bank (IsDB) Group. ICIEC was established with the objective of increasing the scope of trade transactions of its member countries, and to facilitate foreign direct investments into these countries. ICIEC fulfills these objectives by providing appropriate Islamic Shariah-compliant credit and political risk insurance and reinsurance solutions.

ICIEC trade credit and investment risk insurance products are catalysts that enable the connectivity of business communities within its Member Countries and worldwide. As well, ICIEC products also significantly support “Aid for Trade” providing its member countries the required instruments to build their financial and competitive capacity to successfully trade with the rest of the world. These products not only assist in exporting goods and services, but also support FDI inflows and purchase of essential commodities, machinery, and equipment, which can be used to enhance the quality and quantity of exports.

ICIEC products support the growth of international trade and cross-border investments by insuring exporters, banks and project sponsors against the risk of non-payment due to political and commercial reasons. Through such instruments, ICIEC is supporting the growth, development and competitiveness of its Member Countries, and thereby significantly supporting the Aid for Trade initiative.

As noted earlier, ICIEC is supporting its member countries with Aid for Trade initiative in the form of credit and political risk insurance. As well, ICIEC is supporting its Member Countries and related manufacturing companies, exporters, importers, project sponsors, investors and financial institutions to reach more connectivity to business communities worldwide. During the year 2014-2016, total of investment and export credit insured by ICIEC reached to total of US$ 18.0 billion, of which US$ 2.9 billion was extended as investment credit insurance.
1.1 Textile Sector – Bangladesh
ICIEC insured Letters of Credit (LC) issued by Bangladeshi banks for imports of textile machinery. The LCs were for the import of textile machinery from non-member country exporters. The transaction took place under the import of capital goods scheme. This program allows ICIEC to insure such import transactions as the imported goods will contribute to the Bangladeshi economy by creating more jobs and increasing the country’s exports.

1.2 ICIEC Cooperating with Eco Bank – Africa
ICIEC and Eco Bank signed a “Documentary Credit Insurance Policy” (DCIP). This Insurance policy will permit Eco Bank to confirm LCs issued by Foreign banks with a coverage on these banks’ risk. It enables Eco Bank to increase its capacity to confirm exports LCs, by covering the risk of banks not acceptable by Eco Bank, or by covering the risk of banks for which the limit has been fully utilized. This policy enables Eco bank to undertake trade finance operations in 36 countries across the African continent.

1.3 Comprehensive Short Term Policy with Pharma International - Jordan
During the 4th Quarter of 1435H, ICIEC signed a Comprehensive Short Term Policy (CSTP) with Jordanian-based Pharma International, to cover their global portfolio of business amounting to US$100m dispersed in several countries in MENA Region, North America, Europe and South Africa. ICIEC insurance policy helps Pharma International to expand its business in many countries mainly in the MENA region and to benefit from financing facilities owing to ICIEC’s large network and to privileged relation with the relevant regulatory authorities in its Member Countries. The Policy also facilitates the inflow of generic products to a number of least developed countries.

1.4 Suez Canal project – Egypt
ICIEC collaborated with Atradius in insuring the new Suez Canal project in Egypt for two Dutch companies – Boskalis Westminster Dredging BV and Van Oord Dredging and Marine Contractors BV - for the dredging of the New Suez Canal in Egypt. ICIEC’s support in this large deal amounted to US $ 250 million. The New Suez Canal project aims to increase the capacity of the Suez canal by creating a 35 km by pass and by broadening and deepening of the existing canal over a stretch of 37 km enabling ships to navigate freely in two directions and to allow large ships (with draft of 66 feet) to transit. Furthermore, the project is part of the Suez Canal Corridor development project to transform the Canal area into a transport and industrial hub.
CHAPTER VI:
IsDB GROUP CAPACITY DEVELOPMENT AND REVERSE LINKAGE PROGRAMS
The Islamic Development Bank Group (IsDB), as the only multilateral development bank whose membership is drawn entirely from developing countries, is cognizant of the complementary role of South-South Cooperation in achieving its goals, and therefore, since its establishment, the Bank has been fostering cooperation and knowledge sharing amongst its member countries through numerous schemes.

The IsDB Group uses the South-South cooperation approach, among other project implementation modalities, to achieve its objectives of promoting economic cooperation among member countries through capacity development. This approach was first operationalized through its Technical Cooperation Program (TCP) (launched in 1983) that comprises different modalities such as training, workshops, seminars and expert-exchanges among member countries.

Based on the lessons learned from the Bank’s decades-long experience in this area, the Reverse Linkage (RL) modality was initiated in order to scale up its South-South Cooperation efforts, and to adequately address the emerging demands of its member countries through enhancing partnerships between member countries.

The IsDB Group defines RL as “a technical cooperation mechanism enabled by the IsDB Group Whereby Member Countries and Muslim communities in non-member countries exchange their expertise, knowledge, technology and resources to develop their capacities and devise solutions for their autonomous development”. Two Reverse Linkage projects are presented below to demonstrate how the RL modality helps in leveraging solidarity among the Member countries to solve development challenges.
Developing Capacity in Soil Mapping in Côte d’Ivoire

The overall goal of the project between Morocco and Côte d’Ivoire is to contribute to the efforts of the Government of Côte d’Ivoire in improving food security. More specifically, the project was designed with the aim to improve crop production and productivity in targeted areas. To achieve this objective, the partners agreed to: (i) the develop and roll out of adapted techniques for mapping soil fertility (ii) deploy a comprehensive system for crop fertilization; and (iii) build awareness and disseminate new expertise to improve crop production and productivity. The project was designed using the RL modality with the following prominent features:

- National Institute of Agricultural Research, Morocco (INRA) is the provider of expertise and know-how in the field of mapping soil fertility, fertilization and knowledge dissemination activities;
- Ministry of Agriculture and Rural Development, Côte d’Ivoire (MINADER), is the main recipient of the expertise and coordinator of the project;
- Islamic development Bank (IsDB) plays the role of a facilitator and catalyst by being engaged in the implementation and providing financial support;
- Moroccan Agency for International cooperation (AMCI) is the donor on behalf of the Moroccan government as provider country;
- Arab Bank for Economic Development in Africa (BADEA), as a development partner of the IsDB Group, will also contribute with an amount of US$ 350,000 to support the project.
- The total cost of this project (excluding in-kind contributions of the providers and recipient of expertise) is estimated at US$ 1.35 million. The IsDB Group will contribute a total amount of US$ 285,000 while leveraging the rest of the funds from its development partners.
Pakistan is considered as one of the most disaster prone countries in Asia. Nearly two-thirds of the country are earthquake prone. To deal with such situation, the Government of Pakistan needs assistance in building the local capacity in earthquake seismological research. On the other hand, Turkey, which also faces frequent and devastating earthquakes, has a very advanced and internationally recognized level of preparedness to deal with these risks.

Accordingly, the overall goal of the RL project is to contribute to the efforts of the Government of Pakistan in improving preparedness and management of disasters, particularly earthquake. This will be achieved through enhancing the capacity of the Seismic Division under Pakistan Metrological Department (PMD) in collecting, analyzing and reporting the data of (i) active faults, (ii) seismic activities and (iii) site classification.

The total cost of the project is estimated at US$ 1,012,000, and it will be implemented through the Reverse Linkage mechanism with the following prominent features:

- The TÜBİTAK Marmara Research Center (MRC), from Turkey, will be the provider of expertise and know-how in the field of earthquake seismological research. It will also provide funding to the project amounting to US$ 78,400.
- The PMD will be the main recipient of this project. The Government of Pakistan - through the Economic Affairs Division and PMP - will financially contribute to the project with total amount of US$ 223,000 in addition to its in-kind contribution;
- The IsDB Group will undertake an enabling role and facilitate the collaboration between all stakeholders in order to have a smooth project implementation. It will also provide funding to the project. The IsDB’s contribution will be in the amount of US$ 270,600 in the form of grant.
- Turkey, through TIKA, will be the primary donor of the project. The Statistical, Economic, and Social Research and Training Center of Islamic Countries (SESRIC) and Economic Cooperation Organization Science Foundation (ECOSF) will also contribute to the project. The total amount contributed by these donors to the project is US$ 440,000.
Strengthening Regional Connectivity with Soft Interventions

The IsDB Group initiatives for development of regional transport and energy infrastructure networks also include some interventions, which complement physical connectivity with “soft aspects” of regional integration. It is these soft interventions that make physical connectivity serve its main purpose, which is the flow of goods and people along these corridors.

In this direction, establishment of the Geographic Information System (GIS) database of regional infrastructure networks is IsDB’s recent initiative that covers 11 Member countries in Eurasia region. The GIS database will serve as an instrument for promoting multi-country investment planning and geo-mapping of physical/non-physical projects identified for infrastructure development and trade facilitation in the region.

The GIS initiative will also integrate hardware, software, and data for capturing, managing, analyzing, and displaying geographically referenced information and will align the existing regional integration initiatives of other partner institutions in IsDB member countries through a common GIS platform enabling the bank to monitor RCI initiatives in the region.

“‘Technical Assistance & Capacity Building Programme on Regional Integration and WTO Issues’ is one of IsDB programs, through which IsDB has engaged with its Member countries in their accession process to WTO and offering them with trainings, organizing workshops, seminars to make them take informative decisions on the subject matter. Other focus areas of the program include trade in goods and services, Customs and Trade Facilitation, Technical Barriers to Trade and sanitary and Phyto-sanitary measures, standards, establishing of one-stop-border- post, and assistance to accession to WTO.

In addition, support is also provided to the modernization of trade facilitation institutions for deeper integration. IsDB Group is providing important support in the areas of simplification and harmonization of customs documentation and procedures and technical assistance and training of officials.

WCO, WTO, UNCTAD, ITC are amongst the many organizations that IsDB Group has built partnerships with to conduct studies and capacity building programs to create efficient operations and transport for reducing trade costs in member countries. Along these same lines, IsDB Group has been establishing partnerships with the RECs whereby the IsDB Group identifies regional projects and aligns them to Duly Mandated Regional Organizations (DMRO).
The IsDB Group has also extended support to member countries to encourage them to sign and ratify the Intra OIC-Trade Preferential Scheme (TPSP) among OIC member countries. Special support was extended to countries in the area of trade facilitation as well as streamlining cross border trade measures and enhancing trade negotiations capacities. Activities included provision of technical assistance, studies, training, seminars and workshops.

Investment Promotion Technical Assistance Program (ITAP) is another technical assistance program helping IsDB Member Countries unlock their developmental potential through a comprehensive and integrated program of foreign investment promotion technical assistance.

ITAP’s focus areas include institutional development, sharing best practices, and information dissemination on investment opportunities in member countries. The program includes FDI Needs Assessment Studies, Specific sectors assessment, Capacity Building of Investment Promotion Agencies, Country Promotion events, Investors’ Matchmaking, Investment Environment Policy Advice.
Annexes:

List of AFTIAS Projects:

- **Support to the League of Arab States** in promoting regional trade integration, through the strengthening of the capacity of the Department of Economic integration, Economic Affairs at the Secretariat of the Arab League (implemented by UNDP);

- **Performance improvement of the trade and transport corridors** between Sudan and Egypt, Egypt and Saudi Arabia, Saudi Arabia and Jordan, through the enhancement of customs procedures and the equipment of the border centres (implemented by the UNDP);

- **Improvement of regional competition by addressing non-tariff measures** in Egypt, Jordan, Morocco, Palestine, Saudi Arabia, Sudan, and Tunisia and identifying concrete actions at national and regional levels to eliminate non-tariff restrictions (implemented by ITC);

- **Support to the accession of Sudan and the Comoros to the World Trade Organization (WTO)** by providing technical support and capacity building in the field of trade policy, institutional and legal frameworks related to trade reform (UNCTAD);

- **Enhancing the skills of workers in selected export sectors in Egypt** through the application of training tools that aim to help matching the needs of the industry and the skills of job seekers in the sectors of food industry, wood and furniture (implemented by ILO);

- **Strengthening of trade support institutions** in Algeria, Egypt, Kuwait, Lebanon, Oman and Saudi Arabia to improve their advisory support services extended to SMEs, particularly in the area of export marketing & promotion (implemented by the ITC);

- **Support to small and medium-sized companies** in the Gulf Cooperation Council (GCC) for access to foreign markets project by providing advisory services related to the standardization, development of quality infrastructure to be able to internationally recognized quality certificates (implemented by UNIDO);

- **Training of Youth for Employment in international trade**, a skill and knowledge development program for youth in the area of international, multilateral trading systems, product& quality & market development themes (implemented by Foreign Trade Training Center (FTTC), Egypt);

- **Capacity Building and Institutional Support Program for Nouadhibou Free Zone** of Mauritania to adopt international practices in organization design, human resources management, financial planning and management (implemented by Islamic Corporation for Development of Private Sector, ICD, IsDB Group).

- **Feasibility Study to set up a Handicrafts Export Village – Djibouti**: Development of institutional management capacities that will be responsible for managing and administrating the Handicrafts export village. (ITC implementing agency)

- **National Trade Strategy to support Algeria’s Economic Diversification**: Technical assistance and policy development support for the preparation of national economic diversification plan and trade strategy. (ITC implementing Agency)

- **Capacity Building for Palestinian SMEs Companies**: a market access support program for selected SMEs to equip them with physical quality infrastructure required for international quality certification. (UNIDO Implementing Agency)

- **Expanding SME upgrading approach in Tunisia to innovation and export**: SMEs support program aims at enabling them export based on the competitiveness developed through innovation (UNIDO Implementing Agency)

- **Study for Development of Logistical Platforms for Trade & Investment Facilitation between Morocco and Sub-Saharan Africa**: A regional diagnostic study aims at identifying logistical & transport gaps between North African Countries and SSA countries (SNTL Implementing Agency)